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**THE POSTAL SERVICE'S ROLE IN DELIVERING
WELLNESS SERVICES AND SUPPLIES**

Executive Summary

The U.S. Postal Service has had a meaningful role in the lives of older Americans for hundreds of years. Through its vast network of letter carriers and post offices, it reliably delivers critical information, medicine, and supplies nationwide. Wellness organizations are also important to the health and independence of this generation as they provide programs to promote financial, physical, and mental health. Yet, wellness organizations are facing financial challenges because organizational funding has remained constant, despite an increase in the population of older Americans. Budget constraints cause service gaps, including limited outreach and understanding about available programs, fewer physical locations to receive in-person supplies and services, and a digital service disconnect due to lack of Internet access or digital literacy.

Paradoxically, the budget constraints can also have a positive effect. Tighter budgets often incentivize wellness organizations to run efficiently and seek synergistic partnerships that leverage the existing resources of outside organizations for a better outcome. The Postal Service could be an ideal partner for wellness organizations working to close service gaps. Building on its core competencies, the Postal Service could coordinate and collaborate with wellness organizations to offer new and far-reaching services to older Americans nationwide. To explore this possibility, the U.S. Postal Service Office of Inspector General (OIG) hosted a discussion forum with representatives from wellness and postal organizations. This paper summarizes the discussion from the event and identifies related opportunities.

Participants came to a consensus that collaborations could help wellness organizations cost-effectively meet their objectives and provide financial benefits for the Postal Service. For example, a postal partnership could maximize a wellness organization's return on investment by allowing it to reach more individuals by leveraging letter carriers or renting post office space, while avoiding the cost of maintaining and staffing parallel brick-and-mortar facility networks. Partnerships could allow wellness organizations to reach more Americans while using fewer resources. When funders — either governmental or private entities — see how much more efficiently and effectively these wellness programs are providing services, they are more likely to further invest in the programs, creating a win-win situation for all parties involved.

The Postal Service would benefit from these partnerships by generating additional revenue from any of four sources: charging individuals a fee for services, partnership fees, rental income, and additional sales through increased foot traffic and improved brand strength. The funding sources could also support the Postal Service in developing the skillsets and core competencies necessary to provide more services and supplies to the homebound and elderly population. Figure 1 identifies the possible wellness services and supplies explained within this paper.



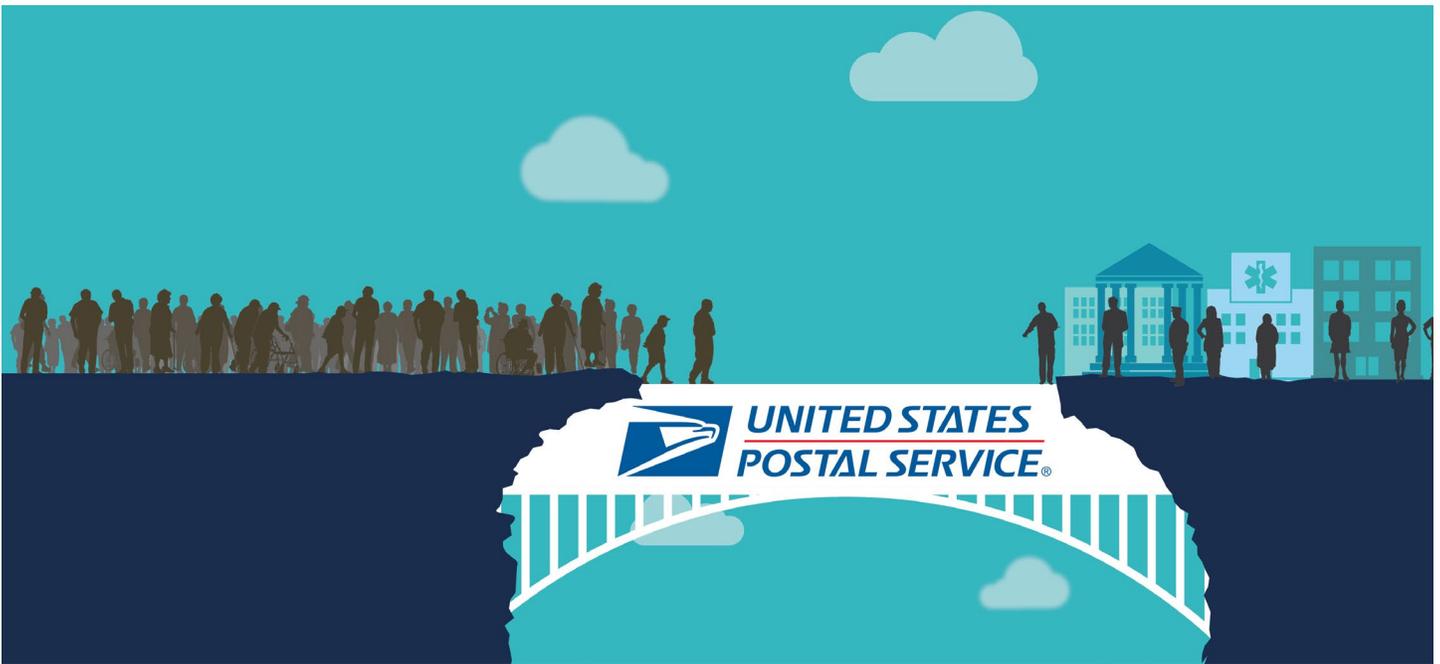
*Promoting Integrity and Accountability
in America's Postal System*

Figure 1: Revenue Sources and Potential Wellness Services

Individual Pays a Fee for Service	Partnership Fees	Renting Out Underused Space in Postal Facilities	Foot Traffic and Brand Strength through Voluntary Offerings
Food delivery	Letter carriers distributing information and supplies to older adults in need	Health kiosks in post offices	Advertising wellness programs in post offices
Delivery of medicine and nutrition supplements	Letter carriers alerting wellness organizations about older adults in need	Wellness organizations offer services through postal windows	Mobile health units on postal property
Optional check-in service for older adults	Verified and secure messaging between patient and healthcare providers	Staging medical supplies and spare parts	Disease prevention and health promotion classes
Secure medical record storage	Wi-Fi access in post offices		

Delivering wellness services and supplies has the potential to generate additional revenue for the Postal Service. Given the Postal Service’s competency in delivery, it may want to first pursue a fee-based extension of its existing grocery delivery service to the elderly. The OIG completed a preliminary analysis to estimate the size of the opportunity and the financial impact based on a standard 5-year maturation period. The OIG conservatively estimates this particular opportunity could generate about \$123 million in revenue with a \$27 million profit. This is based on the assumption that the Postal Service secures 10 percent of this growing market and charges a fee comparable to the industry standard.

Before implementing any of these potential services, the Postal Service and wellness organizations could conduct pilot tests to validate their operational feasibility and financial viability, ultimately demonstrating how a joint effort could cost-effectively and practically serve a growing aging population.



Introduction

Wellness organizations, which are groups dedicated to the financial, emotional, and physical health of their users, are critical to older Americans' health and independence. Despite their importance, these organizations face increasing budget constraints. Funding for wellness programs has remained relatively constant over the past decade, while the number of older Americans, specifically those aged 65 years and over, has grown, and is expected to continue to grow, dramatically.¹ These budget constraints have created major gaps in service that ultimately affect the number of opportunities older Americans have to receive wellness services. At the same time, these budget constraints also incentivize wellness organizations to be as efficient as possible. One way they can accomplish this is through partnerships with other organizations.

Given its vast network and presence nationwide, there may be an opportunity for the U.S. Postal Service to partner with wellness organizations to help fill gaps created by budget constraints. The U.S. Postal Service Office of Inspector General (OIG) hosted a discussion forum to explore how wellness organizations, through partnerships with the Postal Service, could provide cost-effective, far-reaching wellness services to older Americans in every community across the nation.

The event featured two panels. The first panel, which included wellness organization experts, explained the current gaps older Americans face in receiving services. The second panel, comprised of representatives from postal organizations, brainstormed ways the Postal Service's existing assets could fill the gaps. There was consensus among participants that partnerships could benefit all organizations involved; wellness organizations could meet their organizational objectives in a cost-effective way, older Americans would benefit from increased services, and the Postal Service could reap financial benefits. The discussion forum spurred many of the ideas described in this paper, which identifies and explains opportunities but does not address all risks, barriers, and costs to implementation.²

Building on the ideas identified during the event, the OIG also explored the Postal Service's role in delivering supplies, such as food or medicine, to older Americans who may not have the ability to leave their homes to get the products they need. One of the Postal Service's core competencies is delivering to every address, 6 days a week. If it were to expand the items it delivers, the Postal Service could truly make a difference in the lives of older Americans. Delivering wellness services and supplies could be especially crucial to those who are homebound, since they must either rely on donations and volunteers or pay a personal shopper or caretaker to go shopping for them.

1 Wendy Fox-Grage and Kathleen Ujvari, *The Older Americans Act: INSIGHT on the Issues*, AARP Public Policy Institute, May 2014, http://www.aarp.org/content/dam/aarp/research/public_policy_institute/health/2014/the-older-americans-act-AARP-ppi-health.pdf, p. 3 and National Council on Aging, "Federal Budget," <http://www.ncoa.org/public-policy->

2 Additional information on the OIG discussion forum is included in Appendix A.

Gaps in Wellness Services Caused by Budget Constraints

Wellness organizations are combating three major gaps in service: a lack of understanding and outreach about available programs, the shuttering of physical outposts where older Americans could receive services and supplies, and a digital disconnect that prevents people without Internet access or digital literacy from benefiting from wellness services offered online. Budget constraints, which force wellness organizations to do more with less, are at least partially responsible for some of these gaps.

The Outreach and Understanding Gap

Some of the major hurdles to serving the aging population are a lack of understanding, awareness, and mistrust of the social welfare and health care systems. These challenges stem from a struggle to conduct sufficient and effective outreach; the people who need the wellness services most are often the ones that are hardest to reach.

With limited access to transportation, especially in rural areas, aging populations tend to be more isolated and get fewer opportunities to learn about these services at community centers or local events. Older Americans typically cannot rely fully on their healthcare providers to get information about wellness services, as patients often have only a small amount of time with their doctors. This problem, coupled with the aging population's desire to live independently, can complicate the attempts to identify those who might need services and educate them about programs that might be able to fulfill their needs.

Living independently can also lead older Americans to feel vulnerable. This can lead to mistrust of the social welfare and healthcare systems, which can make them even less likely to reach out for wellness services they may need. This can create a dangerous cycle of isolation and declining health, exemplified in the figure below.

Figure 2: Cycle of Isolation and Declining Health



Many panelists at the OIG event said their organizations often partner with other organizations to address these challenges. For example, the National Council on Aging (NCOA) — a non-profit organization that collaborates with government, businesses, and other organizations to help improve the health and economic security of older Americans — supports many collaborative wellness programs. NCOA currently coordinates programs that help older Americans understand their Medicare benefits, manage their money, and find financial help for food or medication. The Health Resources and Services Administration (HRSA), under the Department of Health and Human Services (HHS), has developed an innovative community outreach program that collaborates with local entities — like utility companies and grocery stores — to provide information in locations the aging population already visits. These partnerships set the stage for more collaboration.

The unintended consequence of moving services online is that some citizens lose access to specific services or must travel long distances to find a field office for in-person interactions.

Physical Touch Point Gap

As with many government agencies and nonprofit organizations, wellness groups are looking for ways to reduce costs while serving a growing number of older Americans. One way these organizations cut costs is by consolidating facilities and offering more virtual services. The unintended consequence of moving services online is that some citizens lose access to specific services or must travel long distances to find a field office for in-person interactions. This consolidation of brick-and-mortar outposts relieves agency budget concerns, but adversely affects some older Americans — especially those that need the services most. For example, the Social Security Administration (SSA) continues to reduce its physical footprint, while simultaneously serving waves of Baby Boomers that are beginning to receive benefits and want in-person support. Facility consolidation puts pressure on the remaining field offices and phone centers, and it drives increased wait times and beneficiary frustration. Despite efforts to alleviate this pressure by shifting services online, the SSA representative at the OIG forum noted that in-person services are still needed.

The declining physical footprint of locations where individuals can receive services and supplies they need — including wellness organizations, stores, and community centers — creates an even greater challenge for those with limited mobility and access to transportation. For example, food deserts, which are areas “where healthy food is expensive and/or difficult to find,” have a particularly profound impact on the rural elderly.³ According to the National Rural Health Association, residents near food deserts are more likely to be elderly and more likely to suffer from diabetes. Some communities are attempting to help overcome the challenge of accessing services and supplies by offering transportation to health, food, and government facilities.⁴ Although this helps many older Americans access the services they need, it does not address the homebound population.

Digital Gap

The Internet is a crucial tool for older Americans to stay connected to loved ones and caretakers as well as to improve the quality, safety, and efficiency of the health delivery system. Health care professionals are beginning to use technology to provide remote services, which is especially important for older Americans.⁵ In recent years, the federal government has also recognized the role that technology can play in improving the overall quality, safety, and efficiency of the health delivery system. However, according to the NCOA, 41 percent of older Americans do not use the Internet at all, and 53 percent do not have broadband. Getting Americans connected is a top priority of many organizations nationwide.

For example, the SSA moved its primary communications about benefits to the Internet through the creation of “My Social Security,” an online portal through which users can self-manage parts of their Social Security accounts. Regardless of this offering, some field offices must remain open to serve those who are not digitally

connected. The benefits afforded by this system do not reach those on the other side of the digital divide. Event participants confirmed that gaps in care remain, particularly for older people who lack access to broadband — often located in rural and remote areas with few physical wellness facilities nearby.

Additionally, homebound Americans without Internet access cannot take advantage of online programs that could allow them to receive services and supplies without leaving home, such as grocery delivery, same-day delivery of select items, management of medication orders, or some wellness programs. Even those that do have

access to the Internet might not live in an area with same day or next day delivery offerings, as 20 percent of older Americans live in non-metropolitan designated areas.⁶

Opportunities for Collaboration

Funding tends to be scarce for programs aimed at aiding older Americans. The organizations that make decisions about which programs to fund, such as state-level divisions focusing on aging, must ensure that they use their allocated resources optimally. This funding limitation should incentivize wellness organizations to strive to provide the best service, to the most people, using the fewest resources possible. One way wellness organizations can

meet this lofty goal is through synergistic partnerships that leverage the existing resources of multiple organizations for a superior outcome.

Participants at the discussion forum agreed that one such partnership could be with the Postal Service. The Postal Service's substantial network includes over 31,000 postal managed retail facilities and carriers who deliver to practically every door every day.⁷ It employs about 202,000 city letter carriers and about 66,000 full-time rural letter carriers, who together deliver to almost 154 million locations 6 days a week.⁸ The presence of these letter carriers and post office locations in neighborhoods

The presence of these letter carriers and post office locations in neighborhoods throughout the country could offer the space, community knowledge, and accessibility from which wellness programs could benefit.

3 Jerry Shannon, “Food Deserts: Governing Obesity in the Neoliberal City,” *Progress in Human Geography*, 38, No. 2 (2013), p. 248, <http://phg.sagepub.com/content/early/2013/04/25/0309132513484378>, and Rebecca M. Hartman and Florence M. Weierbach, *Elder Health in Rural America*, National Rural Health Association Policy Brief, February 2013, p. 6.

4 Ibid.

5 These health care services are often referred to as telehealth or telemedicine initiatives. According to the World Health Organization, telemedicine is the remote delivery of health care services where distance is a critical factor. Health care professionals use technologies to exchange information with patients about diagnosis, treatment, and prevention of disease and injuries, as well as research and evaluation. World Health Organization, *Telemedicine Opportunities and developments in Member States: Report on the second global survey on eHealth*, Global Observatory for eHealth series - Volume 2, 2010, http://www.who.int/goe/publications/goe_telemedicine_2010.pdf, p. 9.

6 Rebecca M. Hartman and Florence M. Weierbach, *Elder Health in Rural America*, p. 1.

7 U.S. Postal Service, “Size and Scope,” <https://about.usps.com/who-we-are/postal-facts/size-scope.htm>.

8 Ibid. and U.S. Postal Service, *Postal Service Active Employee Statistical Summary*, Report No. HAT274P1, March 30, 2015. City letter carriers includes both career and non-career employees.

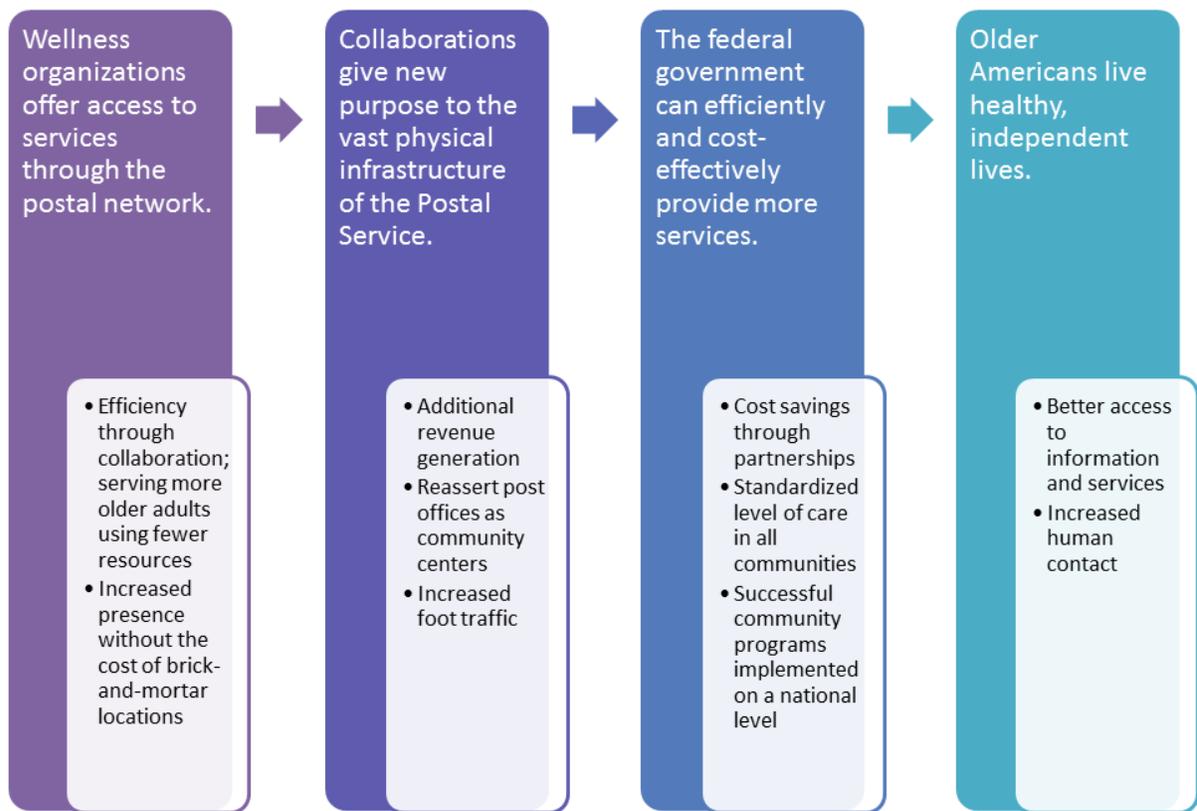
throughout the country could offer the space, community knowledge, and accessibility from which wellness programs could benefit. A partnership would allow groups to maintain a brick-and-mortar, far-reaching presence for face-to-face interactions and provide the Postal Service new income sources to help maintain its infrastructure.

The Postal Service's immense digital infrastructure could allow organizations that operate digitally a way to reach those who may not have access to the Internet by providing connectivity. Almost all of the Postal Service's retail facilities have Internet connectivity, which it could extend to help provide a connection to Internet-based services. The NCOA reported that 41 percent of older Americans do not use the Internet at all and are therefore precluded from accessing wellness services digitally. Through partnerships with the Postal Service, wellness

organizations could help older Americans securely connect to online services. While accessing online services at post offices, wellness organizations could also provide identify verification services, adding an extra layer of security to digital communications and transactions.

The entities that give out funding to wellness organizations have tight budgets, which force them to choose which programs to fund. If partnering with the Postal Service could make wellness organizations more efficient, while at the same time increasing their reach, they might be more likely to attract additional funding. Bringing in additional funding would allow wellness organizations to compensate the Postal Service for its role in partnerships. This system provides a win-win for all involved, as illustrated in Figure 3.

Figure 3: Benefits of Collaboration between Wellness Services and the Postal Service



Funding Summary

Understanding how funding is distributed to wellness organizations reveals how the Postal Service could benefit by facilitating services or partnering with other organizations that aid older Americans.

Wellness Organization Funding Structure

The OIG discussion forum included representatives from various wellness organizations. Federal agencies represented included SSA, Federal Communications Commission (FCC), and HHS.⁹ Congress appropriates money to these agencies to support their core

⁹ The FCC sent a representative from its Connect2Health Task force, and the participant from HHS worked at the Federal Office of Rural Health Policy.

missions. Also present at the event were smaller, community-based organizations that provide direct care to older Americans, such as Senior Reach.¹⁰ The funding sources for these local wellness programs vary depending on the type of organization.

The bulk of federal funding flows through the Older Americans Act (OAA), which Congress has not reauthorized since 2006. A reauthorization would signal renewed commitment to OAA programs. Despite this lack of reauthorization, Congress continues to fund these programs; in fiscal year 2014, it provided \$1.88 billion in funding.¹¹ Under the OAA, states are required to partially match the amount of federal money provided for different types of service.¹² Many states, using the flexibility in their budget processes and the donation of private funds, are able to provide more than the required matching amount to support OAA services.¹³ According to the NCOA, every dollar of federal funding is matched by almost 3 dollars in non-federal support.¹⁴ In addition, every state has some existing infrastructure to support older adults, such as Area Agencies on Aging (AAAs), which develop, coordinate, and deliver aging services in many communities across the nation. AAAs assist more than 8 million older Americans and caregivers annually.¹⁵

Financial Opportunities for the Postal Service

Participants at the OIG event acknowledged that postmasters and letter carriers are both under tight time constraints to complete their current duties each day. Before moving forward with any of these new opportunities, the Postal Service would need to determine how to generate enough revenue to at least cover the costs associated with any time or resources spent on these additional duties.

Based on discussions from the OIG-hosted event and other research sources, the OIG identified four types of revenue models that could financially support the Postal Service's role in delivering wellness services: charging individuals a fee for services, partnership fees, rental income, and added sales through increased foot traffic and brand strength. Each of these models could support many wellness programs and are explained in the remainder of this paper.

Some of the suggested services can already be offered under the Postal Service's existing legal authority, while

others may not. Current postal legislation encourages federal partnerships that decrease the overall cost of programs to the government. Attempts by the Postal Service to provide additional services or engage in additional revenue-generating activity could require approval from the Postal Regulatory Commission or Congressional action. For purposes of this paper, the OIG explains programs as if legal authority to offer those services has been granted.

In addition to potential legal hurdles that could prevent the Postal Service from offering these services, the Postal Service could face additional risks in partnering with wellness organizations. For example, if it makes changes to its existing letter carrier operations, in reliance on a partnership with a wellness organization that may not have a constant, reliable funding stream, the Postal Service could be left in a difficult situation if the wellness organization cannot prove its effectiveness and loses funding. The Postal Service could mitigate the risk of partnering with wellness organizations in two ways.

First, it could collaborate with organizations that run evidence-based programs. Evidence-based programs are ventures that have proved to promote health and prevent disease among older adults.¹⁶ These programs receive government funding or grants because they can demonstrate tangible or quantifiable, positive results and savings. By leveraging the Postal Service's national scope, wellness organizations could provide more comprehensive, better services using fewer resources through programs that have already proven to be cost-beneficial.

The second way the Postal Service could mitigate the risk of new partnerships and services is through pilot testing. Federal law allows the Postal Service to conduct small market tests to forecast the financial viability of a new venture.¹⁷ These tests would allow the wellness organizations and Postal Service to define the parameters of the collaboration and work out any implementation problems on a local scale before expanding nationwide. In addition to partnerships with wellness organizations, the Postal Service could be eligible for federal funding, including direct funding through aging organizations, service fees, or grants from providers like HRSA or the Center for Medicare and Medicaid Services (CMS). To be eligible for CMS funding, the Postal Service and a partner could conduct market tests to build a successful

10 Senior Reach is an evidence-based program that identifies at-risk older adults and connects them to behavioral health and other community services to support their wellbeing and independence. Senior Reach has been proven to decrease depression, anxiety, feelings of hopelessness, and social isolation among seniors.

11 Wendy Fox-Grage and Kathleen Ujvari, *The Older Americans Act: INSIGHT on the Issues*, p. 1.

12 See Appendix A for more details on funding.

13 Ibid.

14 National Council on Aging, "Federal Budget," <http://www.ncoa.org/public-policy-action/federal-budget/>.

15 National Association of Area Agencies on Aging, *AAAs & Title VI Aging Programs*, <http://www.n4a.org/aaastitlevi>.

16 National Council on Aging, "About Evidence-Based Programs," <http://www.ncoa.org/improve-health/center-for-healthy-aging/about-evidence-based-programs.html>.

17 39 U.S.C. §3641 (2014).

evidence-based program that fosters “new payment and service delivery models, evaluating results and advancing best practices, and engaging a broad range of stakeholders to develop additional models.” This type of market test would help ensure the program is having a positive effect on consumers and yielding cost-beneficial results.¹⁸ Funding from federal agencies could also be

provided in the form of reimbursements because the Postal Service could help agencies fulfill their goals, such as the FCC’s goal to have high speed Internet available nationwide.¹⁹

The remainder of the paper explores each revenue model, using potential programs to show how the model could function in practice.

Individual Pays a Fee for Service

The Postal Service could charge a fee to individual users for wellness services, similar to how foreign posts generate the income needed to sustain their wellness service offerings. In addition, these services could make it easier for older Americans to live independently and self-manage their care. Many of these services would build upon core competencies and skills the Postal Service already possesses. For example, the Postal Service already delivers medical necessities to many homes across the United States each delivery day. This includes medicine and — in some regions of the country — food. There are ways the Postal Service can strengthen its offerings in both areas. Older Americans may rely on the delivery of goods to their homes more heavily than other parts of the population due to mobility limitations.

These services could make it easier for older Americans to live independently and self-manage their care.

Food Delivery

The Postal Service is just starting to test its role in the food delivery market through a partnership with AmazonFresh.²⁰ As of now, this delivery service is available in a few regions of the country, with the Postal Service delivering for Amazon in parts of California. Under the program, a customer places an order on the Amazon-Fresh website for delivery that day or the following day. Amazon employees purchase the grocery items and deliver them in insulated totes to Postal Service distribution centers. The Postal Service then delivers the bags

to the customers’ homes between 3 a.m. and 7 a.m. before the letter carriers begin their regular routes. This partnership has allowed the Postal Service to develop its skills and hone its knowledge of the food delivery industry.

The Postal Regulatory Commission has approved the Postal Service’s market test of food delivery through at least October 2016.²¹ So far, the Postal Service has worked exclusively with Amazon, but it could expand its partnerships to include local grocery stores or farmers in regions of the country where AmazonFresh is not available. Under such a partnership, the food retailer would provide insulated totes or food receptacles, pack them with the ordered food, and give them to the Postal Service at a postal destination delivery unit for last mile delivery. If the ordered food was nonperishable, delivery could be in any type of bag or box. The Postal Service would have a consistent role in the grocery delivery supply chain, regardless of the grocer it is delivering on behalf of. The Postal Service providing a food delivery service would create a cost-effective way for food retailers to get into the grocery delivery business, as they would not have to pay for the expensive, time-consuming last-mile delivery of food or invest in refrigerated vehicles. This could allow a larger number of food retailers to get into the grocery delivery market, holding promise for grocers, consumers, and the Postal Service.

The grocery delivery market currently serves Internet-literate populations located in certain large cities. Less than 1 percent of the U.S. population currently uses online grocery delivery services, and those that use it tend to be clustered in cities because the delivery services tend to be offered there. For example, New York City recently reported 16 percent penetration.²² Despite low participation nationally, grocery delivery is getting attention because of its high customer satisfaction rates. In a recent study, between 95 and 100 percent of

18 Centers for Medicare & Medicaid Services, “About the CMS Innovation Center,” <http://innovation.cms.gov/about/index.html>.

19 FCC, “Universal Service,” <https://www.fcc.gov/encyclopedia/universal-service>.

20 OIG, *Letter Carriers: Modern Day Milkmen?*, Report No. RARC-IB-15-001, March 2, 2015, <https://www.uspsog.gov/sites/default/files/document-library-files/2015/rarc-ib-15-001.pdf>.

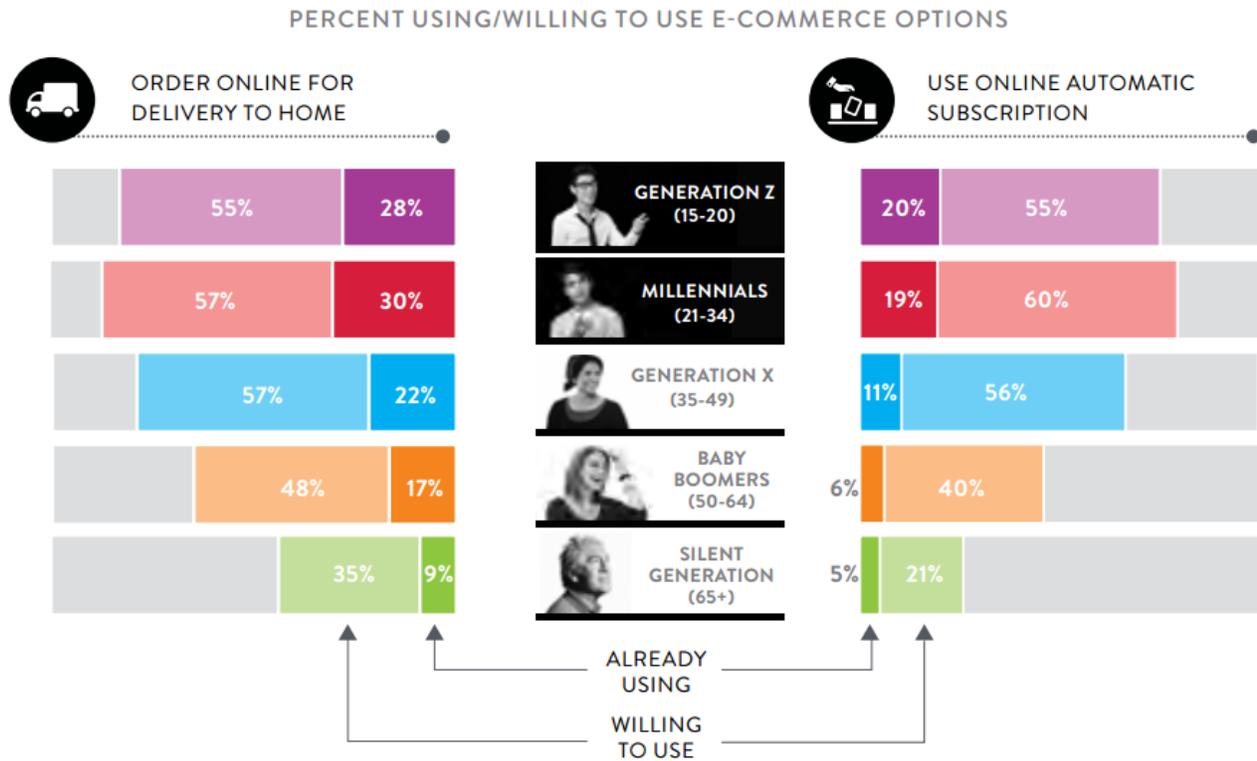
21 “Order Authorizing Customized Delivery Market Test,” Postal Regulatory Commission Docket No. MT2014-1, October 23, 2014, <http://www.prc.gov/Docs/90/90532/Order%20No.%202224.pdf>.

22 Kelly Bania, et al., *Fresh Delivery: Clicking Through the Online Grocery Landscape*, BMO Capital Markets, March 20, 2015, <http://research-ca.bmocapitalmarkets.com/documents/B9354BBF-EA8F-4A72-9185-56B5A0B5E52B.PDF>, p. 1.

respondents were satisfied with their overall grocery delivery service experience.²³ Unsurprisingly, Digital Natives — individuals born and raised in the age of the Internet — dominate the grocery delivery market, both in online grocery delivery and online automatic subscription services, where grocers automatically deliver

certain foods on a periodic basis.²⁴ The figure below demonstrates the percentage of people who were using grocery delivery service in 2015, separated by age, as well as the percentage of each age group that indicated they would be willing to use the service.

Figure 4: Global Adoption of Grocery Delivery



Source: Nielsen, "The Future of Grocery," April 2015.

Those ages 65 and older are by far the least likely to order and least willing to try online for grocery delivery to their home. This could reflect older Americans' lack of trust and use of the Internet. Grocers and the Postal Service could work together to overcome this hurdle. Many older Americans live in food deserts so they could benefit from delivery of fresh, healthy food from a grocer they would not otherwise be able to purchase from because of the distance between their home and the store.

Even for those without access to the Internet, the Postal Service could help older Americans by collecting grocery orders from them to pass on electronically to grocery providers. The Postal Service could deliver the

fulfillment orders to the grocery company, and then, once the order is fulfilled, the groceries to older Americans. Older Americans might also benefit from the creation of a repeat order system where a customer could sign up once for specific, often used goods, like milk and bread, to be delivered on a recurring basis. The OIG has explored this idea, known as continuity shipping, in past research.²⁵ The Postal Service could offer this program to people without constant access to the Internet or the requisite digital literacy to place online orders by taking written orders and passing them to a recurring grocery fulfillment program.

In all of these potential grocery delivery models, the Postal Service would be providing delivery services,

23 Ibid., p. 7.

24 Nielsen, "The Future of Grocery," April 2015, <http://www.nielsen.com/content/dam/niensenglobal/vn/docs/Reports/2015/Nielsen%20Global%20E-Commerce%20and%20The%20New%20Retail%20Report%20APRIL%202015%20%28Digital%29.pdf>, p. 8.

25 OIG, *Revenue Opportunities for Innovative Mail Services*, Report No. FP-WP-15-002, January 20, 2015, <https://www.uspsog.gov/sites/default/files/document-library-files/2015/ft-wp-15-002.pdf>.

including both food and, in some instances, the orders to grocers. By focusing on delivery, the Postal Service would be capitalizing on its core competency of using its postal fleet and personnel that are able to deliver to every American doorstep multiple times throughout the week. The Postal Service could determine the demand for grocery delivery in less concentrated areas and offer the service on specific days, avoiding nearly empty trucks being out on delivery routes. In other parts of the country, there could be enough demand for daily grocery delivery. The Postal Service would want to work with grocers, co-ops, and existing grocery delivery partners to identify the model that would most effectively meet the needs of their specific region.

The Postal Service could financially benefit from partnering to deliver groceries, as grocery delivery is a rapidly growing business. IBIS World predicts the online grocery delivery market generated \$11 billion in revenue in 2014 and projects the market will grow 9.6 percent annually through 2019.²⁶ The payment structures for grocery delivery vary, depending on the type of program offered. There are two dominant models. In the first, users pay an annual membership fee ranging from about \$100 up to \$300, plus the cost of the groceries. Under this model, as long as the groceries reach a certain price threshold, each individual delivery is at no additional cost to the consumer. In the second model, users pay a fee for each delivery, but do not pay an annual fee. In both of these models, the grocer accepts the money from the user, and then would distribute a portion of it to the Postal Service to compensate it for the last mile delivery.

The OIG estimates that if the Postal Service continues its growing partnership with the expanding AmazonFresh service, in addition to developing partnerships with other grocers and retailers to provide food delivery service, it could generate between \$123 million and \$614 million in revenue. Accounting for the costs to the Postal Service of providing food delivery, this revenue could generate between \$27 million and \$134 million in profit for the Postal Service annually.²⁷ These estimates include grocery delivery services only for economically stable older Americans. This does not include the high interest in adoption of grocery delivery services exhibited by younger generations.

Delivery of Medicine and Nutritional Supplements

The Postal Service already delivers millions of prescriptions to people across the nation, but it could expand its offerings. CVS Caremark Corporation, one of the nation's leading drugstore chains, began working with the Postal Service in 1985 to offer mail order pharmacy prescriptions.²⁸ In 2013, the corporation received over a million prescriptions to its mail order pharmacies each week.²⁹ The Postal Service delivered 90 percent of these medications and was likely the preferred carrier because it offers significantly lower shipping costs than other carriers.³⁰

The 10 percent of CVS Caremark's medicine not delivered through the Postal Service were medications requiring special delivery or those that needed to be kept cool. The Postal Service does not have the required infrastructure to make some of these special deliveries, and, when it does, it is often much more expensive than competing carriers.³¹ To be able to deliver medication that needs to be kept cool, the Postal Service could allow individual homes and businesses to install an insulated mail receptacle. This would give people a way to preserve their items with temperature limitations even if they would not be home for hours after the delivery.

To be able to deliver medication that needs to be kept cool, the Postal Service could allow individual homes and businesses to install an insulated mail receptacle.

Beyond prescription medicines, the Postal Service could also deliver vitamins and nutritional supplements. Many elderly people, especially those who are frail or suffering from chronic diseases, may receive advice from their doctors to take a multivitamin.³² Vitamins and nutritional supplements are typically taken daily, so refill needs are usually predictable and users can reasonably anticipate when they will need more. A continuity shipping program, similar to the one described in the food delivery section, could help fulfill the periodic delivery needs without requiring the consumer to take action to reorder. The Postal Service could play an integral role in this regular

26 IBIS World, "Online Grocery Sales in the US: Market Research Report," December 2014, <http://www.ibisworld.com/industry/online-grocery-sales.html> and Courtney Reagan and Sabrina Korber, "The Return of the Milkman," *CNBC*, May 4, 2015, <http://www.cnbc.com/id/102628395>.

27 For more information on how the OIG calculated potential revenue, see Appendix B.

28 CVS Caremark Corporation, "Testimony of Mr. Carl Janssens, Vice President, Logistics and Facility Engineering, CVS Caremark Corporation," House Oversight and Government Reform, Federal Workforce, U.S. Postal Service and Census, April 10, 2013, <http://oversight.house.gov/wp-content/uploads/2013/04/Janssens-Testimony.pdf>, p. 2.

29 *Ibid.*, p. 3.

30 *Ibid.*

31 *Ibid.*

32 Meals on Wheels Inc. of Tarrant County, "Multivitamins: To Take or Not to Take," April 22, 2014, <http://mealsonwheels.org/multivitamins/>.

delivery by partnering with a vitamin provider or developing a system to warehouse and package vitamins and nutritional supplements for shipment. Successfully delivering vitamins and other nutritional supplements could help the Postal Service enter and expand into additional parts of the supply chain.

Optional Check-in Service for Older Adults

During the OIG event, some participants suggested that the Postal Service, like posts in other parts of the world, could offer a service where individuals or their loved ones could pay a fee for letter carriers to check in on older Americans that may not have regular contact with others. La Poste offers a variety of programs for the elderly, depending on which company is sponsoring the services and in which region the elderly person resides. In some regions, the letter carriers check on patrons to ensure they are safe, but they also deliver medicine and library books to those who have trouble traveling. Additionally, elderly residents can also pay for letter carriers to help them install appliances or fill out different types of forms.³³

In Japan, elderly individuals or their family members can sign up for a fee-based service with the post that includes regular check-ins by postal carriers, called the “Watch Over” service. The services in this program include a 24-hour telephone hotline for medical and lifestyle issues, monthly deliveries of hard-to-carry groceries, and a daily service that will call to check in on them. The postal carrier reports the subscribers’ health and living conditions to family members, who often live far away from the elderly individuals.³⁴ More recently, Japan’s post introduced a program where letter carriers will also help elderly people use specially designed iPads, provided at no cost, to communicate with family, friends, and health care professionals.³⁵ Japan’s Watch Over service costs the user or their family the U.S. equivalent of about

\$8.40 per month.³⁶ If the Postal Service were to offer a similar program for the same price, and 1 percent of the 12.5 million older adults that live alone sign up for the service, it would generate revenue of \$12.6 million annually.³⁷

South Korea has a similar program based on a partnership between Korea Post and the government-run Ministry of Security and Public Administration of Korea.³⁸ The goal of this program is to close welfare service gaps, especially among elderly people living alone in rural fishing and farming villages. As they deliver the mail, letter carriers check on seniors who live alone and tell them about any potential threats or inconveniences in the elderly person’s neighborhood.

Existing programs suggest letter carriers can perform additional services during their routes, while still completing the core mission of delivering mail.

The Postal Service could use these international programs as models to expand its existing USPS Heroes Program, which rewards carriers who go beyond the call of duty, and the National Association of Letter Carriers’ (NALC) Carrier Alert program.³⁹ Under the Heroes Program, the Postal Service and the letter carrier associations routinely recognize letter carriers for organizing care for a person in need. Under the Carrier Alert program, Postal Service employees assist citizens in the community by acting as gatekeepers to health care professionals. The Heroes program recognizes unplanned acts of letter carriers, while the Carrier Alert program relies on advanced planning. These existing programs suggest letter carriers can perform additional ser-

ices during their routes, while still completing the core mission of delivering mail. In designing such an opt-in program, the Postal Service would need to consider how much it would charge for the extra tasks assigned to the letter carriers and how to ensure letter carriers would be able to continue delivering the mail in a timely manner. Additionally, the Postal Service would need to consider that such a program may not be feasible on every route across the country, given the nature, location, and demand of various delivery routes.

33 Le Groupe La Poste, “Facteurs Services Plus: S’appuyer sur un Lien de Confiance,” press release, 2014, <http://collectiviteslaposte.fr/Actions-locales/Facteurs-Services-Plus-s-appuyer-sur-un-lien-de-confiance>.

34 “Japan Post makes foray into support services for elderly,” *The Japan Times*, August 26, 2013, <http://www.japantimes.co.jp/news/2013/08/26/business/corporate-business/japan-post-makes-foray-into-support-services-for-elderly/#page>.

35 Daniel Etherington and Anthony Ha, “Apple and IBM Team with Japan Post to Address the Needs of an Aging Population,” *TechCrunch*, April 30, 2015, <http://techcrunch.com/2015/04/30/apple-ibm-japan-post/#.g0kknc:LWRJ>.

36 Ben Lovejoy, “Apple/IBM Partnership Piloting Scheme with Japan Post to Monitor the Elderly,” *9to5Mac*, April 30, 2015, <http://9to5mac.com/2015/04/30/apple-ibm-japan-post/>.

37 U.S. Department of Health and Human Services, *A Profile of Older Americans: 2014*, http://www.aoa.acl.gov/Aging_Statistics/Profile/2014/docs/2014-Profile.pdf, p. 1.

38 Limb Jae-un, “Postal workers serve elderly living alone across the country,” *Korea.net*, December 13, 2013, <http://www.korea.net/NewsFocus/Policies/view?articleId=116217>.

39 U.S. Postal Service, “Honoring Heroes: USPS Employees Go Above and Beyond,” *Postal Bulletin*, June 27, 2013, <http://about.usps.com/postal-bulletin/2013/pb22366/html/cover.htm>.

Secure Medical Record Storage

Through its existing digital infrastructure, the Postal Service has massive data storage capabilities; specifically, it has 35 petabytes of digital capacity. Coupled with a core competency of delivering sealed, private messages from one entity to another, and its trusted role in securing address databases, the Postal Service could create a portal for individuals to securely store and transmit personal electronic records, like legal documents or medical records, in a centralized location.⁴⁰ This single touch point would allow health care providers to easily access requisite documents at an individual's discretion.⁴¹

The Postal Service is one of only a few postal operators worldwide that does not currently offer a data storage system.⁴² For instance, Deutsche Post, the German postal provider, offers a service called DocWallet, which allows a customer to scan, encrypt, and store documents. Then, DocWallet sends the encrypted documents to the cloud. This enables users to pull their documents from anywhere in the world to any device.⁴³ Canada Post offers a similar service, with tiered amounts of storage appropriate for different types of files. Customers pay a monthly fee to store basic documents, photos, or videos.⁴⁴ The Postal Service could extend the regulations that protect the U.S. mail system from fraud or theft in the physical world, to the digital sphere — creating a safe, digital data storage option.

Partnership Fees

Governmental organizations and private entities, such as health care providers or insurance companies, could provide compensation or reimbursement to the Postal Service for wellness programs that use its network. For example, insurance companies may be willing to pay the Postal Service to provide a check-in service through the carrier network, to reach older Americans who are at an increased risk of falling or suffering from isolation. Insurance companies may also pay letter carriers to distribute information about wellness, such as how to prevent falls. Such programs could decrease the likelihood of an older American having future problems that could result in long-term care or expensive hospitalization. Investing in preventative care now could allow these companies to recognize large future savings. If the Postal Service is able to help provide preventative care that delivers net savings to health care providers, the government, and insurance companies, those entities may see value in investing in the prevention program partnerships now.

Letter Carriers Distributing Information and Supplies to Older Americans in Need

Delivering Information

Wellness organizations could reach their target population through letter carriers. During the OIG event, numerous speakers described programs that sought to use community members, like letter carriers, to help

identify when an older member of the community may need physical or mental help. Each group emphasized that the goal of these programs is not to remove older Americans from their homes. Instead, the goal is to provide the intended recipients with information on programs that are already available in their communities that can help them stay independent for as long as possible, such as fall prevention programs or chronic disease self-management classes.

One example of an existing, coordinated program is Senior Reach, which began in Denver and has since expanded to seven counties in Colorado and Wichita, Kansas for evidence-based approval.⁴⁵ Senior Reach is a gatekeeper program that trains trusted community members, including Postal Service letter carriers, to identify signs of behavioral health problems among seniors, beyond just physical challenges. If a community member feels a senior may need assistance, he or she has one of two options: he or she can pass the person's contact information to Senior Reach's health coordinators, or he or she can leave Senior Reach's information for the individual in need. By expanding this program to more communities throughout the United States, there is an increased possibility for additional funding.

The Postal Service has coordinated with Senior Reach on this effort by allowing Senior Reach to train letter carriers about how and when to leave a Senior Reach contact card for individuals that may need services.

40 U.S. Postal Service, "Information Technology," <https://about.usps.com/who-we-are/postal-facts/information-technology.htm>.

41 The OIG has explored this idea in previous papers. OIG, *eMailbox and eLockbox: Opportunities for the Postal Service*, Report No. RARC-WP-12-003, November 14, 2011, <https://www.usps.gov/sites/default/files/document-library-files/2013/rarc-wp-12-003.pdf>, p. 10.

42 "Out of 23 major industrialized countries, the U.S. Postal Service is one of a shrinking number of postal operators that do not offer such a product to its citizens." *Ibid.*, p. i.

43 DocWallet, <https://www.Docwallet.com>.

44 Canada Post, "Personal Vault," <https://www.canadapost.ca/cpo/mc/personal/epost/vault/default.jsf#prettyPhoto>.

45 Programs receive government funding or grants from agencies if they can demonstrate tangible or quantifiable, positive results.

Currently, the letter carriers participate with Senior Reach on a volunteer basis, and it is limited to the geographic region that the Senior Reach program currently serves. With the Postal Service's national scope, the program could expand to other regions of the country.

Delivering Meals

In addition to distributing information about wellness programs while on their routes, letter carriers could also partner with wellness programs to deliver wellness supplies provided through federal funding. For example, nearly 43 percent (\$816 million annually) of the funding in the Older Americans Act is designated to provide healthy meals, nutrition education, and nutrition counseling to at-risk seniors through the Nutrition Services program. The Administration on Aging runs the Nutrition Services program through a vast network of state and area aging agencies, tribal organizations, and service providers.⁴⁶ As part of the program, food service providers, in conjunction with various senior centers, wellness centers, and group homes, provide meals to seniors in need, including delivered meals to homebound Americans.

Letter carriers already care about the people they serve and notice when a household's habits change.

As with many aging programs, the Nutrition Services program is facing budget constraints, which threaten its ability to provide an adequate level of service.⁴⁷ For example, the non-profit meal delivery organization, Meals on Wheels, predicts that by 2025, 9.5 million seniors in the United States will experience food insecurity, a 75 percent increase from 2005.⁴⁸ Funding constraints are especially prevalent in rural areas, due to the lack of fundraising opportunities. In order to survive, some programs have resorted to waiting lists, limiting services, or reducing the amount of delivery days.⁴⁹

Through its vast network of letter carriers, the Postal Service may be able to help address these funding constraints by distributing nutrition and health information, as well as delivering meals from local organizations that work through the Nutrition Services program. This partnership could relieve strained programs of the duty to have to keep a vehicle fleet, while, at the same time, it could increase the reach of these programs, as the Postal Service already reaches every address multiple days a week. Letter carriers could deliver meals along their regular routes, just as they deliver packages currently.

Letter Carriers Alerting Wellness Organizations about Older Adults in Need

Beyond just exchanging information, the Postal Service could collaborate with a wellness organization to create an opt-in program wherein letter carriers alert either family members or social services if an older person does not pick up their mail for a number of days. Postal organizations represented at the event agreed that letter carriers already care about the people they serve and notice when a household's habits change. A more formalized program could simply add structure and strength to something many letter carriers already consider part of their job. NALC already has a program in place with similar goals, called Carrier Alert.

Under the Carrier Alert program, the sponsoring wellness organization covers all costs associated with the program upfront. First, interested community members contact a sponsoring wellness organization and complete a profile that includes emergency information, like next of kin. The organization contacts the local postmaster, and letter carriers place markers in the participants' mailboxes. This marker alerts all letter carriers on that route of the person's participation, and if there is a sign of distress, like an accumulation of mail, the carrier alerts the local, sponsoring wellness organization. The organization will attempt to contact the person in need and, if they fail to do so, they will reach out to someone from a list of the person's emergency contacts. If they cannot reach an emergency contact, an organization representative will visit the person's home to check on his or her health and well-being.⁵⁰

46 Academy of Nutrition and Dietetics, "The Older Americans Act," 2013, <http://www.hadpg.org/docs/Policy/Federal/Issue%20Brief%20Older%20Americans%20Act%20PPW%202013.pdf>.

47 A 2011 Government Accountability Office report estimated that about 9 percent of low-income older adults received meal services, and there were likely more that were in need of them. U.S. Government Accountability Office, *Older Americans Act: More Should Be Done to Measure the Extent of Unmet Need for Services*, Report No. GAO-11-237, February 2011, <http://www.gao.gov/assets/320/316109.pdf>.

48 Foodservice Director, "Seniors in Need," <http://www.foodservicedirector.com/articles/seniors-need>.

49 Jeanna Sahadi, "Meals on Wheels Budget Cuts: 'Slowly Developing Crisis,'" *CNN Money*, May 6, 2013, <http://money.cnn.com/2013/05/06/news/economy/meals-on-wheels-budget-cuts/>.

50 National Association of Letter Carriers, "Community Service," <http://www.nalc.org/community-service/carrier-alert/carrier-alert-guidelines%20>.

One of the challenges of the Carrier Alert program is that it relies on localized wellness organizations; because of this, the Carrier Alert program is only active in a few regions nationwide.⁵¹ Currently, Carrier Alert partners with AARP, the American Red Cross, the United Way, and AAAs in select communities. This program, although planned by the association on a national level, varies from community to community; many older Americans across the country do not have the opportunity to sign up for the program because local service organizations and NALC are not partners. Participants at the discussion forum agreed that a partnership between local postmasters and individual AAAs across the country could help this program, or one like it, grow. A national agreement between any of the existing Carrier Alert partners and the Postal Service would also help strengthen the reach of this program.

Verified and Secure Messaging Between Patients and Health Care Providers

The 2009 Health IT Act created incentives to encourage medical practices to adopt electronic health care records (EHR) systems that meet federal requirements, as well as penalties for those that do not. Yet many disparate and closed health care systems remain. For instance, there are about 28 unique EHR systems in the Alaska tribal health system. These systems do not communicate with each other effectively; once a patient's information is in one system, it is difficult to transfer that patient's information to another system, should the patient go to a different doctor or need specialized care. The same is true of the massive veterans affairs system, which also does not allow for connection with outside providers.⁵² As the emphasis on telehealth grows, the pressure to create interoperable systems will grow as well. Once there is a trusted, standard method to link networks nationwide, telehealth organizations will be able to link patient data and provide a more complete picture to health care providers.⁵³ This interoperability could create a system wherein patients receive better care and can access health care anywhere, whether it be in-person at a doctor's office or through a kiosk.

The Postal Service is a partner in the Connect.Gov initiative (formerly called the Federal Cloud Credential Exchange, or FCCX), a federally funded program that created a secure data transfer platform across

Being able to access the Internet at hotspots within post offices. Being able to use a trusted, reliable Wi-Fi connection or Internet-connected computer at a post office could allow the Internet-literate aging population to conference with doctors, access web portals like "My Social Security," or send information such as biometrics or x-rays from patient monitoring devices to providers.

government agencies. More specifically, Connect.Gov facilitates a secure, privacy-enhancing service that conveniently connects people to government services and applications using individuals' approved digital credentials. To allow multiple doctors and facilities to access patients' prior health history and coordinate care more effectively, the Postal Service could provide a one-stop shop for identity management across the government through Connect.Gov, which, in turn, could allow users to confirm the legitimacy of electronic health information received from external sources.⁵⁴ Agencies could build upon the Connect.Gov platform to create shared telehealth services and establish standards that address patient records and communication interoperability among providers and the entire health care industry.⁵⁵

Wi-Fi Access in Post Offices

During the event, some participants remarked that their programs would benefit from older Americans being able to access the Internet at hotspots within post offices. Being able to use a trusted, reliable Wi-Fi connection or Internet-connected computer at a post office could allow the Internet-literate aging population to conference with doctors, access web portals like "My Social Security," or send information such as biometrics or x-rays from patient monitoring devices to providers.⁵⁶

51 Only five NALC branches have functioning carrier alert services, according to an OIG interview with NALC.

52 Adam Mazmanian, "How VA is driving telemedicine," *FCW*, February 13, 2014, <http://fcw.com/Articles/2014/02/13/How-VA-is-driving-telemedicine.aspx?Page=1>, p. 1.

53 Karen B. DeSalvo, "Connecting Health and Care for the Nation A Shared Nationwide Interoperability Roadmap," *The Office of the National Coordinator for Health Information Technology*, <http://healthit.gov/sites/default/files/nationwide-interoperability-roadmap-draft-version-1.0.pdf>, p. 11.

54 The General Service Administration (GSA), the National Institute of Standards and Technology (NIST), and the White House encouraged more agencies to join the Connect.Gov platform. Jason Miller, "Connect.gov is latest attempt to get buy-in to online ID management," *Federal News Radio*, <http://www.federalnewsradio.com/445/3768083/Connectgov-is-latest-attempt-to-get-buy-in-to-online-ID-management>.

55 Adam Mazzanian, "How VA is driving telemedicine," p. 2.

56 Save Rural Broadband, "The Benefits of Rural Broadband," http://www.saveruralbroadband.org/consumerInfo?_c=12azd0e0o6l54cq.

The Postal Service has Internet connectivity for employees to conduct their work and communicate in all but roughly 3 percent of post offices.⁵⁷ The Postal Service could expand this business-related connectivity to create a secondary, public Wi-Fi connection accessible to people visiting the post office. In order to create Wi-Fi hotspots, post offices would need two things: an Internet connection and the equipment necessary to disseminate that connection with customers, such as a router. Specifically, the Postal Service could work with an Internet Service Provider to create a Wi-Fi connection similar to ones often found in coffee shops. The Postal Service could split the Wi-Fi so that part of the connection went to computer stations within a post office, while another part of the hotspot could produce an open Internet connection for anyone with an enabled device.

The Postal Service could offer Wi-Fi access to citizens who live in those areas but cannot access the Internet, which would allow them to conduct government interactions online, including wellness services. For the few post office locations without access, the Postal Service could partner with rural telecom companies or other Internet Service Providers to use existing phone networks or set up a digital network by installing broadband networking equipment.⁵⁸ The Postal Service could also collaborate with federal agencies, such as the FCC, on initiatives to expand broadband through hotspots in rural communities. There are already multiple grants and loans available to support universal service, especially when that Internet connection fosters telehealth services. The Postal Service could possibly be eligible for funding through the provision of Wi-Fi connectivity and hosting telehealth kiosks or computer stations.⁵⁹

Renting out Underused Space in Postal Facilities

The Postal Service could generate additional revenue by renting underused retail space — such as retail windows or lobby space in post offices — to wellness organizations that want to use the space to connect with program recipients. This type of arrangement could allow wellness organizations to have a physical presence in local communities nationwide without the added expense of additional overhead costs. The Postal Service would benefit from generating additional, continuous income and increased foot traffic.

Health Kiosks in Post Offices

Health kiosks provide a convenient and affordable way to help seniors, as well as other at-risk groups, monitor chronic diseases and mental illness through diagnostics like blood pressure readings and behavioral health check-ins. For example, the U.S. Department of Veteran's Affairs (VA), a leader in this area, offers Clinical Video Telehealth to connect mental health providers to

patients through video conferencing.⁶⁰ Funded by the TeleMental Health Initiative, this program allowed 44 percent of veterans living in rural areas to receive some form of telehealth services in fiscal year (FY) 2014.⁶¹

The Postal Service could help facilitate access to wellness programs by housing third-party health kiosks for a rental fee from the provider. La Poste, France's postal operator, is exploring a similar partnership with H4D — a telehealth solution provider.⁶² The comprehensive H4D health kiosk features an enclosed, private booth with diagnostic equipment and video conferencing capabilities that allow doctors to provide consultations, remotely guide the collection of vital parameters, and administer preventative care.⁶³ Companies like H4D can maintain and monitor medical records to provide an integrated personal health history to help connect individuals with providers. Figure 5 provides an illustration of an American company's health care kiosk.⁶⁴

57 OIG, *21st Century Post Office: Aligning with the National Broadband Infrastructure Initiative*, Report No. DA-MA-12-002, January 23, 2012, <https://www.uspsaig.gov/sites/default/files/document-library-files/2013/DA-MA-12-002.pdf>, p. 2.

58 OIG, *A Possible Pilot Collaboration between Rural Telecom Providers and the Postal Service*, Report No. RARC-IB-13-001, February 8, 2013, <https://www.uspsaig.gov/sites/default/files/document-library/2013/rarc-ib-13-001.pdf>, pp.1-2.

59 FCC, "Funding Help Innovation," <https://www.fcc.gov/health/funding-broadband-enabled-health-care>.

60 U.S. Department of Veterans Affairs, "VA Telehealth Services," <http://www.telehealth.va.gov/real-time/index.asp>.

61 Rebecca Vesely, "VA to Expand Telehealth in 2015," *iHealthBeat*, December 22, 2014, <http://www.ihealthbeat.org/insight/2014/va-to-expand-telehealth-in-2015>.

62 Thierry Lucas, "Avec Le Lab, La Poste cultive ses liens avec les start-up du numérique," *L'usine Digitale*, December 5, 2014, <http://www.usine-digitale.fr/article/avec-le-lab-la-poste-cultive-ses-liens-avec-les-start-up-du-numerique.N301524> and H4D, "Overview," December 16, 2014, <http://h-4-d.com/en/overview/>.

63 "The Consult Station," December 16, 2014, <http://h-4-d.com/en/the-consult-station/>.

64 SoloHealth, "SoloHealth Station," <https://solohealth.com/solohealth-station/>.

Figure 5: Health Care Kiosk



Source: SoloHealth Station, 2015.

Liability for the medical services provided in health kiosks would fall to the third-party providers because the units are self-contained and operated by a third party. Housing health kiosks in post offices could also create a new reason for people to come into post offices, increasing the likelihood that customers would also purchase a postal product or service.

Retailers are beginning to recognize the value of these types of kiosks to both customers, in terms of convenience and proximity, and their own businesses. Hosting health kiosks enhances a store's brand loyalty because customers appreciate the free services, and it can boost sales through increased add-on sales based on foot

traffic into the store, and sales based on the healthcare advertisements within the kiosk.⁶⁵ Specifically, kiosks can generate revenue by advertising health products that are targeted to the needs of the individual, based on their health assessment. This advertising can be especially effective because these kiosks can provide immediate suggestions for ways to manage the symptoms currently exhibited or conditions for which they may be at risk. Walmart announced plans to be a primary care provider-of-choice in the future, and, while not to the same extent, CVS and Walgreens have expressed interests in primary care services as well.⁶⁶

Health insurers and medical supply companies have invested in health kiosks companies because of the long-term cost savings they yield for the insurance company. The health kiosks help individuals manage or identify chronic conditions before they worsen (and therefore become more costly to manage), which is especially important in light of the increasing demand on primary-care doctors.⁶⁷ Kiosks can replace some general checkup doctor's appointments, and could count as health risk assessments required under some insurance plans, saving insurance companies and their customers money.⁶⁸ In the past, insurance companies have also purchased data about the individuals using the machine.⁶⁹

The Postal Service has approximately 31,622 postal-managed retail locations in urban and remote areas of the United States, giving it a distinct advantage in hosting health kiosks nationwide. With more locations than Starbucks and Walmart locations combined, the Postal Service would be able to provide a national platform where all Americans, even those that do not live near a national chain store, could receive screenings.⁷⁰ Consistently offering health kiosks in the same location — like a post office — could provide reliability that may drive people to more regularly monitor their health. Health kiosks in a post office, as opposed to a retail location, may also create a better sense of authenticity because the post office would not benefit financially from the kiosk's product suggestions. This could prevent users from feeling pressured to make a health-related purchase. In exchange for housing health kiosks in

65 SoloHealth, "Retailers," <https://solohealth.com/partners-retailers/>.

66 Rachel Abrams, "In Ambitious Bid, Walmart Seeks Foothold in Primary Care Services," *The New York Times*, August 7, 2014, http://www.nytimes.com/2014/08/08/business/in-ambitious-bid-walmart-seeks-foothold-in-primary-care-services.html?_r=0.

67 Julie Appleby, "Companies invest in self-service health kiosks," *USA Today*, February 13, 2013, <http://www.usatoday.com/story/money/business/2013/02/18/companies-invest-in-self-service-health-care-kiosks/1928873/>.

68 Nathan Golia, "Wellpoint Invests in Consumer Health Kiosks," *Insurance & Technology*, August 30, 2012, <http://www.insurancetech.com/wellpoint-invests-in-consumer-health-kiosks/a/d-id/1313969>.

69 April Dembosky, "After Checking Blood Pressure, Kiosks Give Sales Leads to Insurers," *NPR*, January 15, 2014, <http://www.npr.org/sections/health-shots/2014/01/15/261371525/kiosks-give-sales-leads-to-insurers-after-checking-blood-pressure>.

70 U.S. Postal Service, "By the Numbers," <https://about.usps.com/who-we-are/postal-facts/size-scope.htm>; Starbucks, "Starbucks Coffee International," <http://www.starbucks.com/business/international-stores>; and Walmart, "Our Locations," <http://corporate.walmart.com/our-story/locations/united-states>.

its retail locations, the Postal Service could receive compensation from kiosk companies or insurers.

In addition to health kiosks, the Postal Service could make space in post offices available for rent for the provision of other types of kiosks. For example, the SSA may want to use post offices to offer kiosks and self-help computer stations that can give citizens a place to sign up for and access the “My Social Security” website, especially in remote areas where the SSA does not have physical offices. Under such an arrangement, the SSA or other providers would implement and maintain the kiosk — costing the Postal Service no additional capital outlay or labor costs while generating rental income.

Post offices could serve as an outlet to provide in-person services or identity verification by renting space to wellness organizations that want a physical presence in a community.

Wellness Organizations Offer Services through Post Office Windows

Despite the increase in the use of electronic means to complete transactions, many services still need to be completed in-person. Post offices could serve as an outlet to provide in-person services or identity verification by renting space to wellness organizations that want a physical presence in a community. Co-locating services in post offices is not a new concept. In a 2013 whitepaper, the OIG suggested that government agencies use post

offices as a location to provide in-person assistance to help citizens complete applications, sign status change documents, and conduct in-person witness certifications.⁷¹ Expanding this idea to the wellness realm could have powerful and important implications for programs providing services to older Americans across the country. This is especially beneficial for those in rural and remote areas, who find it challenging to travel to a government or nonprofit office not located in their town. Renting a window in a post office would likely be less costly to an agency than renting or operating a separate retail facility with dedicated staff, but it would allow the organization to provide nationwide access, even in underserved areas of the country.

Staging Medical Supplies and Spare Parts

Personal care items may require quick, timely delivery to individuals or doctors' offices, especially in the case of injury or illness outbreak. Forward-staging medical supplies in postal distribution centers could help medical supply retailers quickly ship goods to individuals or care centers.

For example, an injury might require an older person to need a medical device, like a cane, immediately, but it could also render them unable to travel to a store to buy the needed device. Some shipping organizations have tried to solve this dilemma by offering critical logistics services. This allows companies to outsource the logistics-side of their business to ensure quicker shipment once a recipient places an order. The Postal Service could potentially stage personal items, such as medical devices, in its warehouses, and then ship those items quickly. The Postal Service could ship the items to providers, like hospitals, or directly to individuals in need without the additional step of waiting for the company to process and package the items.

Increased Foot Traffic and Brand Strength through Voluntary Offerings

The Postal Service could increase foot traffic to retail locations and strengthen its brand by voluntarily offering services that cost little or nothing, without payment or reimbursement. The Postal Service could benefit from these partnerships through increased goodwill and reassertion of post offices as community centers.

Advertising Wellness Programming at Post Offices

Wellness organizations could enhance their outreach efforts by using the Postal Service as a platform

through which they could distribute information to older Americans. Local post offices continue to serve as an often-visited government hub and community center in many parts of the country, including rural areas. This makes post offices a natural place for organizations to communicate important messages. This type of collaboration would not be new to the Postal Service. For instance, many post offices offer free tax forms during filing season.⁷² The Postal Service is one of the most trusted government entities, and it is legally able

71 OIG, *e-Government and the Postal Service – A Conduit to Help Government Meet Citizens' Needs*, Report No. RARC-WP-13-003, January 7, 2013, <https://www.uspsog.gov/sites/default/files/document-library-files/2013/rarc-wp-13-003.pdf>.

72 Internal Revenue Service, “Four Ways to Get IRS Forms and Publications,” February 4, 2014, <http://www.irs.gov/uac/Newsroom/Four-Ways-to-Get-IRS-Forms-Publications>.

to partner with federal agencies to provide services.⁷³

Many of the organizations that attended the event agreed that posting information or distributing brochures at local post offices would help them reach a larger segment of the community. Currently, postmasters may install bulletin boards or displays in public areas of post offices. However, the Postal Service has established guidelines on the types of information it will display in post offices. These guidelines include documents such as government notices.⁷⁴ Some public wellness services and announcements may fall within the category of currently allowable information. The Postal Service could update this rule to allow nonprofit groups, which include many wellness organizations, to advertise their events as well.

Mobile Health Units on Postal Property

Participants discussed the idea of using space outside post office buildings to provide health services. Mobile health units allow people to access services from a simple medical checkup to medical procedures in a mobile medical clinic, rather than travelling a potentially long distance to visit a doctor. Noting the familiarity and ubiquity of post offices, attendees suggested that post offices could be an ideal location for these units. Mobile medical centers, offered by groups like the Children's Health Fund, could park in postal parking lots on a

regular basis.⁷⁵ Currently, they park in public lots or those of supportive retailers, which benefit from the increased ancillary foot traffic.

To make this feasible, the local AAA and postmaster would likely have to coordinate this effort. The Postal Service could leverage its physical locations, from the retail space inside post offices to parking lots, to allow wellness organizations to serve the community. Through these new programs, the Postal Service could help close the physical touch point gap currently facing the aging population, and potentially increase retail revenue from increased foot traffic in and near the post office.

Disease Prevention and Health Promotion Classes

The NCOA serves as a resource center for local community organizations that want to host classes on health self-management for older adults. These classes are often held in local libraries and community centers, as well as online. The wellness organizations, however, often have a difficult time arranging a convenient, secure, and cost-effective meeting location. Offering these classes at post offices, especially during off-peak hours, could provide a trusted, easily accessible location. A postmaster and wellness program would need to coordinate at the local level on setting up this type of offering, as not all post offices will have the space or capability to hold such a program.

Conclusion

The Postal Service is one of the last remaining government agencies with a physical presence in every community across the nation. Because of this, wellness organizations could benefit from tapping into the Postal Service's infrastructure to offer more services and supplies delivery to older Americans in need. Wellness organizations want to create partnerships because the synergistic efficiencies may garner additional funding to expand programs so that they help even more people. These initiatives could lead to new funding streams for the Postal Service as well, through rental income, charging individuals a fee for services, partnership fees, or added revenue through increased foot traffic and brand strength. Together, wellness organizations and the Postal Service can better serve the American public.

73 Postal regulations also state that the Postal Service can work with agencies whenever the overall costs to the Government can be reduced. 39 C.F.R. § 259.1(a); see also Postal Service Administrative Support Manual (ASM) 13 § 421.11.

74 "USPS: Postal Bulletin Board Guidelines," *PostalReporter.com*, August 3, 2013, <http://www.postal-reporter.com/blog/usps-postal-bulletin-board-guidelines/>.

75 Children's Health Fund, "A Doctor's Office on Wheels," <http://www.childrenshealthfund.org/healthcare-for-kids/doctors-office-on-wheels>.

Appendix A: The Postal Service's Role in Delivering Wellness Discussion Forum

The OIG hosted a discussion forum on January 12, 2015. The event featured two panels. The first included professionals from national, state, and local health care and wellness initiatives. This panel spoke to the challenges they face in providing services to eligible older Americans, especially those in rural and low-income communities. Participants on the first panel gave a brief discussion of what their agency or organization is doing to provide service to the aging population.

The following is a brief participant biography and description of their organization.

Kathleen Cameron, National Council on Aging

Ms. Cameron from the National Council on Aging (NCOA) presented a general overview of the health care environment for older adults. She also explained the role of NCOA, as a nonprofit organization that collaborates with government, businesses, and other organizations to help improve the health and economic security of 10 million adults ages 65 and up.

Ms. Cameron has over 25 years of experience in the health care field as a pharmacist, researcher, and program director focused on falls prevention, geriatric pharmacotherapy, mental health, long-term services and support, and caregiving. Ms. Cameron is currently Senior Director at the NCOA, where she oversees the Administration on Aging-funded National Falls Prevention Resource Center. Ms. Cameron was previously with JBS International as director of a Substance Abuse and Mental Health Services Administration affiliated technical assistance center aimed at educating the aging network, mental health providers, and policymakers about behavioral health conditions among older adults. She has also held positions at the American Society of Consultant Pharmacists Foundation. Ms. Cameron received her Bachelor of Science degree in pharmacy from the University of Connecticut and her Master of Public Health from Yale University. The topic of her Master's thesis was medication use and risk of falling among community-dwelling older adults.

Cora Plass, National Council on Aging

Ms. Plass has more than 30 years' experience in aging and public health and is currently the Senior Director with NCOA's National Chronic Disease Self-Management Education (CDSME) Resource Center in the Center for Healthy Aging. She provides direction and oversight for the Resource Center, which serves as the national clearinghouse of resources and information for CDSME programs. The Resource Center provides training, technical assistance, and support to state and community partners to further the implementation, expansion, and sustainability of CDSME programs throughout the United States. Previously, she served as the Director of the Division of Healthy Aging at the South Carolina Department of Health and Environmental Control, the state public health department. She has a Master of Social Work degree and is a licensed Independent Social Worker, Advanced Practice and Clinical Practice in South Carolina. She is a member of the National Association of Social Workers and an Academy Certified Social Worker.

Darla Gurry, Senior Reach

Ms. Gurry represented Senior Reach, which she described during her presentation as an evidence-based program that identifies at-risk older adults and connects them to behavioral health and other community services to support their wellbeing and independence. Senior Reach has been proven to decrease depression, anxiety, feelings of hopelessness, and social isolation among seniors.

Ms. Gurry is a Licensed Clinical Social Worker with almost 25 years of experience in a variety of health care settings. As Senior Reach National Consultant, she promotes the replication of Senior Reach, a recognized Evidence Based Practice by the National Registry of Evidence Based Programs & Practices (NREPP) and provides training and technical assistance to communities that are actively implementing Senior Reach nationwide. Ms. Gurry has extensive direct practice, management, and training experience and has served on numerous local and state committees, most recently as Vice Chair of the Colorado Behavioral Health Care Council Training and Development Subcommittee. Ms. Gurry earned her Bachelor of Arts degree in Psychology from the University of Connecticut and her Master of Social Work degree from Southern Connecticut State University. She also holds a Trainer's Certificate from Mountain States Employers Council and is a Certified Mental Health First Aid Instructor.

Curt Mueller, Health Resources and Services Administration

Mr. Mueller spoke on behalf of the Health Resources and Services Administration (HRSA), which is an agency within the Department of Health and Human Services. Mr. Mueller explained that HRSA is the primary federal agency in charge of improving access to health care services for individuals who are uninsured, isolated, or medically vulnerable. Mr. Mueller focused his remarks on the importance of distributing health care information to seniors in rural areas.

He is Director of Research and Evaluation for the Federal Office of Rural Health Policy (FORHP), Health Resources and Services Administration (HRSA). FORHP reports to the Department of Health and Human Services (HHS) about the effects of health policies on residents of rural communities. FORHP staff provides advice to HRSA, HHS, and other federal and state policy makers, and administers cooperative agreement research programs and other grant programs designed to build health care capacity at both the local and state levels. Prior to joining FORHP, Mr. Mueller served as Director of Research on Traditional Medicare for the Innovation Center at the Centers for Medicare and Medicaid Services and as Director of the Walsh Center for Policy Analysis of NORC at the University of Chicago, which is a public interest social science research group.

Maria Artista-Cuchna, Social Security Administration

Ms. Artista-Cuchna participated on behalf of the Social Security Administration (SSA), which provides disability insurance and Social Security to 60 million Americans as well as supplemental benefits to aged, blind, or disabled individuals. She discussed the ways SSA serves its customers despite its shrinking presence of offices across the country. She is the Deputy Associate Commissioner for External Affairs at the Social Security Administration (SSA). Previously, she served as Acting Associate Commissioner for External Affairs, Supervisory Social Insurance Specialist, and Public Affairs Specialist at SSA. She has her Masters of U.S. Foreign Policy from American University, and she received her Bachelor of Science in political science from St. Francis College.

Dr. M. Chris Gibbons, Federal Communications Commission Connect2Health Task Force

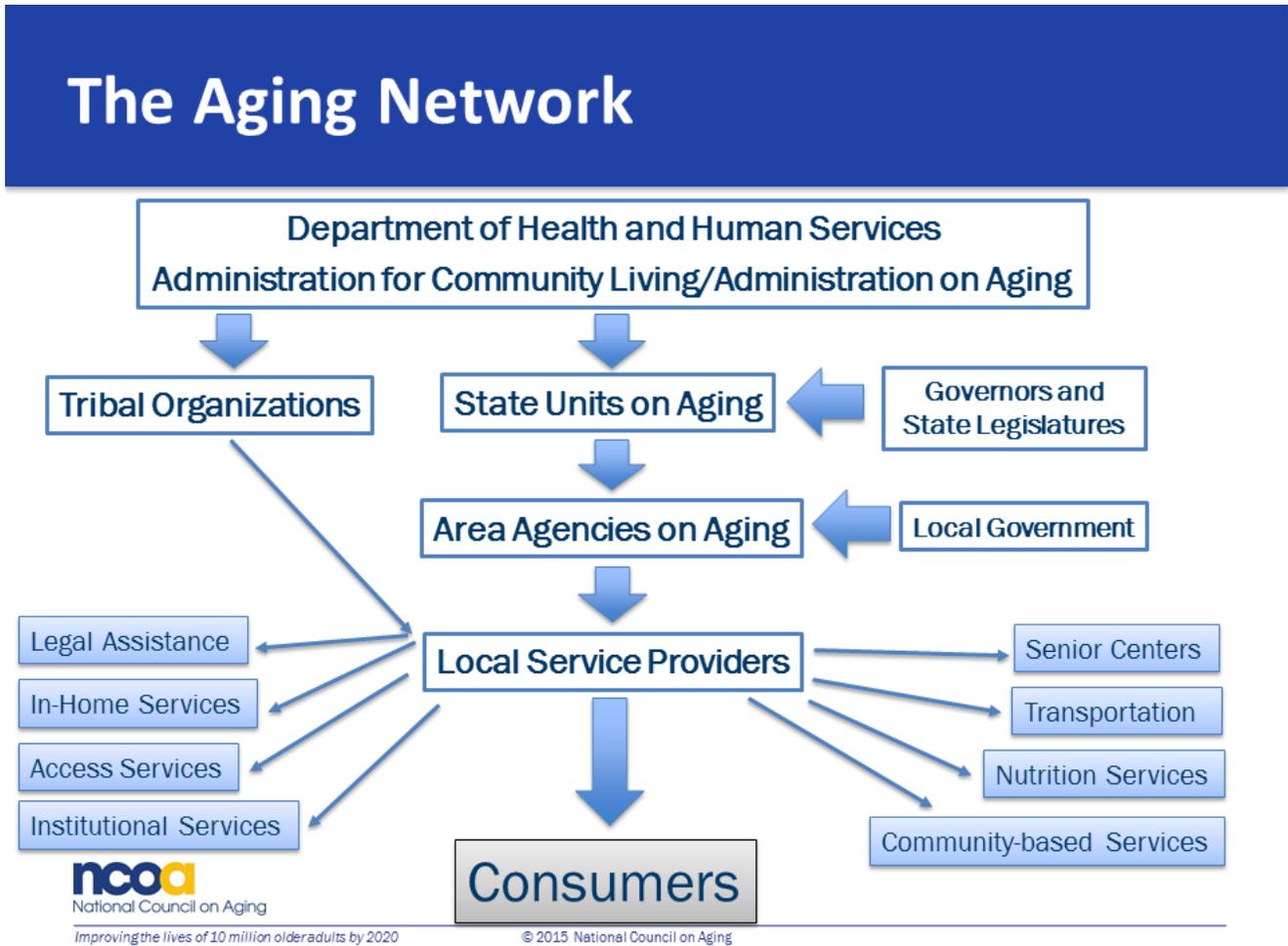
Dr. Gibbons represented the Connect2Health task force, which is a relatively new group designed to address the intersection between broadband, advanced technology, and health. He serves as the Distinguished Scholar in Residence on the Federal Communication Commission's Connect2Health-FCC Task Force. Dr. Gibbons is also the associate director of the John Hopkins Urban Health Institute and an assistant professor of medicine, public health, and health informatics at the John Hopkins Schools of Medicine and Public Health. Dr. Gibbons is an expert in consumer health informatics, health care disparities, and urban health and focuses on the use of consumer health technologies to improve health outcomes and health care disparities. He has his Masters of Public Health from Johns Hopkins Bloomberg School of Public Health, and he received his Doctor of Medicine from the University of Alabama, Birmingham.

The first panel explained that part of their funding comes from the federal government. However, the amount of federal funding for programs assisting older Americans has stayed relatively constant in the past decade, even though the number of older Americans has increased continuously for over a century.⁷⁶ As the Baby Boomer generation reaches retirement age, there will be a greater need for these services.⁷⁷ The following image, presented at the event, demonstrates the various ways funding from the federal government trickles down to support local programs.

76 Wendy Fox-Grage and Kathleen Ujvari, *The Older Americans Act: INSIGHT on the Issues*, p. 3 and National Council on Aging, "Federal Budget," <http://www.ncoa.org/public-policy-action/federal-budget/>.

77 Wendy Fox-Grage and Kathleen Ujvari, *The Older Americans Act: INSIGHT on the Issues*, p. 1.

Figure 6: Federal Funding for Local Programs



Source: National Council On Aging, 2015.

Funding constraints lead to reduced access and service. Collaborating with the Postal Service could allow these wellness organizations to multiply their impact under existing budget constraints, as well as uncover additional funding sources to offer more services to older populations.

Building on this foundation, the second panel, comprised of representatives from a variety of postal organizations, discussed both opportunities and challenges the Postal Service would face if it collaborated with these wellness initiatives. Each of these groups offered a different perspective on how the Postal Service could coordinate with programs supporting the older population. Below is a brief biography for each participant on the second panel.

Bob Levi, National Association of Postmasters of the United States

Mr. Levi appeared on behalf of the National Association of Postmasters of the United States (NAPUS), a professional organization that represents approximately 27,000 postmasters across the nation. He has worked in legislative and political affairs in the nation's capital for over 3 decades, serving Congress, the federal workforce, and the postal community. In January, Mr. Levi entered his 17th year as NAPUS Director of Government Relations. At NAPUS, he spearheads postmaster legislative advocacy on and off Capitol Hill, and directs NAPUS' political activities. Before coming to NAPUS, Mr. Levi worked for 6 years as Special Assistant to the President for Legislative Affairs at the National Association of Letter Carriers, AFL-CIO (NALC). Prior to working with the NALC, he worked on Capitol Hill for over a decade, serving as Legislative Director of two House Post Office and Civil Service Subcommittees and as Legislative Director to former Representative Gary Ackerman.

Bob Brinkmann, National League of Postmasters

Mr. Brinkmann represented the National League of Postmasters (NLP), a national trade association that advocates for the interests of postmasters and their families, with a focus on rural postmasters. He is a regulatory and legislative attorney at the law firm of Sackler, Brinkmann & Hughes in Washington D.C., with more than 30 years of experience. He serves as Legislative Counsel for the National League of Postmasters. His focus is federal regulatory and legislative matters and he specializes in postal, media, and related issues. Mr. Brinkmann has chaired the American Bar Association's postal affairs committee and served on the Postmaster General's Mailer Technical Advisory Committee. He is one of a handful of attorneys who have successfully negotiated multiple Negotiated Service Agreements with the Postal Service.

Jeanette Dwyer, Rural Letter Carriers' Association

Ms. Dwyer appeared on behalf of her union, which works to improve rural carrier methods and labor conditions. She was re-elected President of the National Rural Letter Carriers' Association at the 110th National Convention in Grapevine, Texas on August 15, 2014. She previously served as President from 2011-2014, Vice President from 2008-2011, and as Executive Committeeman from 2002-2008. Ms. Dwyer served the Association 6 years as an Executive Committeeman dealing with labor relations issues in five postal areas. She remains in touch with rural carriers at all levels so she can continue to be informed about the daily issues that they confront.

Jim Holland, National Association of Letter Carriers

Mr. Holland is the research director with the National Association of Letter Carriers (NALC). NALC is a labor union that represents approximately 250,000 city letter carriers. Holland joined the NALC staff in 2014 after working for the United Automotive Workers, where he worked as a research analyst. Before that, he worked for the United Steelworkers Union. Before his career with labor unions, Mr. Holland worked in the investment banking division at Merrill Lynch. Holland has a Bachelor of Arts in economics from Fairfield University in Fairfield, CT. His duties as research director include analyzing Postal Service financial reports and proposed legislation and working with NALC's outside financial advisers on postal reform issues.

Brian Renfroe, National Association of Letter Carriers

Mr. Renfroe was elected NALC Director of City Delivery in 2014. NALC President Fredric V. Rolando had appointed Renfroe to that position earlier in the year to fill a vacancy. As director of city delivery, Renfroe handles issues related to mail delivery and how letter carriers do their jobs, including working with the Postal Service on a wide variety of delivery issues. Mr. Renfroe is a second-generation letter carrier who began his career in 2004 in Hattiesburg, MS, where he joined NALC as a member of Hattiesburg Branch 938. In 2011, the Mississippi State Association of Letter Carriers elected Mr. Renfroe its president. A few months later, President Rolando appointed Mr. Renfroe to work at NALC Headquarters in the Contract Administration Unit, where he focused on city delivery issues. In 2013, President Rolando appointed Mr. Renfroe as a special assistant to the president.

The event ended with an open discussion about ways health and wellness organizations could leverage the Postal Service's existing infrastructure to provide better care for older Americans. Potential collaborations could benefit wellness organizations, the Postal Service, and older Americans. Wellness organizations could better connect with older individuals using fewer resources. The Postal Service could be reimbursed for its role in a collaborative effort, generate additional business through increased foot traffic in retail spaces co-located with services, and generate goodwill with the reassertion of the post office as a community hub. Postal legislation encourages collaboration that lowers the cost to the government for providing services. Participants from both panels were convinced that there were feasible opportunities that would benefit all parties.

Appendix B: The Postal Service's Potential Revenue and Profit from Grocery Delivery to Economically Stable Older Americans

This appendix provides details on the methodology the OIG followed to assess the potential revenue and profit the Postal Service could generate by offering grocery delivery services to older Americans.⁷⁸ These estimates do not include any additional potential services or other segments of the population. Altogether, we estimate that grocery delivery could generate between \$27 million and \$134 million in profit by year 5, when the service would likely be able to reach full rollout.⁷⁹ In our analysis, we attempted to create reasonable estimates that are grounded in sensible assumptions based on postal and grocery delivery data.

The following table summarizes our estimates for revenue and profit, based on potential market share.

Table 1: Summary of Potential Postal Revenue and Profit from Grocery Delivery

Market Share Estimate	Population Serves	Bags Delivered per Year	Price per Bag, per Delivery	Profit per Bag, per Delivery	Revenue per Year	Profit per Year
10%	708,750	48	\$3.61	\$.79	\$123 million	\$27 million
50%	3,543,750	48	\$3.61	\$.79	\$614 million	\$134 million

Notes/Assumptions

- Postal Service Market Share Estimate.** In the markets where it is offered, AmazonFresh holds 39 percent of the market share, with the Postal Service delivering many of the orders.⁸⁰ It is reasonable to assume that AmazonFresh could increase its market share as the grocery delivery market continues to grow.⁸¹ If the Postal Service were to offer its delivery services to other grocery stores and food producers, it would gain even more of a role within the market, and, therefore, it would have a larger market share.⁸² Taking into account the estimated growth of the market and its continued partnership with AmazonFresh, the OIG calculated revenue based on a conservative and optimistic market share prediction. The OIG conservatively estimates that the Postal Service could earn a 10% market share and optimistically estimates it could play a role in 50% of the grocery delivery market.⁸³
- Population Served.** For the purposes of this report, the OIG focused on wellness services and supplies targeted to older individuals; the target demographic is aged 65 or older. The U.S. population aged 65 and over numbered 44.7 million in 2013.⁸⁴ In the same year, 40.5 million older Americans were above the poverty line and could have the disposable income necessary to use a grocery delivery service.⁸⁵ According to Nielsen, a market research consultancy, 35 percent of people over 65 are willing to try using an online grocery delivery service.⁸⁶ The OIG assumed that half of those who are willing to get grocery delivery do — 7,087,500 people. If the Postal Service had a 10% market share, it would serve 708,750 people. If it had a 50% market share, it would serve 3,543,750 people.

78 Profit refers to the money generated by this offering that would help defray the institutional cost of running the Postal Service.

79 The law limits the revenue the Postal Service is allowed to generate from products under a market test. 39 U.S.C. 3641(e)(2). This estimate assumes the Postal Service receives PRC approval before expanding its offerings significantly.

80 Nat Rudarakanthana, "The Future for E-Grocery: Amazon (AMZN) Fresh Retains Lead, But Startups Jump In," *International Business Times*, January 29, 2014, <http://www.ibtimes.com/future-e-grocery-amazon-amzn-fresh-retains-lead-startups-jump-1549969>.

81 The online grocery market is expected to increase by 9.6 percent annually through 2019. Spencer Soper, "Amazon Offers Cheapest Grocery Delivery in NYC, Study Finds," *Bloomberg Business*, April 15, 2015, <http://www.bloomberg.com/news/articles/2015-04-15/amazon-offers-cheapest-grocery-delivery-in-new-york-study-finds>.

82 Ibid.

83 This assumes that the Postal Service could deliver groceries in all markets, rural and city alike. Currently AmazonFresh delivery is only in cities. Delivering food in rural and suburban areas would use different types of letter carriers.

84 U.S. Department of Health and Human Services, *A Profile of Older Americans: 2014*, http://www.aoa.acl.gov/Aging_Statistics/Profile/2014/docs/2014-Profile.pdf, p. 1.

85 Ibid.

86 Nielsen, "The Future of Grocery," April 2015, <http://www.nielsen.com/content/dam/niensenglobal/vn/docs/Reports/2015/Nielsen%20Global%20E-Commerce%20and%20The%20New%20Retail%20Report%20APRIL%202015%20%28Digital%29.pdf>, p. 8.

3. **Bags Delivered per Year.** The average American eats 1,996 pounds of food each year.⁸⁷ If users received half of their food through twice-monthly deliveries, each individual delivery would consist of approximately two, 20-pound totes.
4. **Price per Delivery.** The actual prices and costs for each AmazonFresh delivery are not public. Grocery delivery is unique from delivery of other items, in that letter carriers currently deliver the food outside the course of their daily routes. The most comparable postal-offered service with public pricing and costing is Parcel Select, in which a provider, like Amazon, drops packages at the correct destination delivery unit (DDU) for delivery.⁸⁸ Using the 2015 Parcel Select price per piece for 20 pound, non-machinable packages, the Postal Service charges \$3.61 per package.⁸⁹ This is a reasonable estimate of what the Postal Service could charge grocers to drop food at DDUs for delivery. This assumes the Postal Service would be able to deliver the food during the normal course of their routes in a way that it could stay chilled, such as an insulated bag or box, until the recipient takes it. This pricing is in line with other grocery delivery services, which a recent report quoted at costing between \$3.99 and \$15.99 per delivery.⁹⁰
5. **Profit per Bag, per Delivery.** The profit is calculated using the Postal Service's *Public Cost Revenue Analysis* reporting. The cost coverage of total ground shipping, which is predominantly Parcel Select packages, is 127.84 percent.⁹¹ It follows that each 20 pound Parcel Select package brings in a \$.79 profit for the Postal Service.⁹²

87 Inspiration Green, <http://www.inspirationgreen.com/food-consumption-in-america.html>.

88 The OIG recognizes that Parcel Select is an imperfect proxy, as it does not account for the potential delivery demands of food delivery, but it is the closest example from the Postal Service's current service offerings.

89 Postal Service, "USPS Price List (Notice 123)," May 31, 2015, <http://pe.usps.com/cpim/ftp/manuals/dmm300/Notice123.pdf>, p. 20.

90 This cost estimate does not include the initial membership cost to use the delivery service. Kelly Bania, et al., *Fresh Delivery: Clicking Through the Online Grocery Landscape*, BMO Capital Markets, March 20, 2015, <http://research-ca.bmocapitalmarkets.com/documents/B9354BBF-EA8F-4A72-9185-56B5A0B5E52B.PDF>, p. 5.

91 Postal Service, *Public Annual Compliance Report*, December 29, 2014, available at <http://www.prc.gov/dockets/daily?filterdate%5Bvalue%5D%5Bdate%5D=12-29-2014>.

92 If Revenue/Cost = 1.2784/1 = 3.61/x, then x=2.82. \$3.61 price – \$2.82 cost = \$0.79 cents of profit for the Postal Service for each delivery.

Appendix C: Evaluation of Management's Comments

The OIG thanks the Postal Service for its response to this paper and looks forward to its consideration of the ideas espoused within it.

Management's Comments

The Postal Service's response to this paper, while largely positive, cited a concern about the appropriateness of using Parcel Select pricing as a proxy for grocery delivery. In its response, the Postal Service states grocery delivery has significantly higher costs than Parcel Select because of the bulk of the packages and the need for home, rather than mailbox, delivery.

OIG Response

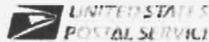
The OIG based its assumptions on the Parcel Select price for 20 pound, non-machinable parcels because these parcels have publicly available cost and pricing data, and they are similar to grocery delivery because they are heavy and likely too large to fit in a mailbox. While the OIG recognizes that using Parcel Select pricing and costing calculations do not perfectly represent all of the cost and price attribution of grocery delivery, it believes using Parcel Select is an appropriate proxy in the absence of any publicly available data related to grocery delivery.

Further, the OIG infers that grocery delivery is a profitable venture based on the Postal Service's actions related to the current Customized Delivery market test. Specifically, the Postal Service recently requested that the PRC lift the \$10 million limitation on the market test. Although the PRC rejected the Postal Service's request until it could more readily demonstrate excess revenue is assured, the Postal Service's request demonstrates that it expected Customized Delivery to exceed the \$10 million threshold in its first year of testing. Furthermore, the Postal Service has since expanded its test to new regions, which it, presumably, only would have done if it thought the costs were safely covered by the revenue.

After 5 years of expanding its reach and establishing its place in the market, the OIG believes \$27 million in annual profit is a reasonable estimate of the gains to be made from grocery delivery.

Response From USPS Management

EDWARD F. PHELAN, JR.
Vice President, Delivery Operations



July 17, 2015

RENEE SHEEHLY
DIRECTOR, RARC CENTRAL

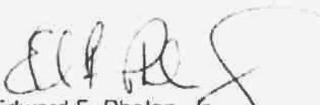
SUBJECT: The Postal Service's Role in Delivering Wellness Services
and Supplies (Final Draft Review, RARC-IB-XX-XXX)

Thank you for the opportunity to respond to the final review draft of the white paper, *The Postal Service's Role in Delivering Wellness Services and Supplies*. We appreciate the research you have provided and the summary of the discussion forum you held with wellness and postal organizations.

While the ideas presented in this report are interesting and worthy of discussion, we strongly disagree with the monetary projections used throughout the report.

For example, the Office of Inspector General (OIG) suggests that if the Postal Service were to pursue a fee-based grocery delivery service to the elderly it could conservatively generate about \$123 million in revenue with a \$27 million profit. As discussed at our July 1 meeting, this calculation is unsound. The OIG based their estimated profit of grocery delivery on the Postal Service's *Public Cost & Revenue Analysis Report* and the cost coverage of total ground shipping. Grocery delivery has significantly higher-cost handling and delivery requirements than average ground shipping due to bulk of packages, house, not mailbox delivery, and other factors.

We continually review our business strategies and will consider your report findings where feasible. If we conclude that we can earn meaningful profits from the services mentioned in the report where we have the legal authority to do so, we will include those efforts in our plans.



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