

Testimony Of
Mr. Carl Janssens
Vice President, Logistics and Facility Engineering
CVS Caremark Corporation

Good morning Chairman Farenthold, Ranking Member Lynch, and members of the Committee. Thank you for holding this important hearing today and for allowing CVS Caremark the opportunity to share our views on the United States Postal Service.

My name is Carl Janssens. I am the Vice President of Logistics and Facility Engineering of CVS Caremark Corporation, a pharmacy innovation company headquartered in Woonsocket, Rhode Island. I have responsibility for the overall strategy in the areas of dispensing technology, packaging, transportation services, quality performance and overall capacity planning and facility utilization for CVS Caremark's Mail Service and Specialty Pharmacy operations

Today I would like to provide the committee with an overview of CVS Caremark's business, our relationship with the United States Postal Service, the benefits and cost savings to plan sponsors and beneficiaries of using mail order pharmacy and opportunities for service improvements.

Most people think of us as the nation's leading drugstore chain because we operate more than 7,400 CVS/pharmacy stores in 44 states, the District of Columbia and Puerto Rico. Seventy-five percent of all Americans live within three miles of one of our stores in the markets where we operate. We are also a leading pharmacy benefits manager, or PBM, which administers prescription benefit plans for our clients, which include health plans, unions, and government groups. Our goal is to work with our clients to help them design prescription drug

benefit options that best meet their members' needs and help plan sponsors drive down costs while improving health outcomes. Our PBM also provides beneficiaries with access to a network of more than 65,000 pharmacies in the U.S. We operate 19 on-site pharmacies, 31 specialty pharmacy stores, 12 specialty mail order pharmacies, three mail order pharmacies, and our CVS.com and Caremark.com websites. In addition, our MinuteClinic division operates more than 640 retail medical clinics.

Our organization, including our more than 75,000 pharmacists, pharmacy technicians, physician assistants and nurse practitioners, is focused on delivering expert pharmacy health care to consumers. We are a leader in a variety of areas including retail clinics, specialty pharmacy, technology and Medicare Part D. We are the third largest provider of drug benefits to eligible beneficiaries under the Federal Government's Medicare Part D program. Each year, CVS pharmacists serve more than 6 million beneficiaries and fill more than 245 million prescriptions under the Part D program. We also provide pharmacy benefits through the Federal Employees Health Benefits Plan.

CVS Caremark's relationship with the United States Postal Service (USPS) is one that dates back to 1985 when Caremark launched its first mail order pharmacy offering. CVS Caremark relies on the USPS for both its inbound and outbound mail services. Our 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-day-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 a critical piece of our overall service offering to our plan members. Each year, over five million packages – or 20 percent of all packages – are delivered via USPS on Saturdays alone. Having consistent, reliable mail six days a week is critical for our business and for our clients’ plan members and we support the Post Master General’s proposal to maintain Saturday package delivery.

More than 50 million prescriptions were dispensed through the mail in 2012, 100% of orders were reviewed for quality and safety by registered pharmacists with 90% of all mail order medications delivered through the USPS. While the postal service isn’t a fit for all mail order medications, in particular those needing temperature control or special handling, average cost of shipping a prescription through the USPS is significantly lower than other carriers. For shipments requiring special delivery, average shipping cost is substantially more than other carriers. The USPS provides significant cost savings to plan sponsors and beneficiaries.

CVS Caremark works closely with our clients to design pharmacy benefits that ensure convenient, affordable access to medicines through mail delivery. In addition to cost savings, consumers receiving their prescription medications for chronic conditions through a mail pharmacy “were more likely to take them as prescribed by their doctors” according to a study published in the *American Journal of Managed Care*.¹ Since almost half of all Americans or approximately 133 million Americans live with at least one chronic disease,² medication adherence should be a matter of great importance to policy makers, insurance plan sponsors, physicians, and patients. Patients who adhere to their medication regimens have better health

¹ American Journal of Managed Care, *Mail-Order Pharmacy Use and Adherence to Diabetes-Related Medications*, (O. Kenrik Duru, et al., January 2010)

² Centers for Disease Control and Prevention. *Chronic Diseases and Health Promotion* [Internet]. Atlanta (GA): CDC; 2010 Jul 7 [cited 2010 Nov 29]. Available from: <http://www.cdc.gov/NCCdphp/overview.htm>

outcomes^{3,4} and make less use of urgent care and inpatient hospital services, compared to patients with similar medical conditions who are not adherent. It is estimated that the lack of medication adherence costs our health care system up to \$300 billion per year.⁵

The USPS plays a vital role in CVS Caremark's mail pharmacy offering. CVS Caremark has come to rely on the postal service's cost efficiency, reliability and predictability; so have plan sponsors and beneficiaries. In terms of service opportunities, CVS Caremark would like to see unnecessary regulatory burdens on the USPS lifted to allow the postal service to negotiate better shipping rates so that it can be more competitive with other shipping providers.

We appreciate the invitation to describe CVS Caremark's relationship with the USPS and the value the Service brings to our mail order pharmacies, plan sponsors and members. CVS Caremark supports a robust postal service that includes flexibility to remain competitive in an evolving marketplace. Thank you for your time.

³ DiMatteo MR, Giordani PJ, Lepper HS, Croghan TW. *Patient Adherence and Medical Treatment Outcomes: A Meta-Analysis*. Med Care. 2002; 40(9):794–811.

⁴ McDermott MM, Schmitt B, Wallner E. *Impact of Medication On-Adherence on Coronary Heart Disease Outcomes: A Critical Review*. Arch Intern Med. 1997;157(17):1921–9.

⁵ New England Healthcare Institute, *Thinking Outside the Pillbox, A System-wide Approach to Improving Patient Medication Adherence for Chronic Disease*, August 2009

Carl A. Janssens
Vice President/Logistics/Facility Engineering

As Vice President of Logistics and Facility Engineering, Carl Janssens has responsibility for the overall strategy in the areas of dispensing technology, packaging, transportation services, quality performance and overall capacity planning /facility utilization for CVS Caremark's Mail Service and Specialty Pharmacy operations.

Previously, Mr. Janssens held the position of Vice President and General Manager for Caremark's Wilkes Barre Mail Service Pharmacy. Additionally he was with Material Control Systems, a company that provided logistic services for returnable packaging used in the heavy equipment industry. He also has served in senior-level positions in operations and general management in the areas of distribution, warehousing, transportation, and call center management with American Hospital Supply, Baxter International, and ValueRx. While at Baxter and ValueRx, he served as the Senior Vice President for mail service pharmacy operations.

Mr. Janssens holds a Bachelor of Science degree in Mathematics from Benedictine University and a Master of Business Administration degree from the Keller Graduate School of Management.

CARL JANSSENS

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BACKGROUND

A progressive track record of growth in leadership and delivering results within logistics/distribution and general management roles, for industries which require a high level of quality. Over 20 years of executive level responsibilities with high customer visibility in an ever changing regulatory environment.

- Lead cross functional teams delivering major acquisitions, IT system development and integration, site development/consolidation, equipment installation and organization restructuring.
- Ability to lead and communicate effectively with a large number of associates, in direct and matrix structures, located in sites across the country
- Strong team focus to drive solutions, both tactical and strategic, across all levels of the organization. This process is leveraged to develop future leaders by exposing team members to the next level of management with the ability to handle larger, more complex projects.
- Ability to develop effective outsourced supplier relationships used to support the overall objectives of higher quality, improved cost effectiveness, strategic product differentiation, and improved asset utilization.

PROFESSIONAL EXPERIENCE

CVS/CAREMARK – (2002-present)

Vice President Logistics and Facility Engineering, Northbrook IL (2010-present)

- Lead team that redesigned facility and dispensing strategy to deliver a 40% decrease in expense
- Redesigned cold chain strategy to improve delivery process to patients
- Developed facility capacity plan to insure growth can be delivered

Vice President Channel Mgt, Product Management, Northbrook IL (2008-2010)

Lead the mail channel product team which revamped the existing program to drive higher results using a win/win/win methodology for Caremark, Clients, and Consumers

- Delivered as budgeted 1MM incremental 90 day Rx's adding \$8.7M in margin
- Developed a multiple communication channel (IVR/Web/print) approach to increase member contact, improve conversion rates, and a reduce in Client/member opt-outs
- Improved targeting methods and improved contact delivery processes to reduce cost of acquisition and member complaints

Vice President-General Manager, Mail Service Pharmacy, Wilkes-Barre, Pa (2002-2008)

Responsible for all day to day operations of a large automated mail service pharmacy having the following high level metrics: 360 associates, shipping 5.5mm scripts/yr, with an annual budget of \$30mm and an ave. inventory of \$25mm and 6k SKU's

- Lead the team for the site build out; installation/testing/start up of all equipment, systems, and security; building a management team which then hired and trained all associates. The \$25MM capital project was on time and on budget,

- Co Chair of the mail service integration team delivering the AdvancePCS-Caremark acquisition synergies. All targeted goals were met in the first year as planned.
- Business project lead (OSU) for the successful conversion to one mail order pharmacy system. The \$10MM capital project was completed on budget and meeting the objectives of converting 3 mail service sites with no client/participate impact.

MATCON - Port Byron, IL (2000-2002)

Vice President/General Manager, Container Control Systems

Full P&L responsibility reporting to the owner of this \$20MM logistics business dealing with the distribution, tracking and maintenance of returnable containers. Lead 5 distribution centers located in Iowa, Illinois, Indiana, and Oregon to support a customer base of Deere, Navistar, and Freightliner.

- Developed strategic plan and overall product definition to increase sales
- Installed operational metrics, production planning, facility design/build out, and equipment requirements to improve margins and meet financial objectives
- Developed documented SOP/work instructions while working toward an ISO 9000 certification

LEE ENTERPRISES – DAVENPORT, IA (1998-2000)

Vice President, Operations- Newspaper Group

Reporting to the President to develop a new distribution model within the newspaper delivery model across the 100 papers Lee owned in the Midwest and Northwest. Also responsibility to consolidate call center operations, ad insertion equipment, distribution centers, and oversee large facility construction projects.

- Developed the project plan and funding approval for regional consolidation of call centers for both inbound customer service and outbound sales.
- Successful project management of 2 major building projects requiring multi million dollar site and equipment installations

APAC CUSTOMER SERVICE – CEDAR RAPIDS, IA (1995-1998)

Vice President, Operations

Large outsourced call center management company with 67 call centers in 5 states

- Lead the effort to successfully build, equip, and staff 26 call centers across 4 states within 6 months
- Direct day to day responsibility for an 8 call center division with 1200 Customer Service Reps (CSR's)

VALUERX – DAVENPORT, IA (1993-1995)

Senior Vice President, Mail Service Operations

Full P&L responsibility for all mail service operations reporting to the CEO of this PBM.

- Built a Greenfield site and installed dispensing system for the first paperless mail pharmacy in the country
- Oversaw the development of new (front end) pharmacy system to improve effectiveness of clinical intervention and order entry activities
- Mail volume grew 300% during this period with the addition of new clients and the acquisition and merging of 2 mail competitors.

NATIONAL SCHOOL BUS SERVICE – CHICAGO, IL (1988-1993)

Executive Vice President

Reporting to the President and responsible for all day to day P&L activities of this \$100mm student transportation business having 40 locations across the Midwest and Northeast, 4000 vehicles and 5000 associates. Direct reports included 10 divisional VP's and 3 Directors (Finance, Maintenance, and Risk/Safety).

BAXTER INTERNATIONAL – CHICAGO, IL (1976-1988)

Large multi national health care manufacturer and distributor

- Vice President Operations- Preferred Prescription Service (1985-1988)
- Director Purchasing-American Hospital Supply (1985)
- National Distribution Manager-American Scientific Products (1985)
- Manager, Sales/Distribution- American Plastics (1983-1984)
- National Transportation Manager- American Scientific Products (1981-1983)
- Area Distribution Manager – American Scientific Products (1979-1981)
- Distribution Manager – American Scientific Products (1977-1979)
- Distribution Supervisor – American Scientific Products (1976-1977)

CENTRAL STEEL and WIRE – CHICAGO, IL (1973-1976)

Regional fabricator and distributor of metal products to manufacturers

- Inside sales representative/Account management

EDUCATION

MBA – Keller Graduate of Business, Chicago, IL

Bachelor of Science – Math, Benedictine University, Lisle, IL

MEMBERSHIP

AMCPA (American Managed Care Pharmacy Assoc) - prior Board Member

Davenport Country Club –Board Member

Newspaper Association of America –Committee Member

United Way of Wyoming Valley – Board Member

Chamber of Industry and Commerce, Wilkes-Barre – Board Member

Committee on Oversight and Government Reform
Witness Disclosure Requirement – “Truth in Testimony”
Required by House Rule XI, Clause 2(g)(5)

Name: CARL JANSSENS

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

I certify that the above information is true and correct.

Signature:

Carl Janssens

Date:

4/7/2013