

**ADJUSTED COSTS AND BENEFITS
FOR VERSIONS 5010, D.O AND 3.0**

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare and Medicaid Services

January 30, 2009

This document provides additional data for the public record to complement and expand upon the final rule – Modifications to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) – CMS-0009-F, published on January 16, 2009. In response to guidance from the Office for Management and Budget (OMB), the Department of Health and Human Services (HHS) has created this supplement to show the financial impacts of the final rule, both unadjusted and adjusted for present value.

Additional Cost/Benefit Explanation

Each of the subsequent sections is broken out by industry segment and includes the individual costs and benefits for that segment across the 10-year planning horizon using a 3% and 7% discount rate. These sections reconcile directly to Table 4A and 4B in the final rule and are intended simply to provide another way of viewing and interpreting the data.

I. 5010 Present Value Adjustments

a. Adjusted Costs/Benefits for Hospital Segment

For the hospital segment, tables 1A and 1B have been provided to show the estimated Version 5010 costs and benefits adjusted for present value at a 3% and 7% discount rate.

Table 1A – Estimated Version 5010 Costs for Hospitals adjusted for present value - in millions, for the period 2009 through 2019.

Cost Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
5010 Implementation Costs – Low	\$792.000	\$762.401	\$726.628
5010 Implementation Costs – High	\$1,584.000	\$1,524.859	\$1,453.382
5010 Transition Costs – Low	\$373.000	\$338.363	\$298.498
5010 Transition Costs – High	\$746.000	\$676.725	\$596.996
Total Costs – Low	\$1,165.000	\$1,100.764	\$1,025.126
Total Costs – High	\$2,330.000	\$2,201.584	\$2,050.378

Table 1B – Estimated Version 5010 Benefits for Hospitals adjusted for present value - in millions, for the period 2009 through 2019.

Benefit Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
5010 Operational Savings: Better Standards - Low	\$348.000	\$286.049	\$223.691
5010 Operational Savings: Better Standards - High	\$952.000	\$782.535	\$611.935
5010 Cost Savings: Increase in transactions - Low	\$66.000	\$53.013	\$40.173
5010 Cost Savings: Increase in transactions - High	\$219.000	\$175.876	\$133.233
5010 Operational Savings: increase in auxiliary claim transactions – Low	\$1,131.000	\$897.394	\$668.694
5010 Operational Savings: increase in auxiliary claim transactions – High	\$2,890.000	\$2,288.111	\$1,699.703
Total Benefits – Low	\$1,545.000	\$1,236.456	\$932.557
Total Benefits – High	\$4,061.000	\$3,246.523	\$2,444.872

b. Adjusted Costs/Benefits for Physicians

For the Physicians segment, tables 2A and 2B have been provided to show the estimated Version 5010 costs and benefits adjusted for present value at a 3% and 7% discount rate.

Table 2A – Estimated Version 5010 Costs for Physicians adjusted for present value - in millions, for the period 2009 through 2019.

Cost Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
5010 Implementation Costs - Low	\$370.000	\$356.178	\$339.472
5010 Implementation Costs - High	\$740.000	\$712.355	\$678.945
5010 Transition Costs - Low	\$174.000	\$157.849	\$139.259
5010 Transition Costs - High	\$348.000	\$315.697	\$278.518
Total Costs - Low	\$544.000	\$514.026	\$478.731
Total Costs - High	\$1,088.000	\$1,028.053	\$957.463

Table 2B – Estimated Version 5010 Benefits for Physicians adjusted for present value - in millions, for the period 2009 through 2019.

Benefit Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
5010 Operational Savings: Better Standards - Low	\$1,392.000	\$1,144.285	\$894.900
5010 Operational Savings: Better Standards - High	\$3,802.000	\$3,125.550	\$2,444.511
5010 Cost Savings: Increase in transactions - Low	\$270.000	\$216.796	\$164.204
5010 Cost Savings: Increase in transactions - High	\$874.000	\$701.811	\$531.578
5010 Operational Savings: increase in auxiliary claim transactions - Low	\$4,442.000	\$3,516.783	\$2,612.311
5010 Operational Savings: increase in auxiliary claim transactions - High	\$11,553.000	\$9,146.817	\$6,794.548
Total Benefits - Low	\$6,104.000	\$4,877.864	\$3,671.414
Total Benefits - High	\$16,229.000	\$12,974.178	\$9,770.638

c. Adjusted Costs/Benefits for Dentists

For the Dentist segment, tables 3A and 3B have been provided to show the estimated Version 5010 costs and benefits adjusted for present value at a 3% and 7% discount rate.

Table 3A – Estimated Version 5010 Costs for Dentists adjusted for present value - in millions, for the period 2009 through 2019.

Cost Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
5010 Implementation Costs – Low	\$254.000	\$244.545	\$233.116
5010 Implementation Costs – High	\$508.000	\$489.034	\$466.114
5010 Transition Costs – Low	\$120.000	\$108.857	\$96.033
5010 Transition Costs – High	\$239.000	\$216.800	\$191.250
Total Costs – Low	\$374.000	\$353.402	\$329.149
Total Costs – High	\$747.000	\$705.834	\$657.364

Table 3B – Estimated Version 5010 Benefits for Dentists adjusted for present value - in millions, for the period 2009 through 2019.

Benefit Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
5010 Operational Savings: Better Standards - Low	\$237.000	\$194.912	\$152.524
5010 Operational Savings: Better Standards - High	\$605.000	\$497.401	\$389.061
5010 Cost Savings: Increase in transactions - Low	\$45.000	\$36.147	\$27.389
5010 Cost Savings: Increase in transactions - High	\$56.000	\$44.988	\$34.098
5010 Operational Savings: increase in auxiliary claim transactions - Low	\$752.000	\$595.331	\$442.183
5010 Operational Savings: increase in auxiliary claim transactions - High	\$1,839.000	\$1,456.033	\$1,081.639
Total Benefits - Low	\$1,034.000	\$826.390	\$622.095
Total Benefits - High	\$2,500.000	\$1,998.422	\$1,504.798

d. Adjusted Costs/Benefits for Health Plans

For the Health Plans segment, tables 4A, 4B, and 4C have been provided to show the estimated Version 5010 costs and benefits adjusted for present value at a 3% and 7% discount rate.

Table 4A – Estimated Version 5010 Costs for Government Plans adjusted for present value - in millions, for the period 2009 through 2019.

Cost Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
5010 Implementation Costs – Low	\$213.000	\$205.068	\$195.482
5010 Implementation Costs – High	\$410.000	\$394.683	\$376.172
5010 Transition Costs – Low	\$100.000	\$90.715	\$80.028
5010 Transition Costs – High	\$193.000	\$175.076	\$154.448
Total Costs – Low	\$313.000	\$295.783	\$275.509
Total Costs – High	\$603.000	\$569.760	\$530.620

Table 4B – Estimated Version 5010 Costs for Private Health Plans adjusted for present value - in millions, for the period 2009 through 2019.

Cost Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
5010 Implementation Costs – Low	\$3,063.000	\$2,948.599	\$2,810.337
5010 Implementation Costs – High	\$6,127.000	\$5,898.085	\$5,621.425
5010 Transition Costs – Low	\$1,442.000	\$1,308.093	\$1,153.978
5010 Transition Costs – High	\$2,883.000	\$2,615.297	\$2,307.193
Total Costs – Low	\$4,505.000	\$4,256.692	\$3,964.315
Total Costs – High	\$9,010.000	\$8,513.382	\$7,928.619

Table 4C – Estimated Version 5010 Benefits for all Plans adjusted for present value - in millions, for the period 2009 through 2019.

Benefit Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
5010 Operational Savings: Better Standards – Low	\$1,330.000	\$1,093.273	\$854.959
5010 Operational Savings: Better Standards – High	\$3,577.000	\$2,940.587	\$2,299.854
5010 Cost Savings: Increase in transactions – Low	\$135.000	\$110.419	\$85.504
5010 Cost Savings: Increase in transactions - High	\$338.000	\$276.047	\$213.760
5010 Operational Savings: increase in auxiliary claim transactions – Low	\$4,519.000	\$3,577.761	\$2,657.625
5010 Operational Savings: increase in auxiliary claim transactions – High	\$11,749.000	\$9,301.847	\$6,909.563
Total Benefits – Low	\$5,984.000	\$4,781.453	\$3,598.088
Total Benefits – High	\$15,664.000	\$12,518.482	\$9,423.176

e. Adjusted Costs/Benefits for Pharmacies

For the Pharmacy segment, tables 5A and 5B have been provided to show the estimated Version 5010 costs and benefits adjusted for present value at a 3% and 7% discount rate.

Table 5A – Estimated Version 5010 Costs for Pharmacies adjusted for present value - in millions, for the period 2009 through 2019.

Cost Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
5010 Implementation Costs – Low	\$57.000	\$54.845	\$52.242
5010 Implementation Costs – High	\$114.000	\$109.775	\$104.667
5010 Transition Costs – Low	\$27.000	\$24.496	\$21.613
5010 Transition Costs – High	\$54.000	\$48.991	\$43.226
Total Costs – Low	\$84.000	\$79.341	\$73.854
Total Costs – High	\$168.000	\$158.766	\$147.892

Table 5B – Estimated Version 5010 Benefits for Pharmacies adjusted for present value - in millions, for the period 2009 through 2019.

Benefit Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
5010 Operational Savings: Better Standards - Low	\$16.000	\$13.233	\$10.431
5010 Operational Savings: Better Standards - High	\$23.000	\$18.935	\$14.830
5010 Cost Savings: Increase in transactions - Low	\$0.000	\$0.000	\$0.000
5010 Cost Savings: Increase in transactions - High	\$0.000	\$0.000	\$0.000
5010 Operational Savings: increase in auxiliary claim transactions - Low	\$0.000	\$0.000	\$0.000
5010 Operational Savings: increase in auxiliary claim transactions - High	\$0.000	\$0.000	\$0.000
Total Benefits - Low	\$16.000	\$13.233	\$10.431
Total Benefits – High	\$23.000	\$18.935	\$14.830

f. Adjusted Costs for Clearinghouses

For the Clearinghouse segment, table 6A has been provided to show the estimated Version 5010 costs adjusted for present value at a 3% and 7% discount rate.

Table 6A – Estimated Version 5010 Costs for Clearinghouses adjusted for present value - in millions, for the period 2009 through 2019.

Cost Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
5010 Implementation Costs – Low	\$137.000	\$131.856	\$125.641
5010 Implementation Costs – High	\$167.000	\$160.736	\$153.166
5010 Transition Costs – Low	\$24.000	\$21.777	\$19.217
5010 Transition Costs – High	\$30.000	\$27.214	\$24.008
Total Costs – Low	\$161.000	\$153.633	\$144.858
Total Costs – High	\$197.000	\$187.950	\$177.174

As noted in the final rule, it was established that there were no quantifiable benefits for the Clearinghouse segment.

II. D.0 Present Value Adjustments

a. Adjusted Costs/Benefits for Pharmacies

For the impact to the Pharmacy segment for implementing Version D.0, tables 7A and 7B have been provided to show the estimated Version D.0 costs and benefits adjusted for present value at a 3% and 7% discount rate.

Table 7A – Estimated Version D.0 Costs for Pharmacies adjusted for present value - in millions, for the period 2009 through 2019.

Cost Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
D.0 – Pharmacy Chains Systems Implementation - Low	\$18.000	\$17.221	\$16.272
D.0 – Pharmacy Chains Systems Implementation - High	\$38.000	\$36.356	\$34.352
Independent Pharmacy Maintenance Fees - Low	\$0.540	\$0.517	\$0.488
Independent Pharmacy Maintenance Fees - High	\$1.080	\$1.033	\$0.976
Total Costs – Low	\$18.540	\$17.738	\$16.760
Total Costs – High	\$39.080	\$37.389	\$35.329

Table 7B – Estimated Version D.0 Benefits for Pharmacies adjusted for present value - in millions, for the period 2009 through 2019.

Benefit Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
Pharmacist Productivity – Low	\$951.000	\$779.162	\$606.776
Pharmacist Productivity – High	\$1,921.000	\$1,573.576	\$1,225.033
Pharmacy Technician Productivity Savings - Low	\$77.000	\$63.259	\$49.433
Pharmacy Technician Productivity Savings - High	\$160.000	\$131.797	\$103.345
Avoided Audits and Accurate Payments – Low	\$152.000	\$125.718	\$99.096
Avoided Audits and Accurate Payments – High	\$304.000	\$251.436	\$198.191
Total Costs – Low	\$1,180.000	\$968.139	\$755.305
Total Costs – High	\$2,385.000	\$1,956.810	\$1,526.570

b. Adjusted Costs for Pharmacy Benefit Managers

For the impact to the Pharmacy Benefit Managers segment for implementing Version D.0, table 8A has been provided to show the estimated Version D.0 costs adjusted for present value at a 3% and 7% discount rate.

Table 8A – Estimated D.0 Costs for Pharmacy Benefit Managers adjusted for present value - in millions, for the period 2009 through 2019.

Cost Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
D.0 – Pharmacy Programming – Low	\$8.000	\$7.654	\$7.232
D.0 – Pharmacy Programming – High	\$10.000	\$9.567	\$9.040
Total Costs – Low	\$8.000	\$7.654	\$7.232
Total Costs – High	\$10.000	\$9.567	\$9.040

As noted in the final rule, it was established that there were no quantifiable benefits for the Pharmacy Benefit Managers segment.

III. Medicaid Subrogation Present Value Adjustments

a. Adjusted Costs/Benefits for the Federal Government

For the Federal segment of Medicaid Subrogation, tables 9A and 9B have been provided to show the estimated costs and benefits adjusted for present value at a 3% and 7% discount rate.

Table 9A – Estimated Medicaid Subrogation Costs for the Federal Government, adjusted for present value - in millions, for the period 2009 through 2019.

Cost Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
Medicaid Subrogation Development – Low	\$0.320	\$0.297	\$0.270
Medicaid Subrogation: Development – High	\$0.940	\$0.873	\$0.794
Medicaid Subrogation: Trading Partner Agreements – Low	\$0.382	\$0.355	\$0.323
Medicaid Subrogation: Trading Partner Agreements – High	\$1.160	\$1.077	\$0.980
Total Costs – Low	\$0.702	\$0.652	\$0.593
Total Costs – High	\$2.100	\$1.951	\$1.774

Table 9B – Estimated Medicaid Subrogation Benefits for the Federal Government, adjusted for present value - in millions, for the period 2009 through 2019.

Benefit Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
Medicaid Subrogation: General Benefit - Low	\$12.900	\$11.456	\$9.852
Medicaid Subrogation: General Benefit - High	\$17.560	\$15.607	\$13.422
Total Costs – Low	\$12.900	\$11.456	\$9.852
Total Costs – High	\$17.560	\$15.607	\$13.422

b. Adjusted Costs/Benefits for State Medicaid Agencies

For the State segment of Medicaid Subrogation, tables 10A and 10B have been provided to show the estimated costs and benefits adjusted for present value at a 3% and 7% discount rate.

Table 10A – Estimated Medicaid Subrogation Costs for State Medicaid Agencies, adjusted for present value - in millions, for the period 2009 through 2019.

Cost Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
Medicaid Subrogation Development – Low	\$0.040	\$0.037	\$0.034
Medicaid Subrogation: Development – High	\$0.100	\$0.093	\$0.084
Medicaid Subrogation: Trading Partner Agreements – Low	\$0.382	\$0.355	\$0.323
Medicaid Subrogation: Trading Partner Agreements – High	\$1.160	\$1.077	\$0.980
Total Costs – Low	\$0.422	\$0.392	\$0.357
Total Costs – High	\$1.260	\$1.170	\$1.065

Table 10B – Estimated Medicaid Subrogation Benefits for State Medicaid Agencies, adjusted for present value - in millions, for the period 2009 through 2019.

Benefit Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
Medicaid Subrogation: General Benefit - Low	\$12.900	\$11.456	\$9.852
Medicaid Subrogation: General Benefit - High	\$17.560	\$15.607	\$13.422
Total Costs – Low	\$12.900	\$11.456	\$9.852
Total Costs – High	\$17.560	\$15.607	\$13.422

c. Adjusted Costs/Benefits for Payers

For the Payer segment of Medicaid Subrogation, tables 11A and 11B have been provided to show the estimated costs and benefits adjusted for present value at a 3% and 7% discount rate.

Table 11A – Estimated Medicaid Subrogation Costs for Payers adjusted for present value - in millions, for the period 2009 through 2019.

Cost Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
Medicaid Subrogation Development – Low	\$1.000	\$0.929	\$0.845
Medicaid Subrogation: Development – High	\$3.000	\$2.787	\$2.535
Medicaid Subrogation: Trading Partner Agreements – Low	\$2.400	\$2.229	\$2.028
Medicaid Subrogation: Trading Partner Agreements – High	\$7.200	\$6.688	\$6.083
Total Costs – Low	\$3.400	\$3.158	\$2.873
Total Costs – High	\$10.200	\$9.474	\$8.618

Table 11B – Estimated Medicaid Subrogation Benefits for Payers adjusted for present value - in millions, for the period 2009 through 2019.

Benefit Type	Unadjusted Total	Adjusted @ 3%	Adjusted @ 7%
Medicaid Subrogation: General Benefit - Low	\$6.790	\$6.034	\$5.189
Medicaid Subrogation: General Benefit - High	\$9.050	\$8.043	\$6.916
Total Costs – Low	\$6.790	\$6.034	\$5.189
Total Costs – High	\$9.050	\$8.043	\$6.916

FOR FURTHER INFORMATION CONTACT:

Lorraine Tunis Doo (410) 786-6597.