



Statement of

CVS Caremark Corporation

Presented to

The Postal Regulatory Commission

On

United States Postal Service's Six-day to Five-day Street Delivery and Related  
Service Changes (Docket N2010-1)

June 21, 2010

Chicago, IL

Members of the Commission:

My name is Kenneth Czarnecki and, on behalf of CVS Caremark, I thank you for the opportunity to present our views on the proposed reduction in the United States Postal Service's (USPS) mail delivery to five days per week.

I am Senior Vice President of Mail Pharmacy Operations for CVS Caremark. In my position, I oversee the company's mail service pharmacy operations and ensure that the company's plan members receive the highest quality, most timely and most cost effective mail pharmacy service, while delivering a superior plan member experience. Before joining the company I was Director of Supplier Quality Engineering for Dell and Director of Notebook Computer Operations, and worked for IBM in a variety of executive operational roles driving improved customer satisfaction, quality and business process improvement.

As America's leading pharmacy health care company, CVS Caremark is uniquely positioned to provide affordable, convenient access to pharmacy and health care services through our retail and mail delivery channels. Today, CVS Caremark is one of the largest pharmacy benefits management (PBM) companies providing valuable pharmacy care management services to patients as well as public and private payors. CVS Caremark works collaboratively with payors such as private insurers, businesses and state and federal government to design pharmacy benefits that utilize all cost saving tools, including the use of mail order delivery of medications.

Reducing mail delivery to five days a week by eliminating Saturday delivery would keep vital medications out of patients' hands and impede the growth of mail order. Providing pharmacy services through the mail is a critical component of CVS Caremark's unique health care delivery platform. Through our five mail service pharmacies and 61 specialty pharmacies, patients have convenient mail order access to their prescription medications. Mail order has been proven as a safe, reliable and cost-saving prescription drug delivery method. Each mail order prescription is filled by one of many of our licensed and highly trained pharmacists, which helps keep error rates of mail order pharmacies at negligible levels. In 2009, over 50 million prescriptions were shipped to patients by our mail order pharmacies – approximately 90 percent through USPS – clearly indicating the growing preference for this safe and reliable method of delivery. In 2007, we were ranked “Highest Customer Satisfaction with Mail Order Pharmacies” among companies that provide mail order services by J.D. Power and Associates.

CVS Caremark relies on USPS for both its inbound and outbound mail services. CVS Caremark's mail order pharmacies receive over a million prescriptions each week. On Saturdays, we receive approximately 100,000 prescriptions. Once a prescription is received, our pharmacies fill and deliver the prescription within five business days (including Saturdays) on average. Our pharmacies are currently shipping on a six-days-a-week schedule, Monday through Saturday and, in many situations, ship prescriptions seven days a week, using first class, priority, express and mail express USPS services.

Saturday delivery to our customers is an important piece of our overall service offering to our plan members. Each year, over five million packages – 20 percent of all packages – are

delivered via USPS on Saturdays alone. Having consistent, reliable USPS mail six days a week is critical for our patients' health. Under the current proposal, an additional day would be added to the in-bound side of the mail order delivery process since USPS would not pick up from patients' homes or mail boxes on Saturdays. Similarly, a patient who would have otherwise received his/her medication on a Saturday would now have to wait until Monday (or as discussed later, until Tuesday) to obtain his/her medication. In addition to the potential for immediate harm to the patient, such gaps in therapy could increase health care costs by contributing to poor medication adherence – an epidemic that already costs nearly \$300 billion each year. Patients who choose to order their prescription drugs through the mail have proven to be healthier as the convenience of at home delivery helps assure that patients take their medications as prescribed. Indeed, many payors and patients have turned to mail order for timely delivery of medications as a way to curb poor medication adherence.

CVS Caremark's patients in all 50 states and Puerto Rico rely on the timely and cost-effective shipping services provided by USPS to obtain their prescription medications. Because many individuals are at home on Saturdays and are able to take receipt of their packages, Saturday delivery has widespread appeal. Eliminating Saturday delivery would create difficulties for many individuals and could be dangerous for patients who need their medications on time but will not have mail service for two consecutive days. Eliminating Saturday delivery would pose the greatest difficulties for rural patients who have limited access to pharmacy services and rely on the efficient, cost-effective mail order delivery available through USPS.

The difficulties that package recipients face will be exacerbated during a week that includes a federal holiday. Under the current proposal, on any week that includes a federal holiday, mail recipients will be on a four-day schedule. Even worse, due to the current Office of Personnel Management policy on the observance of federal holidays that fall on a weekend, mail recipients will be unable to receive packages for three consecutive days on any week where the holiday falls on a Saturday or a Sunday. The volume of packages, especially during peak seasons, will have to be pushed to the following week, creating even more delays and uncertainties for mail recipients and merchants. Patients who count on USPS delivery of their mail order drugs could face significant disruptions in their prescribed medication regimen.

In addition, as health plans incorporate a mail order benefit as part of their prescription drug plan design, patients and payors have come to appreciate the savings realized through mail order. The savings that patients currently realize through mail order would be reduced or eliminated if they had to absorb the costs of accommodating a condensed USPS delivery schedule. Eliminating Saturday delivery by the USPS will allow competitors to drastically raise their rates for delivery on Saturdays. Mail order pharmacies and other merchants will have no choice but to shift these costs to patients. These added costs not only impact patients' pockets, but will also place significant fiscal strain on our health care system. In addition, eliminating Saturday delivery sets a precedent that would open the door for additional service cuts in the future.

CVS Caremark works closely with our clients to design pharmacy benefits that ensure convenient, affordable access to medicines through mail delivery. Our planning assumes that USPS delivery remains robust and competitive to accommodate continued growth in mail order

prescription services. Based on our initial estimates, eliminating Saturday delivery will require us to shift to private carriers that are typically more expensive. We estimate that our costs to cover Saturday delivery would be up to \$50 million annually.

In addition to the hard costs of utilizing other carriers, eliminating Saturday delivery would add additional burdens on our resources. For example, our staff would have to determine the physical addresses of patients who previously utilized post office boxes for Saturday delivery, and make other process-related changes. We also face millions of dollars of additional costs in customer care to address increased patient call volumes due to delays in prescription delivery. In addition, if patients become less adherent to their prescribed therapies due to gaps in delivery, health plans are likely to experience growth in expenditures to control complications from poor medication adherence.

We acknowledge that the USPS faces serious fiscal challenges; however, reducing USPS delivery to five days a week will degrade USPS' standing in the carrier market and harm individuals and merchants that rely on the Postal Service. Therefore, we strongly urge the Committee to reject the current proposal to reduce delivery schedule to five days per week. We thank you for the opportunity to present our views on this very important matter.