



July 16, 2007

The Honorable Dan G. Blair
Chairman
Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington DC 20268-0001

Dear Chairman Blair,

Medco Health Solutions (Medco) is grateful for the opportunity to comment on PRC Order No. 21, the Postal Regulatory Commission's Notice of Request for Comments on Modern Service Standards and Performance Measurement for Market Dominant Products (Docket No. PI2007-1).

Medco is a Prescription Benefits Manager (PBM), and has one of the largest mail order pharmacy operations in the United States. It utilizes an array of package products from the major U.S. shippers to transport and deliver medication to our patients, but over 60 million of these packages will be delivered by the United States Postal Service this year. In addition, we utilize the USPS for our tens of millions of inbound and outbound letters. As such, service standards and measurement for all USPS products is extremely important to Medco, whether the product consists of letters or packages.

We continue to actively work on the Mailer's Technical Advisory Committee (MTAC) Workgroup #114 for Service Standards and Measurement, with additional focus on package services and parcels. In addition to supporting the work of the various subgroups, Medco would like to offer specific comments that relate directly to the package side of our business.

Delivery Standards

Medco firmly believes that the standards, as defined below, will enhance our needs for reliability. Our requirement for 98% of the packages to be delivered within the standards blends the industry need for consistency with the USPS's need for deferability. We support the origin and destination-entry standards, including those shown below, at a minimum:

Destination Entry Standards

DDU – 98% of packages delivered within 2 days of entry at DDU

DSCF – 98% of packages delivered within 3 days of entry at DSCF

We believe that the proposed service standards can be met without the introduction of increased cost to the USPS. This can be accomplished through the use of service data to effectively analyze



the operation and transportation networks. The analysis will illuminate areas driving inefficiencies in cost and service, allowing adjustments to be made to correct the issues.

“Tail of the Mail”

Medco views the “Tail of the Mail”, or packages delivered outside of the acceptable standards, as an area that will need the utmost attention. These packages negatively impact our customers, which reduces the customer satisfaction for both Medco and the USPS. The net result is dissatisfied customers and increased customer service and operating costs. Therefore, the identification and measurement of these packages is crucial to resolving the issues that cause them to be delayed, as is discussed in the service measurement portion of this document. We propose that additional time be allotted in the service standards to enable these packages to be delivered for all package services. Specifically, we propose an additional day in the service standards at destination entry (DDU and DSCF) to capture the delivery of the remaining 2% of packages.

We do understand that the service standards are currently being re-evaluated by the USPS, and would request the opportunity to provide a second round of comments once the analysis has been made public.

Service Measurement - Tracking

Medco believes that the key to future success lies in the source of the service data. The Intelligent Mail Barcode, or specifically the Delivery Conformation product, will enable the USPS to gather the necessary information regarding initial service for packages. It is important to note, however, that the use of test packages would not offer the same level of applicability or accuracy, as external sources can not accurately duplicate our package types and networks.

Therefore, we believe that the correct mechanism to ensure reliable and relevant service data would be to build the Delivery Confirmation product into all packages. As a required product component, it will both improve the overall scan rates and reduce the overall costs to obtain the delivery scans, as **no** “scan or no scan” decision will be required of the individual letter carriers; every package will need to be scanned.

We would request that future generations of equipment and barcodes be researched to enable more scans per package, as these facility-level scans will provide the data needed to identify other service issues. We would not expect these to be included in the initial proposal, but rather in 2009 and beyond.

Service Measurement - Reporting

Medco feels that reporting is a key component of the overall performance measurement process, and can be broken into two areas.

1) Shipper Specific Reporting

Accurate reporting is needed to identify the service at each of the shipper’s locations, by sub-class of service. It is important to note that this service information needs to identify:

- a) The packages delivered in each of days one through six from the destination entry date, by USPS location, and entry type.
- b) The packages delivered outside of the acceptable standards, by day. As discussed earlier in this document, the “tail” of the mail is an area that Medco would like to see additional focus of attention, so the identification of these, by USPS location, is crucial.
- c) The packages “filtered” from the service measurement process. In order to better understand any potential service issues, these packages will need to be identified and quantified.
- d) The packages subject to exception scans. These packages are important in identifying and preventing future potential service issues.

2) Aggregate Reporting

Accurate reporting is needed of all aggregate volume, by sub-class. These reports should mimic the shipper-level reports, as described above, but will have the aggregate volume for all shippers quantified. This will be crucial to measure the service numbers of each shipper against the overall service data for the sub-class as a whole.

We firmly believe that both the USPS and shippers will benefit from the standards and measurement proposed, as the increased reliability will breed new volume for the USPS and will increase the satisfaction levels of the shippers and their customers.

Respectfully Submitted,

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