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BEFORE THE
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RATE AND SERVICE CHANGES TO IMPLEMENT BASELINE NEGOTIATED SERVICE AGREEMENT WITH LIFE LINE SCREENING

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DIRECT TESTIMONY
OF
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ON BEHALF OF
LIFE LINE SCREENING

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Direct Testimony

1. Autobiographical Sketch

My name is Eric Greenberg and I am the Vice President of Marketing of Life Line Screening. I have been with Life Line Screening since November of 2003. Prior to coming to Life Line Screening, I ran my own direct marketing consulting practice. I also held a senior position at MBI's Danbury Mint, was a co-founder of the Fairfield Mint, was Co-President of InteliHealth and founder of the InteliHealth's Healthy Home Catalog. I have an undergraduate degree in Economics from McDaniel College and an MBA from Harvard Business School.

2. Purpose of Testimony

The purpose of this testimony is as follows. First, I describe the history, business model and major growth drivers for Life Line Screening. Second, I describe Life Line Screening's approach to marketing and how marketing decisions are made. Third, I briefly describe our mailing history and volume forecasts. Finally, I describe LLS's address hygiene practices to show why the Postal Service had no opportunity to demand from LLS an upgrade in address hygiene as a condition of receiving discounts on its solicitation mail.

3. Background on Life Line Screening

Life Line Screening (LLS) is the country's largest provider of direct to consumer preventive health screenings. Our screenings provide early detection of one's risk of stroke, abdominal aortic aneurysms, peripheral arterial disease and osteoporosis – diseases that are prevalent, detectable, and treatable. Since 1996, we have screened more than 5 million people in all 48 continental states.

In 2006, we began to offer in many states a series of finger stick blood tests which measure cholesterol, glucose and C-Reactive Protein (an indicator for heart disease).

Each of our 87 ultrasound teams are based in cities around the country. They travel in a 2-3 hour radius to pre-arranged sites on a daily basis, including hospitals, churches, community centers, and senior centers, to conduct the screenings in a convenient and comfortable setting. In 2007 alone, we will conduct screening events in more than 20,000 community locations around the country. At each one-day screening event, we have a limited screening capacity. Our participants experience screenings that are quick, accurate, painless and cost-effective – with a package of four ultrasound screenings costing about $129. Over the last 10 years, we have helped uncover significant vascular disease in otherwise asymptomatic people -- preventing disability and death in hundreds of thousands of Americans.

Part of the company's mission, and indeed one of its biggest challenges, is education. Despite the fact that cardiovascular disease is the number one killer of men and women in the U.S., most Americans are unaware of the need for, and availability of, vascular screenings. LLS's success is largely due to its national direct marketing efforts and community outreach programs which increase awareness and fuel the daily operations of the teams. Our customers are typically aging baby boomers and senior citizens. Direct mail is an excellent channel for us to communicate our message – although our target market is rapidly becoming much more e-mail savvy.

There are several factors that have been, and will continue to be, key drivers of the company's growth. Two growth factors that are relevant to this testimony are:

a) Domestic ultrasound team growth. Over the last 10 years, the company has grown from an organization based in Ohio with a handful of ultrasound teams to one with national coverage. Adding teams means more screening locations each day, which in turn means more marketing to support each of those screenings – including direct mail.

So, for example, let's assume we mail 10,000 pieces of direct mail to prospects per local screening event on any given day. If we add a new team in Washington DC and they hold screening events on 20 days a month, that would mean 200,000 new pieces of mail per month that would not have been mailed before. As we added dozens of new teams across the country over the last few years, our direct mail growth increased dramatically.

Now that national coverage has been achieved, domestic team growth is no longer a major growth driver and incremental mail will no longer be needed in those new, introductory markets.— we have territorial coverage in all the places we need to be in. This means that a major direct mail growth driver is no longer a factor and other variables like direct mail cost become that much more important drivers of growth in the direct mail channel.

b) Development of new marketing channels. The company utilizes a variety of marketing channels for both prospecting to new customers as well as solicitation of repeat customers. Our expansion of the web, e-mail, radio and other channels has helped fuel the company's growth and provided alternatives to our direct mail marketing. LLS will continue to test these channels to help expand its customer base and to find a higher return-on-investment (ROI). Selection of marketing channels is made on a market by market, screening event by screening event basis and is largely driven by the ROI of one channel versus another.

4. Marketing at Life Line Screening

LLS spends a significant amount of money on marketing to educate and acquire new customers as well as re-solicit existing customers. In fact it is the company's largest expense. Mail is primarily used for communicating to existing customers and the acquisition of new customers.

Communication to Existing Customers - Multiplier Effect

Mail is an easy way to communicate with our existing customers. Once a customer is acquired, a series of further communications is delivered by e-mail and/or direct mail (as specified) in the first 12 months including:

- screening results (month 1; via First-Class mail)
- satisfaction survey (month 1; via e-mail)
- thank you letter (month 2; via Standard Mail)

- 1-2 new product offerings (3-9 months; via Standard Mail)

Additional mailings continue up to 18 months after a customer is acquired:

- 3 additional Standard Mail solicitations to repeat preventive health screenings (12-18 months) already completed.

Presently, e-mail is primarily utilized to supplement direct mail. However, as customer preference and ROI changes, in the absence of an NSA, e-mail communications are expected to increase.

<u>Acquisition of new customers</u>

LLS grows its customer base through direct marketing. As a direct marketer, LLS manages a portfolio of marketing channels to communicate with existing customers and solicit new ones. Direct mail (primarily Standard Mail letters), newspaper inserts, national and local radio, television, e-mail, web and other channels are utilized to generate sales.

The percentage that each media represents in our overall marketing portfolio shifts, largely depending on cost and effectiveness. While direct mail has a much higher cost per person targeted than other channels, we are able to more effectively target our audience via the mail, and our target demographic group responds well to direct mail solicitations. Nonetheless, the cost of direct mail (postage being the largest component) has risen significantly over the last 2 years, leading us to actively pursue alternative channels. The 5.4% 2006 standard mail increase and the 2007 projected 9%+ increase has cost the company millions of dollars and made direct mail relatively less attractive as an acquisition tool. To the extent that we have choices as to how we reach our customers, ROI plays a substantial role in media mix. All else being equal, as costs rise in a channel, it becomes less attractive and vice versa. We want to continue to use the mail, but an NSA is needed to drive continued growth.

Direct Mail Planning Process and Volumes

Our company's approximate historical direct mail volume by calendar year is:

2004	51 million Standard Mail letters
2005	79 million Standard Mail letters (+55% over prior year)
2006	93 million Standard Mail letters (+18% over prior year)

In 2007, we will have mailed about 52 million pieces through the end of June.

The absolute size and growth rates of our direct mail business if affected by the following factors:

(a) Our domestic ultrasound team growth. Over the years, we have nearly completed our national expansion of ultrasound teams and have every major US market covered by our screening events. From 1996 on, as we added more teams, we added more screening events. As described in paragraph 3(a) above, more events mean more marketing and specifically more mail. Each screening event is marketed to people that fall within our target demographic and who live within a certain geographic radius of the screening location. A large portion of our direct mail volume growth over the last few years is attributable to domestic team growth. As new teams were formed, we marketed the new teams' events to our targeted demographic, and our mail volume grew significantly. This year, the number of screening events continued to grow over 2006 as we added new teams in new locations around the country. Very little growth in screening events is expected to take place in 2008 and beyond because we will already have teams in all 48 continental US states. In other words, now that our teams cover the entire country, direct mail growth will no longer be driven by introducing more ultrasound teams and more events. Thus, in the absence of this NSA, significant direct mail volume growth is not anticipated, as the number of our screening events each year are not expected to increase substantially. Rather, as explained above, after 2007, in the absence of an NSA, our mail volume per event is expected to decline as customer preference and ROI changes. An NSA, however, would allow LLS to send more direct mail to advertise each existing screening event because an NSA would lower marginal costs and increase ROI on marginal prospect lists.

(b) <u>Response rates</u>. LLS uses many direct mail lists. The response rate, cost, and profitability of each list are measured for each and every marketing campaign that is executed. Higher response rates mean we can mail deeper into mail files and expand the number of lists and still generate acceptable profitability. When response rates fall or cost rise, fewer lists make the economic cutoff required to mail profitably. Changes of even a few basis points have significant impact on the company's profitability and growth rates.

(c) Mail costs. While our printing costs have remained relatively stable, postage costs have gone up substantially over the last 2 years…costing us millions of dollars per year. Postage costs represent our largest single marketing expense and about 60% of our mailing costs. There was a postal increase of 5.4% in 2006, and again as of May 2007, we are expecting another 9% increase. Even small increases or decreases in costs can have significant impacts on both volume and profitability. In 2007, the number of LLS screening events will increase and even though our mail volume will continue to grow, our volume of mail per screening event is predicted to decline by 7% due in part to these postage cost increases. This NSA provides us incentives at the margin to increase both the absolute and relative dollars spent on direct mail.

(d) Growth in our affinity partners. A large number of third party organizations partner with us, requesting us to offer our screenings to their customer base. While this is a growth business for us, it is difficult to forecast and volume is highly sensitive to changes in cost and response rates.

(e) Alternative media channels. Direct mail was introduced as a channel in 2003. As we learned more and our modeling became more sophisticated, our direct mail growth was substantial over the following 2 years. As direct mail has become less profitable and other new channels have tested well, we have invested substantially in those other channels – including radio, e-commerce, e-mail and print media.

(f) Changing target demographics. As the population continues to age, the use of technology will become more prevalent -- making other means of communication less responsive to people's needs. E-mail and the Internet will have a stronger ROI for communicating with existing customers. Our tests have shown that in some cases it carries a higher ROI than direct mail today. The NSA will be used to help us acquire new customers through expanding our lists by mailing deeper into them and/or buying additional ones.

As each of the above factors is subject to change on a monthly basis, our ability to accurately forecast revenues, costs and volumes beyond the near term is always a challenge.

Volume Forecast

While the Postal Service may project its future mail volumes based on historical growth rates, Life Line Screening must forecast in light of the factors noted above. Given the caveats noted, I have attempted to provide the Postal Service with our best estimate of our standard mail volumes for the next four fiscal years with and without an NSA (see below).

	Without NSA	With NSA
Total 2007 FY	96,000,000	100,000,000
Total 2008 FY	90,000,000	104,000,000
Total 2009 FY	87,000,000	110,000,000
Total 2010 FY	87,000,000	110,000,000

Since we have not executed our direct mail campaigns past June 2007, I have used our marketing results for prior years, our current cost and response rate experience and applied our best estimate of future profitability to arrive at our mail volume over the next few years. Without an NSA I would expect a continual decline in our mail volumes per screening event since postage costs will continue to rise and direct mail will lose attractiveness relative to other marketing channels.

Without an NSA, as we complete the roll-out of new teams this year, mail volume is forecast to increase by 3% in 2007 vs. 2006. Increases in our affinity marketing programs will be partially offset by reductions in mail volume per screening. Furthermore, in 2008 and 2009, I am forecasting 6% and 3% declines in Standard Mail volume, respectively, as the 2007 postage increase is fully realized (reducing the volume of eligible lists for each campaign) and statistical suppression models are implemented to reduce unprofitable mail volumes. I also am expecting more of the company's marketing dollars to be transferred to alternative channels such as e-mail, the web, radio and television. In 2010 I am forecasting no change in mail volume over 2009 as no new domestic team/van growth is expected.

I have also provided a forecast associated with the implementation of an NSA. The proposed NSA provides significant incentives to increase mail volume beyond the current and minimum threshold levels. Volume in excess of the minimum threshold would be mailed at the equivalent of pre-2007 rates, allowing LLS to mail additional volume that might not otherwise meet our profitability criteria.

5. Address Hygiene at Life Line Screening

A brief discussion of LLS's address hygiene practices is included here to describe our state-of-the art practices: unlike some of the other NSA discounts selected First Class mailers have negotiated, the Postal Service had no opportunity to demand from LLS an upgrade in address hygiene as a condition of receiving discounts solicitation mail.

Life Line Screening engages Knowledge Base Marketing ("KBM") to perform the latest in USPS certified address correction and standardization services and proprietary services to ensure the deliverability of our mailings LLS utilizes the following systems and software with each prospect mailing that it sends:

a. Address Correction and Standardization: LLS uses KBM's DynamACS CASS certified processing to correct and standardize address information and perform USPS ZIP + 4®

coding. USPS licensed products including DPV™ and DSF^{2}™ augment KBM’s Cass certified processing and are a component of KBM’s processing. Essentially, these tools provide additional information about each address that enables LLS to decide how to handle the particular address.

b. Merge Purge: All of LLS's solicitation mailing lists are screened through a proprietary and proven system to avoid duplicate mail pieces by matching names and addresses from multiple sources. USPS return codes are used to eliminate substandard or undeliverable addresses.

c. LACS^{Link}™: Locatable Address Conversion System is a USPS licensed product that converts a former rural style address to a street style address, correcting delivery points that are altered when local governments rename or renumber streets, typically as part of the conversion to the 911 emergency system style addresses; KBM processing also utilizes this USPS licensed product.

d. NCOA Link: NCOALink is a USPS licensed product that applies the USPS National Change of Address database to update a mailing list with address changes provided to the postal service by postal customers. KBM is a licensed, full service provider of NCOALink processing. LLS applies NCOALink weekly files to update its mailing lists.

e. DCOA (Proprietary Dynamic Change of Address): LLS supplements the updates performed using the NCOALink service by utilizing a KBM proprietary service to match non-NCOALink matched records to KnowledgeBase Marketing's proprietary file of approximately 125 million potential movers, which includes people who move but never submit a change of address form to the USPS. The Dynamic Change of Address file is compiled from over a dozen different sources, such as magazine subscriptions, catalog companies, and insurance companies; many of these sources are exclusive to KBM.

f. Suppression Services: LLS's solicitation mailing lists are screened through a comprehensive suite of suppression services that suppresses names and addresses of deceased individuals, prison addresses, and other names and addresses that should not receive LLS solicitations.

LLS intends to continue to utilize these services, or comparably effective services for the duration of this NSA and beyond. These services enable LLS to achieve maximum deliverability of our mail with minimal redundancy: results which enhance LLS's returns on investment in prospecting.

6. Conclusion

The NSA offers tremendous potential to increase Life Line Screening's direct mail solicitation efforts and to pursue our goal of increasing consumer awareness of the value of vascular screenings. The postage discounts under the proposed NSA will encourage mail volume growth by encouraging the mailing of marginal lists. Furthermore, by improving the relative profitability of mail versus other marketing channels, it encourages us to expand our direct mail volume. As a result of this NSA, the Postal Service will also benefit from significant additional mail volume that otherwise would not have materialized.