

TABLE 6.—TOTAL ANNUAL COMPLIANCE HOURS AND COSTS FOR THE ELECTRONIC ORDER SYSTEM—Continued

	Total hours	Total labor cost	Total capital and O&M cost	Total cost
Software Developer .....	157,012	3,060,000	353,000	3,414,000
Total .....	575,992	31,481,000	353,000	31,834,000

To estimate costs over the first ten years, DEA assumed that implementation would be phased in over the first five years (*i.e.*, it would be five years before all registrants were using the electronic order system). DEA also assumed that the number of orders

would increase six percent annually. The six percent increase is based on the average annual increase in orders over the last six years. The total cost of both systems was estimated using a seven percent and a three percent discount rate. Table 7 presents the ten-year total

cost of the Form 222 system, the electronic system, and the combined systems as the electronic system is phased in over the first five years as well as the annualized cost of the three systems over ten years.

TABLE 7.—TOTAL COST OVER TEN YEARS (PRESENT VALUE)

	Paper system	Combined phase-in	Electronic system
Total (7%) .....	2,002,634,000	\$628,668,000	\$316,786,000
Annualized (7%) .....	285,131,000	89,508,000	45,103,000
Total (3%) .....	2,383,841,000	696,134,000	375,314,000
Annualized (3%) .....	279,450,000	81,608,000	43,998,000

Over the full ten-year period, the electronic system (phased in over five years) will reduce costs to registrants by about \$1.4 billion. The primary reason for the savings is that ordering and filling controlled substances orders takes substantially less time when the orders are electronic.

Another way to look at this cost savings is to consider the costs of filling out a Form 222 versus creating the order electronically and digitally signing it. Although purchasers need to complete an order as a part of doing business, DEA has estimated that it takes a purchaser 15 minutes to complete the Form 222, in triplicate, by hand or with a typewriter. The Form 222 may contain only Schedule I and II controlled substances. Consequently, purchasers must complete it separately from other orders being sent to the same supplier. Some purchasers report that they now routinely transmit all of their orders electronically, including their orders for Schedule I and II controlled substances, and complete the Form 222 to document the order for DEA. In comparison, applying a digital signature to an order, which may contain non-controlled substances, is estimated to take 20 seconds. Leaving aside all other costs, purchasers will be saving more than 14 minutes per order. In addition, suppliers must enter the orders into their systems. Both suppliers and purchasers must annotate and file the orders. Over ten years, the time saved in completing, validating, annotating, and filing orders is estimated to be

approximately 42 million hours, an 89 percent reduction. The electronic system will have time associated with initial compliance that will offset some of the hours savings, but DEA registrants should benefit from a far more efficient ordering system.

Electronic orders will also provide a number of other benefits that cannot be quantified. Purchasers will be able to create single unified controlled substance orders to their suppliers. With Forms 222, purchasers must create the separate Form 222 for the Schedule I and II controlled substances and complete other orders for all other controlled substance purchases from a particular supplier. If a purchaser needs more than 10 Schedule I or II substances, multiple Forms 222 must be completed because the form is limited to ten items. With the electronic orders, they will be able to submit a single order covering all controlled substances and other prescription drugs being purchased from the supplier. The combined orders should reduce the orders that need to be logged, tracked, and handled by both purchasers and suppliers.

Electronic orders should also bring faster receipt of controlled substances. Under the present system, the purchaser has the choice of sending the order by overnight service at considerable cost, mailing it and waiting several days, or sending the order back with the delivery truck, which may not be returning directly to the distributor. In most cases, the purchaser is likely to have to wait

at least two days and possibly four or five days when the order is mailed or is shipped back by truck. If the distributor that receives the order cannot fill it, the distributor may endorse it to another distributor and ship it on to another distribution point, further delaying the final shipment. Electronic orders will be received almost instantly and can be shipped the same day. This speed may allow purchasers to order only when they need an item and limit the quantity of controlled substances that they stock. Limiting the quantity of Schedule I and II controlled substances in stock reduces the possibility of diversion and the cost of security.

With the Form 222, if a supplier cannot fill all of an order, the supplier may endorse the entire order over to another supplier. The order cannot be divided and filled in part by one supplier and in part by a second, even if both suppliers belong to the same company. Because each location holds a separate registration, a distributor with multiple locations must maintain stocks of all Schedule I and II controlled substances at each location to be able to fill orders for these substances from that location. With electronic orders, DEA will allow a distributor with a central distribution system to divide an order and ship parts of the order from different distribution points. New orders will not need to be generated because the central computer system can track each item in the order and ensure that it is shipped to the appropriate registrant only once. DEA and the