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BEFORE THE

POSTAL REGULATORY COMMISSION

WASHINGTON, DC 20268-0001

SIX DAY TO FIVE DAY CARRIER DELIVERY

Docket No N2010-1

AND RELATED SERVICE CHANGES, 2010

REBUTTAL TESTIMONY OF

THOMAS M. MORIARTY

My name is Thomas Moriarty and I am the General Counsel, Secretary, and Senior Vice President of Pharmaceutical Strategies and Solutions for Medco Health Solutions, Inc. (Medco). I appreciate this opportunity to offer Medco's comments related to the severe negative implications that a reduced, five-day mail service schedule from the United States Postal Service (USPS) would have on the mail-order pharmacy industry and the quality of care for patients nationwide.

Medco is the largest shipper of USPS Priority Mail Open & Distribute, with some 20 percent of its packages delivered via USPS occurring on Saturdays. We are the nation's largest and most technologically advanced pharmacy -- dispensing an average of more than 2 million prescriptions weekly through our mail order pharmacies. As one of the country's leading Pharmacy Benefit Managers (PBM), we serve more than 65 million people in all 50 states and U.S. Protectorates, including millions of employees of the federal government. Medco is currently ranked No. 35 on the Fortune 500 list, and has been named among the world's most admired, trustworthy and innovative companies.

Medco's mail-order pharmacies operate with proprietary pharmacy technologies that yield virtually error-free dispensing quality – quality that is unmatched by the traditional retail pharmacy and hospital operation systems. Our pharmacies can operate around the clock seven days a week to ensure that essential medications reach our patients nationwide – even in the most remote areas of the country. This is possible, in large part, because the USPS delivers about 90 percent of Medco's mail-order medication packages to patients, efficiently and effectively, six days a week.

Through the years, Medco has forged a longstanding partnership with the USPS. Its entire business model is predicated on using the full suite of USPS unique service offerings nationwide. As you may know, Medco's Director of Logistics, Tom Underkoffler, testified in the May 10th Postal Regulatory Commission field hearing in Las Vegas. Medco welcomed the opportunity to advance its position on this important issue of the USPS delivery frequency reduction plan, and stated a number of its primary concerns with the proposed policy shift. To summarize Mr. Underkoffler's testimony, the USPS change in position will have severe negative consequences for a range of stakeholders, including:

- Americans who rely on the efficient and timely delivery of life-saving and life-enhancing mail-order medicines – particularly those in rural communities, where the USPS is the sole provider going the "extra mile" for delivery;

- Companies of all sizes, whose business models center on reliable and affordable mail-delivery services, such as Medco, particularly in a compromised economic environment;
- The USPS' bottom line, given that USPS Saturday delivery is one of its most compelling competitive advantages.

In that context, you could imagine Medco's surprise after reviewing recent testimony from Sam Pulcrano at the USPS, who suggested otherwise.

Medco remains unwavering in the belief that the Saturday delivery elimination plan is harmful to consumers, third party payors, mail-dependent companies such as Medco, and the USPS overall.

First, it is important to recognize the value and savings that mail order prescriptions provide to payors and patients. Mail order provides deeper discounts—and thus greater savings—to payors and patients compared with traditional retail pharmacies. Indeed, since 2003, four separate, independent studies conducted by Federal Government agencies – the Federal Trade Commission, the General Accounting Office, the Centers for Medicare & Medicaid Services, and the Congressional Budget Office – have concluded that PBM mail-service pharmacies provide deeper savings than retail pharmacies; broad access to generic drugs; and are helping to reduce overall prescription drug expenditures for consumers and public and private payors.

Second, mail order provides convenient, cost-effective, and essential access to medications for Americans in rural and underserved communities with limited access to other resources, as well as those who are home-bound. These Americans may not have convenient access to a pharmacy, or to the full range of medications at a pharmacy – or, particularly with older patients -- may not have the mobility or means to access retail services. In these situations, Medco relies heavily on the USPS going that "extra mile" to deliver life-saving and life-enhancing medications. Remember that although USPS competitors such as UPS and Fed-Ex offer weekend delivery, in America's rural areas, they often contract out to local USPS facilities for delivery. Thus, many consumers, particularly those in most need of the access will suffer under this proposed delivery frequency reduction plan. Limiting access to critical, life-saving and life-enhancing medicines will disproportionally and negatively impact elderly, underserved, and rural-dwelling Americans.

65 Third, consumers who use mail order pharmacies are more adherent to their medications—a
66 result that improves health and decreases health care costs. Medication non-adherence – patients
67 failing to fill existing prescriptions – is a significant issue with severe cost implications on America's
68 already overburdened healthcare system. As documented recently by *The New York Times*, studies
69 have shown that as many as half of all patients fail to adhere to physician-prescribed medications. The
70 New England Healthcare Institute estimates the annual cost of treating people not taking their
71 medications as prescribed is nearly $290 billion in avoidable medical spending**.** However, this critical
72 metric, medication adherence, drastically improves with mail order pharmacy compared to chain
73 pharmacies. For instance, Medco's adherence rate for mail order patients related to diabetes medicines
74 is 79.4 percent versus 61 percent for retail pharmacies. Limiting mail delivery of vital medicines may
75 only exacerbate this problem.
76
77 Eliminating Saturdays under the current USPS five-day delivery plan would also result in two
78 consecutive days each week without mail delivery. From a Medco perspective, this would negatively
79 impact some 50 percent of its patients in a typical week. *50 percent*. Couple this with the pre-existing
80 Friday and Monday observance of Federal Holidays, and a crisis situation could emerge.
81
82 This is a step backward for the health of Americans. This is a step backward for mail-delivery-
83 dependent companies such as Medco. And this is a step backward for the USPS' bottom line.
84
85 Make no mistake: The USPS must achieve financial stability and sustainability. As my colleague,
86 Mr. Underkoffler, aptly stated in his May 10th testimony, Medco "certainly wants to see a financially
87 healthy USPS in the future, but any changes made need to protect the existing value proposition, which
88 are affordable service as well as frequent, dependable service." Therefore, limited delivery service to
89 five days per week is not the solution
90
91 The PRC's call to "let Medco speak for themselves" in response to Mr. Pulcrano's unfortunate
92 mischaracterization of our comments is a welcomed opportunity . Medco is pleased to offer this
93 rebuttal on behalf of the millions of Americans who rely on receiving vital prescriptions in the mail.
94
95 We appreciate the positions on both sides of this issue, and the need for fiscal prudence.
96 However, balancing all the needs and implications, as the October deadline for ruling approaches,

Medco strongly urges the PRC to maintain six-day USPS street delivery service. Thank you for your time and careful consideration of these critical issues.

Respectfully Submitted,

Thomas M. Moriarty