

BusinessFlash!

MEDCO

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One (1), including this cover

DATE:

Date: May 19, 2008

TO: Systemed Clients**SUBJECT:****2008 U.S. Postal Service rate increase**

As we communicated to you in 2007, the U.S. Postal Service has moved forward with adjusting its mail and package delivery rates on an annual basis. New product rates for 2008 were approved earlier this year by the USPS Board of Governors and went into effect on May 12, 2008.

USPS First-Class mail has increased by 2.38 percent, Standard Mail is up by 9.23 percent and Business-Reply mail has gone up 4.7 percent. Additionally, Express Mail increased 8.9 percent and Priority Mail increased 5.5 percent. These rate hikes have had a corresponding increase on other carriers such as DHL, which provides shipments to the USPS for final delivery.

Clearly, such rate increases have a cascading impact on Medco's annual operating costs. Higher shipping rates impact Medco's mail-service dispensing fee as well as rates charged for client package shipments (e.g., Welcome Kits) and mailing of Explanation of Benefits (EOB) forms. As a result, Medco again is placed in the unpleasant but necessary position of increasing our mail service dispensing fee to coincide with the new rates.

Effective June 6, 2008, Medco's mail-service dispensing fee (including specialty prescriptions) will be increased by ten cents (\$0.10) per prescription. In addition, Medco will be passing on to clients the increased postage costs of mailing Explanation of Benefit (EOB) forms via First-Class mail.

More information about the Postal Service's rate increase can be found on www.usps.com under "About USPS and News."

If you have any questions about this information, please contact your Account Manager.

Sincerely,

Michael J. Romanzo, R.Ph.
President