



STATEMENT BEFORE THE SENATE ARMED SERVICES COMMITTEE
Department of Defense Reform – Overcoming Obstacles to Effective Management
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Statement by Lisa Bisaccia
Executive Vice President and Chief Human Resources Officer, CVS Health

Chairman McCain, Ranking Member Reed, and distinguished Members of the Committee, thank you for the opportunity to testify today.

It is an honor to be able to speak to you about some of our organizational and operational best practices that may provide some key learnings as you consider reform of the Department of Defense.

As our company has grown from a regional chain drug store to a fully integrated national pharmacy health care provider, we've learned valuable lessons about how to make a complex organization nimble and effective. To give you a glimpse into how our company has developed into the diverse enterprise it is today, consider where we began.

In 1963, we started out selling name-brand health and beauty merchandise at discount prices, when brothers Sid and Stanley Goldstein opened our first store in Lowell, Massachusetts.

In 1967, we began building trusted relationships with patients when we opened our first CVS/pharmacy in Rhode Island, where we are still headquartered today.

In addition to our 7,900 retail drugstores, today CVS Health brings together: CVS/caremark, our pharmacy benefit management business; MinuteClinic, our 1,000 walk-in retail clinics; Omnicare, our senior pharmacy care business; and our expanding specialty pharmacy services.

In all, we employ more than 215,000 colleagues, with major hubs in Scottsdale, Arizona; Irving, Texas and Northbrook, Illinois, in addition to our home in Rhode Island. We work in almost every state represented here today.

It is worth noting that CVS Health is a proud employer of veterans following their service, as well as those still serving in the National Guard and Reserve. We recognize the value of military service and know that our veterans' skills and experience are unparalleled.

Earlier this year CVS Health was honored to receive the Secretary of Defense Employer Support Freedom Award, the highest honor the department gives to employers for outstanding support of employees who are National Guard and Reserve members.

As we think about the drivers behind our success, we know the quality of our workforce – including our colleagues who are veterans – has been an important driver of success.



What have been some of our other key lessons-learned? First, is developing a culture around our company's purpose.

Our President and CEO Larry Merlo made this concept real for all our colleagues when he championed our purpose which is "helping people on their path to better health."

This simple purpose – with just eight words – has had the power to unite our colleagues behind a common cause. Our purpose has permeated our organization and improved colleague engagement, which in turn improves our business outcomes.

Embracing our purpose from the top down has been an example of the type of leadership we prioritize in career development for our colleagues, which is another core principle for us.

Cultivating a pipeline of leaders who can inspire is woven into our business processes. We hold our current leaders responsible for coaching the next generation of talent. And we've created programs to develop those leaders and keep them engaged in their careers at CVS Health.

With more than 50 development and training programs focused on career advancement, we've made producing high-quality leaders a long-term investment. We use coaching, mentoring and classroom programs to hone problem solving, strategic thinking and leadership capabilities for the next generation of CVS Health leaders.

As we've grown, a third fundamental lesson has been the value of adopting an enterprise-wide viewpoint. Seeing ourselves as one pharmacy innovation company, rather than as separate businesses under one roof, has helped us take advantage of the synergies in our business model and innovate.

For example, when our two lines of business came together, it gave us a different perspective on our plan members and we were able to deliver what they want: the choice of receiving their medications by mail, or picking them up in any of our CVS/pharmacy locations for the same price.

Although there were significant logistics to work out on the back end, creating our Maintenance Choice program was the successful result of an enterprise-wide mindset that pioneered a new way to serve our customer.

At CVS Health, we deeply value purpose, leadership and enterprise thinking, and I hope that there are ways these lessons can benefit this Committee, as you consider the best ways to motivate, develop, and inspire the men and women who serve our country at the Department of Defense.

Thank you, Mr. Chairman. I'll be happy to answer any questions.