



INVESTMENT ANALYSIS

HEALTHCARE REFORM: NAVIGATING THE INVESTMENT LANDSCAPE

March 29, 2010 / Vol. 77, No. 47

The Obama administration's recent enactment of healthcare legislation was a remarkable bit of political maneuvering and an accomplishment that had eluded presidents for more than 60 years. The new law will have far-reaching implications for the U.S. healthcare sector, benefiting some companies and posing serious risks for others. Our goal in this report is to identify industry segments and individual stocks that may be positively or negatively affected by the law, also known as the Patient Protection and Affordable Care Act. At the heart of the legislation are provisions that could extend health insurance coverage to an estimated 32 million uninsured Americans.

The Congressional Budget Office insists that the legislation will save the government money in the long run. Though the plan is expected to cost \$938 billion over the next 10 years, the CBO also expects it to cut costs by \$143 billion during that time — and significantly more in the following decade. The early cost cuts will come from reducing Medicare payments to hospitals and healthcare providers. The plan will also include new taxes on insurers, pharmaceutical and biotech companies, and medical device manufacturers, as well as higher Medicare and investment income taxes on wealthy individuals and families. At the same time, through new mechanisms such as state-run insurance exchanges, millions of uninsured Americans, effectively excluded due to pre-existing conditions or for cost reasons, will be able to buy coverage at an affordable price. This will expand the market for insurers, prescription drug and device manufacturers, pharmacy benefit managers, and hospitals, and help to offset the impact of higher taxes on healthcare companies.

One of the most controversial provisions of the plan is the insurance coverage mandate, as fines designed to help pay for coverage would be imposed on those electing not to participate. On the one hand, some insurance companies have argued that the specified fines are too low, and that many younger, healthier individuals (those that the insurers would most like to add to their rolls) will simply pay the fine and forego coverage. In the event of serious illness or accident, these uninsured individuals will continue to be treated in hospital emergency rooms, where their bills will often become bad debt expense. On the other hand, many simply oppose the mandate as an unwarranted government intrusion, citing personal freedom and states' rights issues, and object to fines at any level.

Galvanized by the mandate issue, Republicans and other opponents have vowed to fight for repeal. But those efforts may falter when they assess just what it is they will be fighting against. With tactical savvy, Democrats appear to have outflanked Republicans by bundling the insurance mandate with family-friendly provisions designed to repair holes in the national health fabric.

The closing of the so-called "donut hole" in seniors' prescription coverage, for example, has obvious appeal. Similarly, allowing families to cover children up to 26 years of age on family insurance plans is a family-friendly provision that has particular resonance at a time when many graduating college students face bleak job prospects. The creation of "high-risk pools" within three months time will also reduce instances of chronically ill individuals being dropped by their longtime carriers, and enable sick children to obtain coverage. In our media-saturated society, the sight of a sick child denied healthcare coverage trumps rallying cries based on personal freedom and states' rights any day of the week.

From an investment perspective, the winners and losers will be determined in the marketplace as the plan is implemented. In the following pages, Argus Analysts David Young and Mike Newshel, CFA, provide some of their thoughts on the best-positioned companies, and those most at risk.

HEALTH INSURANCE

Under the healthcare law, insurance companies will be forced to make tough choices about which markets to remain in — and which to exit — as new rules will likely hurt profitability in the individual and small group segments. In particular, we believe that provisions extending the guaranteed issue of health insurance (i.e., regardless of current health, age, gender, or other factors that might predict one's future use of medical services) to individual and sole proprietorship plans from those covering small companies with 2 to 50 employees will fundamentally alter the risk and actuarial calculations that insurers use to set rates. This is also true for the ban on policy exclusions for pre-existing conditions. Moreover, insurers will be unable to continue their practice of “age banding,” that is, setting premiums for the oldest individuals that are more than three times those set for the youngest individuals. As a result, some insurers may find it difficult or impossible to profitably underwrite individual and small group coverage, and may need to exit these markets, which until now have typically been more profitable than large group coverage. Meanwhile, individuals unable to obtain coverage from private insurers will be able to obtain it within a temporary, government-subsidized national “high-risk-pool” for the hard to insure.

In addition to creating this “high-risk pool,” the law will establish state and regional insurance exchanges, supported by federal startup funding, that will encourage new entrants to offer health plans and increase competition for incumbent players in the individual and small group markets. The exchanges will thus help to provide more choices to individuals and small groups. They will also have mechanisms to scrutinize insurers for very large premium hikes.

Another provision that could pressure profitability is the requirement that health plans spend at least 80% of premium revenue on medical costs (i.e., the medical cost ratio or MCR) for individual and small group plans, and at least 85% for large groups and Medicare Advantage. This puts a limit on the ability of insurers to boost profitability by cutting the MCR. However, this negative may be offset by new rules allowing insurers to shift expenses for medical management and quality improvements, formerly classified as administrative costs, to medical costs, for the calculation of the MCR.

As noted above, the law also imposes new taxes on the insurance industry. The new levies start at \$8 billion in 2014 and rise to \$14.3 billion in 2019.

On the positive side, the law will expand the number of people eligible for Medicaid by raising the minimum income level. This will create opportunities for insurers that provide managed care plans under contracts with state-run Medicaid programs. These experienced insurers will have competitive advantages in bidding for new contracts.

Despite this positive, insurers will clearly face a tougher competitive and economic landscape. Still, it could have been worse, as they will not have to compete with a government-run health plan (i.e., the “public option”) as this provision was excluded from the Senate bill (though it was in the House bill) that ultimately became law. While some of the new provisions (such as the temporary high-risk pool) become effective within 90 days of enactment, others (including the state exchanges) will take effect in 2014.

We now take a closer look at the impact that the law is likely to have on four insurers in our coverage universe.

Because WellPoint (NYSE: WLP: HOLD) has sizable operations in both the individual and Medicare Advantage markets, we see significant risks for the stock under the new legislation. The company has more than 2.3 million individual members, representing just over 6% of its total. It also has a large presence in California, with about 800,000 members. Its efforts to raise premiums on individual plans in that state after incurring losses have led to considerable negative publicity as well as political opposition in California and in Washington. Operating under the Blue Cross franchise, WellPoint, through its Anthem subsidiaries, has a significant presence and invested capital in the individual and small group markets in 14 states. In Texas and Illinois, where it does not have the Blue Cross brand, WellPoint is exiting the individual market due to operating losses. The provisions related to guaranteed issue and pre-existing conditions as well as the high-risk pools and state exchanges may force WellPoint to exit other markets that are no longer economically viable.

We see Humana (NYSE: HUM: HOLD) as facing significant risks because of its very large Medicare Advantage (MA) business. Managing MA plans constitutes more than 50% of the company's revenue and at least 50% of earnings (HUM does not disclose earnings by business segment). In addition to facing the minimum MCR requirement for MA plans discussed above, Humana, like other companies offering MA plans, will have to cope with reduced premium subsidies from the Centers for Medicare and Medicaid (CMS), probably by raising premiums or revising the benefit package. While the company has been very successful in growing its MA membership, we think that these changes will force it to boost marketing spending in order to increase membership. Still, the possibility of exits by smaller players in certain markets may open expansion opportunities for a company of Humana's size.

On the other hand, the expansion of Medicaid programs may offer opportunities for Aetna (NYSE: AET: BUY) and UnitedHealth Group (NYSE: UNH: HOLD), which both have sizable Medicaid contracts in several states. Furthermore, Aetna and UnitedHealth have some insulation from the new law

HEALTH INSURANCE (CONTINUED)

because of their diversification. Aetna has been expanding in international insurance markets, while UnitedHealth has higher-growth, higher-margin noninsurance businesses in such areas as financial services, claims management, contract pharmaceutical research, and database analysis. Coincidentally or not, during the week the new law was signed, UNH acquired a company that provides comparable effective analysis, an area that will receive

increased funding under healthcare reform. At the same time, UNH still has sizable businesses in the individual and Medicare Advantage markets, and thus faces many of the same risks as Humana. We also note that Aetna has been relatively more selective in pursuing the individual and Medicare markets, and thus has greater protection from the legislative risks that we discuss here.

HOSPITALS

By extending coverage to millions of uninsured Americans, the new healthcare law will clearly benefit hospital operators, such as Health Management Associates (NYSE: HMA: BUY). More patients with coverage should reduce the volume of uninsured admissions at hospitals and lower bad debt expense. These patients will also be more likely to elect surgical procedures at hospitals such as HMA's facilities

in the South and Southeast. This should drive both revenue growth and profitability, as surgeries are typically higher-margin activities. At the same time, we note that HMA has been bolstering its balance sheet and improving its cash flow, enabling it to invest in new equipment and facilities. The company is also recruiting both full-time and affiliated physicians to increase referrals to its facilities.

PHARMACY BENEFIT MANAGERS

The last time federal legislation had an impact on pharmacy benefit managers was in 2003, when the Medicare Improvement Act was passed. This law created a prescription drug benefit for seniors under Part D of Medicare. The spin-off of Medco Health Solutions (NYSE: MHS: HOLD) was perfectly timed to take advantage of the increased volume of prescriptions being processed by retail stores and through the

mail. For this report, we are highlighting Catalyst Health Solutions (NGS: CHSI: BUY), whose target price we recently raised to \$47. The new healthcare law closes the "donut hole," a gap in reimbursement coverage for prescription drugs. We believe that this provision, together with the expansion of coverage to the formerly uninsured, will result in higher prescription volumes and increased retail and mail fulfillment for CHSI.

MEDICAL DEVICES

The medical device industry will be required to pay a new excise tax of 2.3% on product sales, beginning in 2013. The funds raised, like the new fees being imposed on the pharmaceutical industry, will help pay for healthcare reform.

While the device tax would reduce earnings, it may be offset by the expected increase in the number of surgical procedures as more insured patients are admitted to hospitals. These activities could increase demand for devices such as implants and instruments.

In all, we view the new law as neutral to slightly positive for

device companies in our coverage universe. For companies such as Integra LifeSciences (NGS: IART: BUY) and Zimmer Holdings (NYSE: ZMH: BUY), whose products are used in orthopedic surgery, the new law may expand the addressable market of patients choosing surgical procedures to repair joints and shore up painful back conditions. The law also provides incentives to hospitals to adopt new technologies to prevent healthcare-acquired infections (HAIs). Becton Dickinson (NYSE: BDX: BUY) makes products to speed up the diagnosis of HAIs, and may thus benefit from this provision.

PHARMACEUTICALS

We view the passage of the healthcare bill as a victory for the pharmaceutical industry. After playing an instrumental role in defeating the Clinton administration's efforts at reform in 1993, this time around the industry decided to work with the Obama administration and made financial concessions in order to avoid the most onerous threats. Indeed, the best news about the bill for pharma companies is what is left out: no price controls or broad negotiating leverage for Medicare on drug prices, no reimportation of cheaper drugs from abroad, no rebates for "dual eligibles" who qualify for Medicaid but have to pay Medicare's higher drug prices, and no prohibitions on "pay for delay" legal settlements to hold off generic competition.

What the bill does include is very close to the agreement that the industry struck with the White House and the Senate Finance Committee chairman last summer. Through annual fees averaging \$2.8 billion and discounts on brand-name drugs to close the so-called donut hole in Medicare Part D's prescription coverage, pharmaceutical manufacturers will collectively pony up an estimated \$90 billion over the next decade. In exchange, the industry will gain a huge influx of new customers: the estimated 32 million uninsured people expected to obtain coverage by the end of the decade. Prescription drug coverage is included in the "essential benefits package" that will be mandated for all health plans by 2014. Accordingly, we expect this 15% increase in the ranks of insured Americans below the age of 65 to drive up drug sales, outweighing the industry's \$9 billion annualized outlay, which equates to less than 3% of total U.S. prescription drug sales.

Among the 29 million seniors enrolled in Medicare Part D, gradually filling in the donut hole over the next decade should increase brand-name drug volume, though at the cost of a 50%

discount on pricing. Currently, enrollees whose annual drug spending exceeds the initial limit of \$2,830 must bear the full burden of any additional costs until they reach the "catastrophic" cap of \$6,440, creating financial pressure to switch to cheaper generics and causing many seniors to stop filling some prescriptions altogether (an estimated 15% of those who reach the coverage gap, according to one study). Relieving seniors of this pressure should lead many of them to stay on their brand-name medications, and it is possible that the resulting increase in volume could be high enough for some drug makers to fully offset the 50% discount (which applies only to spending within the gap).

Finally, the mere fact that a bill has finally been signed into law lifts a cloud of uncertainty that has increased volatility in pharma stocks for more than a year. The industry still faces the long-term headwinds of patent cliffs and pricing pressure, but now, just as many of the industry's top sellers are losing exclusivity, the blow could be softened by the tens of millions of people with new or improved drug coverage.

In particular, we currently have two big pharma companies on our BUY list that stand to benefit from this bill: Pfizer (NYSE: PFE: BUY) and Bristol-Meyers Squibb (NYSE: BMY: BUY). Both companies are about to lose exclusivity for their top sellers, with the patents for Bristol's Plavix and Pfizer's Lipitor expiring next year. The anticipated onslaught of generic competition will still erode sales of these and other products that go off patent, but the closing of the donut hole may help the companies hold more of the market than might otherwise have been possible. Meanwhile, their drugs that still enjoy patent protection should get a boost from the increase in the health insurance rolls. We also note that R&D at Pfizer and Bristol is shifting from traditional drugs toward biologics, which means the legislation's advantages for the biotech industry also apply.

BIOTECHNOLOGY

In addition to the benefits of more insured patients for the overall drug industry, the biotech sector is celebrating a particular coup in the healthcare bill. A provision that was hotly debated – but outside of the spotlight – was the establishment of an abbreviated approval pathway for follow-on biologics (complex proteins produced by living cells, as opposed to traditional small-molecule, chemically produced drugs). Just as the Hatch-Waxman Act did for generic drugs 25 years ago, this bill allows generics manufacturers to piggy-back on existing efficacy and safety data instead of conducting expensive clinical trials on their own in order to win FDA approval for the generic equivalents of biologicals (called “biosimilars” in acknowledgement that the copies are not exact).

Although this opens the U.S. market for new rivals, innovator companies will be protected from biosimilar competition for a minimum of 12 years following FDA approval (even if related patents are set to expire beforehand), versus just five years of guaranteed exclusivity for small-molecule drugs. For a blockbuster product, an additional seven years of exclusivity translates into billions of dollars in additional shareholder value. We think that Congress still would have created an abbreviated pathway in separate legislation even if a broad healthcare package had failed to pass, but there was a risk that opposition from the White House and some in Congress could have whittled down the exclusivity period in a more direct debate. In sum, a pathway for biosimilars was all but inevitable, but in the fight over the details, the biotech industry has emerged a winner.

And even when biosimilars eventually reach the U.S. mar-

ket, the competition will not be as damaging as the impact of generics on brand-name drugs. We believe the high cost and complexities of producing biologics are hurdles that will limit the number of competitors and protect gross margins, while the more significant differences between competing biologics will most likely make physicians’ preference for brand names stronger than has been the case for traditional drugs. In Europe, where biosimilars have been available for several years, pricing for products facing such competition has dropped only about 30% (versus declines of 50%-90% in markets with generics), and the market share for most biosimilars remains below 10% (versus 80% within months of introduction for generics).

The most direct beneficiaries of a biosimilars pathway with a long period of exclusivity are branded drug companies with large pipelines focused on biological drugs. Under Argus coverage, this includes the large-cap biotechs Gilead (NGS: GILD: BUY), Biogen (NGS: BIIB: BUY) and Genzyme (NGS: GENZ: BUY). The pipeline of Amgen (NGS: AMGN: HOLD) should also benefit, but we note that the company’s existing ESA franchise, which has generated billions in annual sales in the absence of U.S. competition and accounts for over a third of its revenues, will probably be among the first targets of biosimilar rivals. We also note that the line between traditional pharmaceuticals companies and biotech is blurring, and that many big pharma companies are refocusing their R&D efforts on biologics. We thus expect companies such as Pfizer, Bristol-Meyers Squibb and GlaxoSmithKline (NYSE: GSK: HOLD) to eventually benefit from this provision as well.

GENERICS

Generics firms had mixed success in some lobbying battles that were particularly relevant to them, but we believe the overall bill – not to mention the long-term trends in the healthcare industry – favor them. With generics' share of U.S. prescriptions already at 60% and set to spike higher as numerous blockbuster drugs go off patent, most of the additional sales volume generated by the increase in the insurance rolls will flow to generics firms. Even in Medicare, where closing the donut hole may remove an incentive for many seniors to switch from brand names to cheaper alternatives, generics firms can still look forward to patent expirations for all 10 of the most commonly prescribed brand-name drugs in Part D plans by 2014 – years before the donut hole will be completely filled in 2020.

The generics companies' failed to get the shorter exclusivity period for biologics that they wanted, but they are not necessarily losers on this front. They clearly would have been better off if the period was closer to five years than 12, but the fact that there is now a pathway at all (versus none previously) is more important than the length of the exclusivity period, in our view. This opens the door to a lucrative new market for generics manufacturers, many of which are already gearing up to exploit it.

The fact that "pay for delay" deals were not banned by the healthcare legislation is a win for both sides in patent litigation. The large cash settlements often paid by brand-name drug makers in such cases are dwarfed by the additional sales to be gained by holding off competition for even a few months, while the possibility of such payouts makes the litigation of patents a potential source of profits in itself for the generics firms. The FTC has been pushing hard to put a stop to such agreements, calling them anticompetitive, and Congress could still end up taking action in separate legislation. That said, we think the brand-name companies have more to lose than the generics firms

if this practice is outlawed.

Finally, we note one provision that could reinforce the cost advantage for the generics side of the drug business. The bill includes a \$500 million annual budget for comparative effectiveness studies. Although clinical effectiveness, not cost control, is the explicit target, the research could nonetheless determine whether the premium cost of a branded drug is justified for certain conditions when a generic alternative is available. Such research could end up creating a higher hurdle for branded medications to gain acceptance in the marketplace.

The two generics manufacturers covered by Argus, Mylan (NYSE: MYL: HOLD) and Watson (NYSE: WPI: HOLD), are both positioned to benefit from this bill. Mylan's recent acquisitions of Merck KGaA's generics business and Matrix and Mylan's merger with Arrow have expanded their global footprints in a business where scale is important. And both – Mylan through a development collaboration with Biocon and Watson via its purchase of full ownership of Eden Biodesign – are laying the groundwork to enter the biosimilars market. Given the complexities of manufacturing biologics, the generics firms that establish technological expertise in this area will have a strong competitive advantage in the biosimilars space and will enjoy less competition and higher margins compared to the traditional side of their business. Our HOLD ratings on Mylan and Watson reflect what we view as their fair valuation for the short term, but we have positive long-term outlooks for both and will be looking for upgrade opportunities as Mylan continues to pay down the substantial debt related to the Merck acquisition and as Watson moves past the recent loss of its top seller, the branded drug Ferlecit. We also note that many big pharma companies are diversifying into generics in order to cope with the loss of patent protection for their top branded products. In particular, Pfizer and GlaxoSmithKline have been shopping for generics firms to acquire.

ARGUS-COVERED HEALTHCARE STOCKS

Company	Ticker	Rating	Recent Price	12-Month Low	12-Month High	Target Price	Current FY Est. EPS	Next FY Est. EPS	5-Year Est. EPS Growth %	P/E Ratio	Div. Annual Rate	Yield
AmerisourceBergen Corp	ABC	BUY	28.60	15.75	29.43	32	1.96	2.10	10	14.6	0.32	0.011
Abbott Laboratories	ABT	BUY	53.52	41.27	56.79	58	4.21	4.70	11	12.7	1.6	0.03
Aetna Inc	AET	BUY	34.79	21.55	35.24	37	2.75	3.40	15	12.7	0.04	0.001
Baxter International Inc	BAX	BUY	58.72	45.46	61.88	68	4.23	4.65	12	13.9	1.04	0.018
Becton Dickinson & Co	BDX	BUY	78.87	60.40	80.56	90	5.15	5.58	11	15.3	1.48	0.019
Boston Scientific Corp	BSX	HOLD	6.96	6.31	11.77	-	0.50	0.57	18	13.9	-	-
Cardinal Health Inc	CAH	HOLD	35.75	20.80	36.35	-	1.97	2.16	15	18.1	0.7	0.02
Catalyst Health Solutions Inc	CHSI	BUY	42.62	18.40	43.88	47	1.84	2.16	25	23.2	-	-
CIGNA Corp	CI	HOLD	36.10	16.70	39.26	-	3.88	4.01	10	9.3	0.04	0.001
eHealth Inc	EHTH	HOLD	17.31	12.90	19.60	-	0.54	0.64	10	32.1	-	-
Express Scripts Inc	ESRX	BUY	100.58	42.75	103.24	110	4.84	6.10	15	20.8	-	-
Health Mgmt Assocs Inc	HMA	BUY	8.63	2.31	9.12	10	0.55	0.65	8	15.7	-	-
Hansen Medical Inc	HNSN	SELL	2.11	2.05	7.30	-	-1.65	-1.25	20	-1.3	-	-
Hologic Inc	HOLX	HOLD	18.52	11.36	19.72	-	1.16	1.25	18	16.0	-	-
Humana Inc	HUM	HOLD	47.87	23.49	52.66	-	5.35	5.40	11	8.9	-	-
Integra Lifesciences Hldgs Cor	IART	BUY	43.91	22.15	44.99	40	2.11	2.36	20	20.8	-	-
Johnson & Johnson	JNJ	BUY	64.57	50.12	65.95	71	4.91	5.34	9	13.2	1.96	0.03
McKesson Corp	MCK	HOLD	64.17	33.13	65.66	-	4.57	4.69	10	14.0	0.48	0.007
Allscripts Misy HealthCare	MDRX	BUY	19.80	9.70	22.21	24	0.63	0.79	20	31.4	-	-
Medtronic Inc	MDT	HOLD	44.98	28.00	46.66	-	3.18	3.44	15	14.1	0.82	0.018
Medco Health Solutions Inc	MHS	HOLD	65.39	37.93	66.94	-	2.81	3.23	13	23.3	-	-
Nighthawk Radiology Hldgs Inc	NHWK	HOLD	3.15	2.48	7.75	-	0.38	0.47	26	8.3	-	-
St Jude Medical Inc	STJ	HOLD	41.26	31.66	41.96	-	2.73	3.01	15	15.1	-	-
Stryker Corp	SYK	HOLD	57.68	32.34	58.49	-	3.24	3.60	20	17.8	0.6	0.01
UnitedHealth Group Inc	UNH	HOLD	33.12	19.85	36.07	-	2.92	3.24	15	11.3	0.03	0.001
WellPoint Inc	WLP	HOLD	63.59	35.08	70.00	-	5.70	6.60	15	11.2	-	-
Zimmer Holdings Inc	ZMH	BUY	57.48	35.36	64.77	64	4.26	4.70	17	13.5	-	-
Affymax Inc	AFFY	BUY	22.21	14.63	25.64	30	-1.44	1.59	25	-15.4	-	-
Allergan Inc	AGN	HOLD	64.06	43.01	65.05	-	3.14	3.51	12	20.4	0.2	0.003
Amgen Inc	AMGN	HOLD	59.26	44.96	64.76	-	5.12	5.56	15	11.6	-	-
Ariad Pharmaceuticals Inc	ARIA	HOLD	3.39	1.15	3.92	-	-0.68	-0.50	25	-5.0	-	-
Biogen Idec Inc	BIIB	BUY	58.27	41.75	60.28	65	4.68	4.85	8	12.5	-	-
Bristol-Myers Squibb Co	BMJ	BUY	26.78	18.83	26.93	30	2.22	2.50	5	12.1	1.28	0.048
Celgene Corp	CELG	BUY	62.70	36.90	65.79	65	2.61	3.33	25	24.0	0	0
Cephalon Inc	CEPH	HOLD	70.82	52.55	72.68	-	6.32	6.93	15	11.2	-	-
Amicus Therapeutics Inc	FOLD	HOLD	3.33	3.04	13.50	-	-2.13	-2.00	-	-1.6	-	-
Forest Laboratories Inc	FRX	HOLD	31.22	20.93	33.10	-	3.48	3.78	10	9.0	-	-
Genzyme Corp	GENZ	BUY	51.13	47.09	63.47	65	2.60	3.85	20	19.7	-	-
Gilead Sciences Inc	GILD	BUY	45.95	41.31	50.00	58	3.59	4.17	15	12.8	-	-
GlaxoSmithKline PLC	GSK	HOLD	38.42	28.67	43.47	-	3.67	3.97	8	10.5	1.93	0.05
Incyte Corp	INCY	BUY	13.92	1.96	14.44	14	-1.40	-1.30	25	-9.9	-	-
Eli Lilly and Co	LLY	HOLD	35.98	30.91	38.00	-	4.69	4.57	-5	7.7	1.96	0.054
MAP Pharmaceuticals Inc	MAPP	HOLD	16.30	2.00	17.83	-	-1.96	-1.62	-	-8.3	-	-
Medicines Co	MDCO	HOLD	7.84	6.15	12.12	-	0.67	0.09	10	11.7	-	-
Merck & Co Inc	MRK	HOLD	37.78	22.33	41.56	-	3.40	3.88	5	11.1	1.52	0.04
Mylan Laboratories Inc	MYL	HOLD	22.26	11.66	23.30	-	1.57	1.84	18	14.2	0	0
Neurocrine Biosciences Inc	NBIX	BUY	2.67	1.94	3.97	5	-0.55	-0.84	20	-4.9	-	-
Pfizer Inc	PFE	BUY	17.39	12.75	20.36	21	2.30	2.30	2	7.6	0.72	0.041
United Therapeutics Corp	UTHR	BUY	55.99	27.35	61.97	68	1.93	2.73	25	29.0	-	-
Watson Pharmaceuticals Inc	WPI	HOLD	41.38	28.06	42.50	-	3.20	3.57	10	12.9	-	-
XenoPort Inc	XNPT	SELL	9.06	6.39	25.42	-	-2.20	-2.00	25	-4.1	-	-

Data as of 3/25/2010

Argus Research is an independent investment research provider and is not a member of the FINRA or the SIPC. Argus Research is not a registered broker dealer and does not have investment banking operations. The Argus trademark, service mark and logo are the intellectual property of Argus Group Inc. The information contained in this research report is produced and copyrighted by Argus, and any unauthorized use, duplication, redistribution or disclosure is prohibited by law and can result in prosecution. The content of this report may be derived from Argus research reports, notes, or analyses. The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Argus makes no representation as to their timeliness, accuracy or completeness or for their fitness for any particular purpose. This report is not an offer to sell or a solicitation of an offer to buy any security. The information and material presented in this report are for general information only and do not specifically address individual investment objectives, financial situations or the particular needs of any specific person who may receive this report. Investing in any security or investment strategies discussed may not be suitable for you and it is recommended that you consult an independent investment advisor. Nothing in this report constitutes individual investment, legal or tax advice. Argus may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this report, and all opinions are reflective of judgments made on the original date of publication. Argus is under no obligation to ensure that other reports are brought to the attention of any recipient of this report. Argus shall accept no liability for any loss arising from the use of this report, nor shall Argus treat all recipients of this report as customers simply by virtue of their receipt of this material. Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance. Argus has provided independent research since 1934. Argus officers, employees, agents and/or affiliates may have positions in stocks discussed in this report. No Argus officers, employees, agents and/or affiliates may serve as officers or directors of covered companies, or may own more than one percent of a covered company's stock.

