



Executive Summary

**A COMPARATIVE COST ANALYSIS
FOR MAIL ORDER PHARMACY
OPERATIONS**

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**COMPARATIVE OPERATING COST ANALYSIS:
EXECUTIVE SUMMARY AND NOTES**

Introduction

In the full Boyd analysis, major operating costs scaled to a representative 230-worker mail order pharmacy are presented for a series of 22 comparative sites in the U.S. Annual operating cost totals are itemized and ranked in the full report's summary Exhibit I.

Annual operating costs were projected solely for comparative purposes, with only major geographically-variable factors being considered. Those costs not varying significantly with geography, including relocation and start-up expenses, were not considered. The Boyd analysis focuses on those key geographically-variable cost elements considered to be most pivotal within the corporate site selection process. Cost differentials are current for 2011.

Operating costs are scaled to a hypothetical 100,000 sq. ft. mail order pharmacy facility processing 29.7 million scripts per year. The analysis provides an independent and authoritative point of reference for the corporate planner's assessment of comparative operating cost levels in each of the surveyed sites. The format of the cost exhibits will allow the corporate planner to further tailor the cost data, occupancy assumptions and staffing levels to reflect alternate scales of operation and market expectations.

About the Mail Order Pharmacy Industry

Mail order pharmacies are the fastest-growing provider of prescriptions to the U.S. insured population. A \$20 billion industry, mail order pharmacies service over 200 million Americans each year through health plans provided by employers, health insurers, labor unions and Medicare. Soaring drug production and regulatory costs, aging baby-boomers, convenient home

delivery and government pressures to reduce medical costs are all fueling the popularity of this growing healthcare sector.

Comparative Mail Order Pharmacy Locations

For purposes of comparative economic analysis, major geographically-variable operating costs have been projected by Boyd for a series of 22 U.S. cities currently housing major mail order pharmacy operations of such companies as Express Scripts, CVS Caremark, Cigna, Medco, Prime Therapeutics, AmeriPharm, Aetna, Walgreens, Kaiser Permanente, Wellpoint and others.

These 22 mail order pharmacy sites are:

- Troy, NY
- Willingboro, NJ
- Horsham, PA
- Wilkes-Barre, PA
- Pittsburgh, PA
- Cincinnati, OH
- Columbus, OH
- Whitestown, IN
- Birmingham, AL
- Tampa, FL
- Miramar, FL
- St. Louis, MO
- Kansas City, MO
- Omaha, NE
- Sioux Falls, SD
- Ft. Worth, TX
- Denver, CO

- Albuquerque, NM
- Phoenix, AZ
- Henderson, NV
- San Diego, CA
- Portland, OR

Comparative Labor Costs

Annual costs for labor, including positions in pharmacy, operations, shipping, customer service and other support groups, are presented in the full report's Exhibit II. Costs are based on a representative mix of job descriptions for the model 230-worker mail order pharmacy. The mix of job titles assumes 20 licensed pharmacists employed at the center.

The actual ratio of licensed pharmacists to pharmacy technicians will vary by state board of pharmacy regulations. This ratio can have a significant impact on labor costs, recruiting and the overall state-by-state site selection process.

Comparative labor costs for management were not included as these costs would tend not to vary significantly by geography, but rather by individual company compensation practices. Fringe benefit costs are included as a percent of annual base payroll costs and are assumed to include all statutory benefits, pay for time not worked and company-sponsored benefits.

Comparative Electric Power and Natural Gas Costs

Comparative annual electric power and natural gas costs are presented in the full report's Exhibit III. Annual costs reflect commercial rate schedules of the various utilities and natural gas providers serving each of the 22 surveyed areas.

Comparative Land Acquisition and Construction Costs

Exhibit IV of the full analysis presents comparative costs for the purchase of commercially-zoned land and the construction of new mail order pharmacy center space in each of the 22 surveyed locations.

Comparative Ad Valorem and Sales Tax Costs

Exhibit V presents comparative ad valorem (property) tax costs in each of the 22 surveyed sites scaled to the land and building specifications of the model center. Also presented in this exhibit are comparative local and state sales tax costs based on a fixed annual purchase of supplies, furnishings, equipment and other taxable goods.

Comparative Heating and Air Conditioning Costs

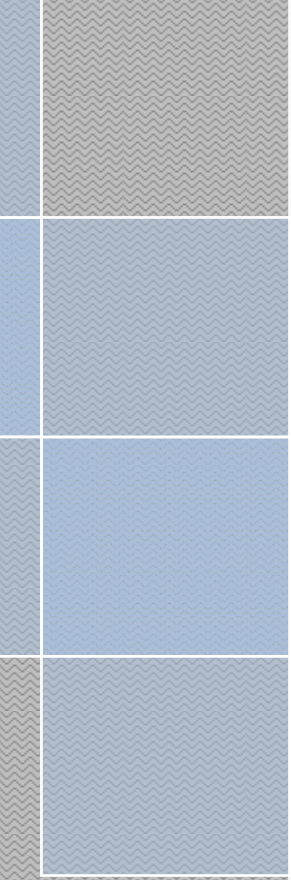
Exhibit VI of the full report presents comparative annual costs for heating and air conditioning based on variances in climatic conditions and energy costs in the surveyed locations.

Comparative Corporate Travel Costs

Comparative annual on-site corporate travel costs in each of the 22 surveyed cities are presented in the full report's Exhibit VIII. Costs include corporate traveler lodging, meals, local transportation and other business travel incidentals. Figures are indicative of local business travel cost structures expected to be incurred by management, technical support, regulators and other employee visitations to each of the 22 surveyed mail order pharmacy sites.

About Boyd

Founded in 1975, The Boyd Company, Inc., (www.theboydcompany.com) provides independent location counsel to leading U.S. and overseas corporations. Devoted exclusively to corporate mobility, Boyd is recognized as the nation's premier authority in comparative business cost analysis.



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