



CVS Health a study to consider

ABVSME-HR STUDENTS



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Case Briefing



- ❖ “Health of an organization, is the ability of any organization to adapt new challenges and constraints, with agility.”~ per Keller & Price
- ❖ The health is determined by various parameters.
- ❖ Health parameters from a human resources perspective are effective human resources strategy, diverse talent pool, higher job satisfaction and employee engagement.
- ❖ Alignment and integration of health parameters with the organization’s vision and mission is critical.

Case Briefing

- The consultancy report has been prepared in accordance with the vital changes, which happened in American healthcare industry with limelight on the largest pharma company in USA ,the CVS Health Corporation (formerly known as CVS Caremark Corporation).
- The case CVS Health: Checking the vital signs of the largest pharmacy company in the US by Karen L. Pellegrin, (January 04, 2017) been taken from Sage business cases, which relates to contemporary problems regarding strategic human resource management in health care industry in the modern world.

Case Briefing

- ✓ In 2014, CVS made changes in its objective to re-invent itself as pharmacy-centric organization, and decided to remove tobacco products from its shelves, giving up \$2 Billion of annual revenue and positioning its growth toward the healthcare company.
- ✓ The advent of Affordable Care Act (Obamacare) in USA, led to shift in the healthcare industry, there was a market for affordable and effective healthcare.
- ✓ The value of community pharmacist as clinician come forward with converting retail pharmacy as a center for health care more than just a dispensary, which brought the concern for CVS regarding the training of these pharmacists as clinicians and medication experts.

Case Briefing

- ✓ Having 9000 retail pharmacy stores with pharmacists and 1000 store with Nurse practitioners (for treating common illness), ensuring clinical staff working with top of their license was again a big concern for the company.
- ✓ A restructured organization strategy had to be deployed, keeping the newer roles for employees in mind, which was not implemented, especially in the case of HR department. This drastically effected the operating profits.
- ✓ In 2015, to maintain the competitiveness in the industry CVS, failed to align the employees with objectives and roles, and there was a mismatch of competencies and expectations, making it, 'the worst company to work' in that year even the incentive plan was not fruitful.
- ✓ In 2016, Morgan Stanley reported that CVS was no longer bullish due to ineffectiveness in the Pharmacy Benefit Management (health insurance) segment which was affecting its retail segment.
- ✓ Acquisitions, to increase in pharmacies led to decline in availability of products, customer satisfaction and the personal touch toward each customer.

INTRODUCTION

- ❖ CVS (Consumer Value Stores) was founded in 1963.
- ❖ The First Anti-Tobacco company- “CVS”.
- ❖ 2014, the company was renamed as CVS Health, as they decided to remove tobacco products from CVS pharmacy stores.
- ❖ CVS Health which was previously known as CVS Corporation and CVS Caremark Corporation.
- ❖ corporate vision is to “help people to live longer, healthier, happier lives.”



INTRODUCTION

CVS - Balance and HR scorecard approach:

- Balanced scorecard, a strategy performance management tool.
- The scorecard lists financials goals, customer goals, internal business goals, and innovation & learning goals which helps to give the companies overview about their planning and future strategies.
- The HR scorecard, is a strategic Human Resource measurement system that helps to measure, manage, and improve the strategic role of the HR department.
- The HR scorecard is meant to measure leading HR indicators of business performance. These are called HR deliverables, HR metrics, or HR KPIs, as they are metrics that are linked or connected to the business strategy.

INTRODUCTION

Areas of organizational functioning of CVS comprising the balanced scorecard:

- I. Learning and growth
- II. Process
- III. Customer
- IV. Financial

2015, CVS Health annual report indicated that the PBM segment is growing and represents nearly two thirds of total company revenue, yet it contributes less than half of total profit.

In contrast, profit from the retail stores, including prescription medications, is nearly double that of the PBM segment.

The balanced scorecard approach to strategy implementation and management encourages an analysis of factors.

INTRODUCTION

Purpose of the report:

- CVS does not include the measurement of the employers who pay the health insurance plans to them and who are their customers.
- CVS does not appear to have an effective measure of employee/pharmacist engagement or healthy work environment for their employees.
- CVS is missing how consumers rate their CVS retail pharmacies relative to how customers rate other retail pharmacies.
- CVS needs to improve long-term financial performance.

Methodology

- ❖ A systematic review of literature on key performance area relating to human resources and pharmacy corporation.
- ❖ Emphasis is drawn on key trends in the changing role of the pharmacist and global human resource trend.
- ❖ The work of academic researchers and practitioner action approach is predominantly used for a comprehensive analysis.
- ❖ Analysis are carried out by keeping in mind the potential strategies and measures available to retail pharmacies that can add value to the healthcare system.
- ❖ Extensive and elaborated discussion where carried out to determine the key performance area and their associated performance index.
- ❖ Global and American retail pharma industry trends were studied to identify and enhance the KPIs.
- ❖ All quantitative data were collected from secondary sources.

Diagnosis of CVS problem

Justification for using Balanced Scorecard :

- Judging a company only through financials was like judging a book by its cover.
- Emphasized that non-financial measurements are as important as financial performance indicators.
- This framework was compared to the dials and indicators in a cockpit which allow an pilot to navigate while flying.
- Allows companies to answer the following:
 - How do customers see us?
 - What we must excel at ?
 - Can we continue to improve and create value ?
 - How do we look to shareholders?

Diagnosis of CVS problem

Diversity and inclusion:

Josh Berin ~ “Companies that embrace diversity and inclusion in all aspects of their business statistically outperform their peers”

- CVS being a consumer facing company needs to ensure diversity in order to make its retail practices a success.



Diagnosis of CVS problem

Ethics :

- CVS allegedly overcharged customers on their drug purchases.
- Responsibility of CVS to price drugs at standard rates and shun any such discrepancy because it will lead to loss of brand equity and the company may face legal suits.
- To avoid such a scenario, the company should be extremely adept at using a balanced scorecard framework which constantly would remind the top decision makers to look beyond financials and incorporate practices which ensure sustainable growth and long run profitability.

Diagnosis of CVS problem

Recruitment & Retention:

Important to recruit the right talent and to retain that talent.

It becomes pertinent to have a workforce with sound knowledge of current and future requirements of the business.

Metrics like Average Recruitment time should be measured to quantify how much time the organization on an average spends on hiring.

Metric of attrition rate which allows the HR department to understand what ails the system in case if the it number is on the higher side.

The company should check what is the average duration a person has worked in a company. An employee who has worked for most of his time in one company and then he leaves it, symbolizes that there might be something wrong with how company engages with its employees.

Diagnosis of CVS problem

Training and Development:

- There is a need for effective training, and that it has to ensure competency in core skills and soft skills.
- The primary concern of the employees was mismatch between the existing skills of the employees, and the skills required.
- 2014 marked the transformation of CVS business , the job description now required the employees to act as healthcare consultants for the buyers, effectively positioning them as clients.
- The training would include periodic sessions with medical practitioners and academicians from reputed medical institutes.
- In terms of soft skills, the employees have to be proficient with communication, and must use cognitive skills to ensure customers experience agile, yet premium healthcare consulting.

Diagnosis of CVS problem



Engagement & Culture:

- ✓ With the right skills, culture can be fostered.
- ✓ Since the required outcomes were drastically shifted, employees underperformed.
- ✓ Employees became less engaged due to these factors.
- ✓ Holistic culture can only be built if the employees are effectively engaged and productive.
- ✓ There was a requirement to build a customer-centric and community-centric culture, as this shift was a result of social benefit measures by the US Government.

Diagnosis of CVS problem

As an employee of CVS Healthcare their output should be measured by the following indicators:

Indicators	Metrics
Customer Relationship Management	How well the customers questions and needs are getting answered and utility of customer. Will be measured on scale of 1-10 the more the better
Returning Customer	Average rate of returning customer in per 1000 customers
New Customer	Number of New customers on boarded in a business cycle
Cross Selling and Customer Engagement	Number of new products sold to existing customer and the Level of customer Engagement
Stock Available And Supply Chain Network	The rate of inflow and outflow of stocks in a particular business cycle. The higher the movement the better the efficiency and less piled stocks. And, the slower the movement poorer the efficiency and higher piledf stocks.

Recommendations and conclusion

