

The 2024 DIR Fee Hangover Playbook

How to Keep Your Pharmacy in the Game

Introduction

The DIR Fee Hangover. The DIR Fee Apocalypse. The DIR Fee Double-Dip. No matter what industry experts call it, it is a looming threat to pharmacies across the country. It is so serious that, without a plan or the right amount of preparation, some pharmacies could close their doors.

So, what is the DIR Fee Hangover? What does it mean for your pharmacy? And, most importantly, what can you do to stay in the game once it hits?

This is a challenge with multiple solutions —but any of those solutions alone won't be enough. **You need a multifaceted approach across multiple areas of your pharmacy to tackle this issue.** And by the end of this playbook, you will have the knowledge and the tools you need to do just that and ensure your pharmacy's success both during the DIR hangover and beyond.



Your pharmacy can do more than just fill prescriptions. Explore opportunities for growth and implement a multifaceted revenue strategy.

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Meet the Contributors



Jason Ausili, PharmD, MSLS

Head of Pharmacy Transformation – EnlivenHealth
Area of Expertise: Clinical Services & Medication Synchronization



Lindsey Daniel, MBA

Sr. Manager, Reconciliation – EnlivenHealth
Area of Expertise: Third-Party Claims Reconciliation



Marvin Guardado

Sr. Manager, Customer Enablement – EnlivenHealth
Area of Expertise: Medicare Plan Comparison



Carter Tatum

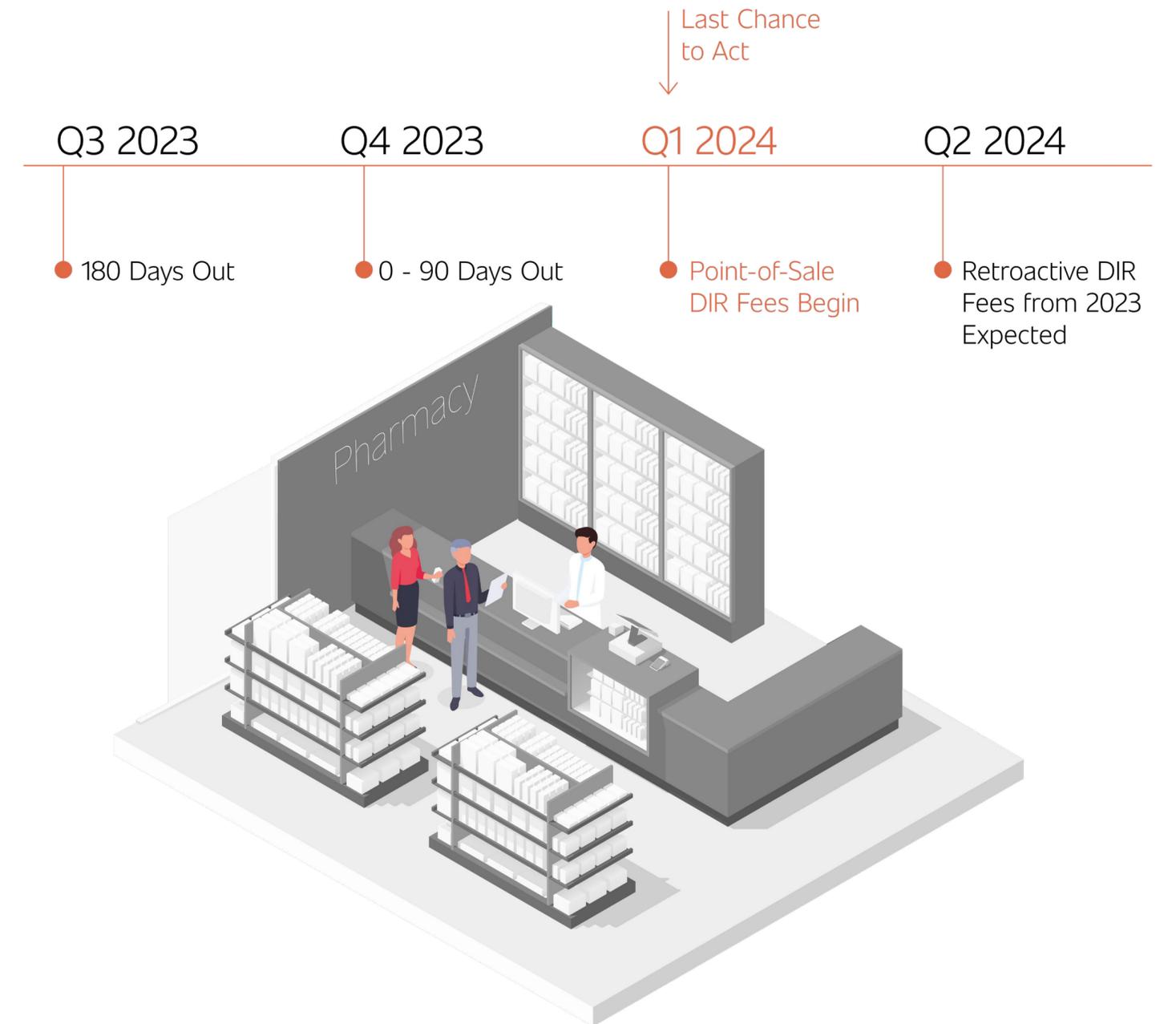
Manager, Customer Enablement – EnlivenHealth
Area of Expertise: Pharmacy Analytics

The End of Retroactive DIR Fees: What Happened?

Direct and indirect remuneration (DIR) fees have been a major financial burden for pharmacies since they were introduced as a component of Medicare Part D in 2006. Recently, the Center for Medicare and Medicaid Services (CMS) announced that it would be ending the retroactive application of DIR fees beginning January 1, 2024, and that all DIR fees moving forward should be applied at the point of sale. While this does mean the end of clawbacks for pharmacies, it doesn't mean their DIR woes are over.

Many pharmacies could struggle in the first half of 2024 because of the transition. Point-of-sale DIR fees will start being assessed at the same time the DIR fees for the last of the retroactive period will come due, resulting in a double-dip that could be disastrous for community pharmacies. According to a survey by the National Community Pharmacists Association (NCPA), approximately 98 percent of pharmacists are concerned about the upcoming DIR Fee Hangover and the impact it could have on their pharmacies.¹ Many are even worried that it could lead to pharmacy closures.

Source:
1. <https://drugstorenews.com/ncpa-survey-majority-independents-concerned-about-prepping-dir-hangover>



Why Inaction Is the Worst Action

Alarming, the same NCPA survey revealed that 15 percent of pharmacists are not taking any steps at all to prepare for the DIR Fee Hangover. And while the remaining 85 percent are taking steps like setting aside cash or looking into taking out loans to pay the fees, there's a possibility that those actions alone won't be enough to prepare for what is coming.

And what could happen to the pharmacies who aren't prepared? Let's ask our experts.



“The risk is real. Those who are not doing what they can to optimize cashflow — really leveraging data to understand where they can improve cashflow and create a cash contingency — are either going to need a small business loan to get them through that time period, or they’re not going to make it.”

Jason Ausili, PharmD, MSLS



“If pharmacies are complacent and don’t plan ahead, then this will be a huge existential issue for them next year. Independent pharmacies in particular will find it increasingly difficult to survive; for the most part, they have fewer resources to absorb these financial burdens compared to larger chains.”

Marvin Guardado



“I think ultimately if [pharmacies] don’t take any action, it’s a major hit to their financial business and they could ultimately end up having to close their doors. It’s a very real possibility: They might not be able to meet their financial obligations and have to sell. Or they might have to shut down entirely.”

Lindsey Daniel, MBA

The pharmacies that will survive the DIR Fee Hangover are the ones that have a plan. Let's get started on yours.

Writing Your Playbook

In sports like football and basketball, teams develop coordinated strategies to put points on the board. They come up with multiple plays that utilize different members of the team to accomplish their goal. A team that only uses one play is never going to win.

Just like in sports, it's going to take more than one strategy for your pharmacy to win in 2024. You're going to need multiple plays in your playbook. We've organized these strategies into two categories: Defensive Plays and Offensive Plays. Also, for each play, we will identify whether this action will have an Immediate Result, a Short-Term Result, or a Long-Term Result.

We'll start with Defensive Plays.



Immediate Results

May yield results quickly — within days of implementing them, if not sooner.



Short-Term Results

May take a little bit of time — think weeks instead of days — to produce results. Have patience and stick with them.



Long-Term Results

May take weeks or months to yield results. But these are the actions that will likely continue to deliver results once the process is in place.

**Defensive Plays:
Optimizing Your Business Today**

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Defensive Plays: Optimizing Your Business for Today

Playing defense against the DIR Fee Hangover comes down to two key elements: mitigation and optimization. Pharmacies should try to mitigate their DIR risk and lessen their potential impact, while also optimizing their current business offerings to offset those fees once the bill comes due.

Pro Tip: Focus on improving PDC scores, mitigating DIR fee exposure, and deploying process improvements. Keep reading to learn how.



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Plan for the Future with PDC Scores & Projections

This year's financial data could hold the key to predicting your DIR liability in 2024. Plus, you can still have an impact on your 2024 DIR fees by improving PDC scores today.



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Project Your 2024 DIR Fees Using 2023's Numbers

On an episode of the Bottom Line Pharmacy Podcast hosted by noted pharmacy accounting firm Sykes & Company, Kendell Harris, CPA, said, "If you can't see what your current burn rate is with DIR fees, then it's going to be twice as hard to plan into the future."²

To predict the DIR fees that PBMs will attempt to collect in the first quarter of 2024, look at the DIR fees collected from the same timeframe in 2023. (This should be easy to do in your third-party reconciliation platform.) Once you have that number, set it as your savings benchmark. That's the amount of cash you need to set aside by the beginning of 2024 to avoid the sting of the DIR Fee Hangover.

“Don't sit and wait. Start figuring out what estimations you have as far as DIR for 2023 and start setting that money aside.”

Lindsey Daniel, MBA

Source:
2. <https://www.sykes-cpa.com/dir-fee-apocalypse-the-bottom-line-for-2024/>

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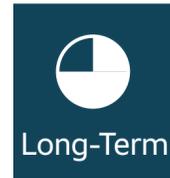
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Improve PDC Scores by Targeting Non-Adherent Patients

Because DIR fees are influenced by PDC scores, you can use analytics to dig into your pharmacy data and pinpoint which patients are negatively impacting your performance metrics. Pay special attention to patients taking medications for high cholesterol, hypertension, or diabetes, since these categories directly contribute to Star Ratings. Once they're identified, reach out and help them get back on their medication plans (potentially with help from a medication synchronization plan).

Also, many non-adherent patients aren't that far off the mark to be considered adherent. You can have the quickest impact on your PDC scores by finding the patients with PDC scores within a few percentage points of 80, then focusing on getting them up to that mark.

Prioritizing further, identify which patients are on plans where adherence is calculated at the individual store level rather than the PSAO level and focus on building their PDC scores first.

“If a patient is not adherent in multiple therapeutic categories, and you can get that patient adherent, it's going to significantly increase your scores and help lower your DIR fees.”

Carter Tatum

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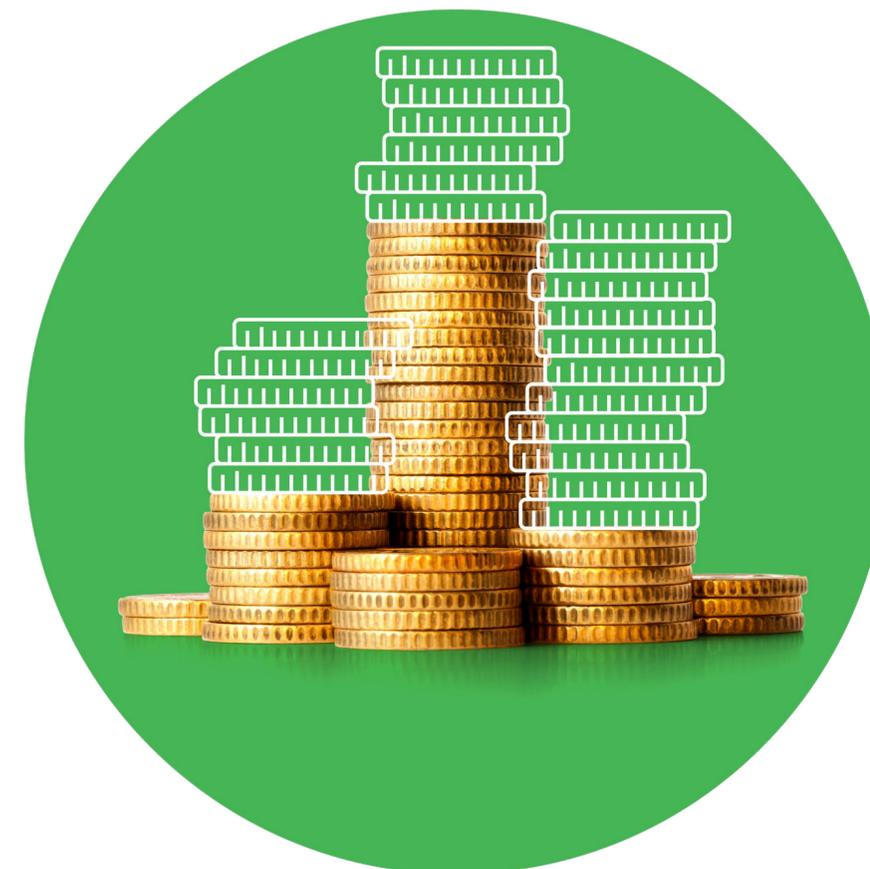
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Maximize Your Revenue to Offset Future DIR Fees

You know the double DIR fees are coming, so what are you doing to prepare? Learn how you can use pharmacy analytics and Medicare plan comparisons to generate enough extra revenue to compensate for the DIR double-hit.



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Pair Data Insights with Patient Outreach

To set aside enough cash to hit your savings benchmark, you will need to get as much revenue out of your existing prescription business as you can. With analytics, you can focus on a segment like missing refills, sort those prescriptions by profitability, and follow up with the patients who will boost your profits the most.

Once you've identified which patients to contact, have one of your pharmacy technicians call them and ask if they'd like to get back on their medication plan and refill the prescription. Enlisting one pharmacy technician (or another team member) to call these patients for just 15 minutes per day can result in substantial revenue gains. (Southland Pharmacy in Manchester, TN generated over \$70,000 in additional revenue in less than three months by identifying and prioritizing non-adherent patients for outreach.)³

“Any given pharmacy on any given day has prescriptions that should be getting filled and picked up that the patient just forgets. And when you only have a few minutes a day for outreach, you should call the ones that are going to impact your bottom line the most.”

Carter Tatum

Source:
3. <https://enlivenhealth.co/mydatamart-case-study-southland-pharmacy/>

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Boost High-Value Patient Retention with Medicare Plan Comparisons

For a variety of reasons — including a higher average prescription count than other patients — Medicare patients are extremely valuable to pharmacies. But not all plans are built the same way. Different plans have different contracted rates, and the medications a patient uses could be reimbursed at higher rates on a different plan. In addition, a growing number of plans have generic effective rates (GER) and brand effective rates (BER), so that is something else to consider. Use a Medicare plan comparison solution — particularly, one that can estimate potential DIR fees as well as GER/BER — to help you find plans that are better for the patient and the pharmacy.

Since the platform's introduction in 2019, 75.6% of medical billing claims processed through EnlivenHealth's medical billing solution MedBill have been for patients 65 and older. The same patients you're guiding through Medicare plan possibilities also need point-of-care testing services, diabetes education, Shingrix vaccines, and other clinical services. Keeping them healthy will help keep your pharmacy in business.

“What's the 360-degree value of a Medicare patients to a pharmacy? It goes beyond the prescription revenue. You can maximize reimbursement on the drug side, but there's also that opportunity to build clinical services from those very important foundational patients.”

Marvin Guardado

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Create More Time for Revenue-Generating Activities

It will be difficult to employ an offensive strategy to offset the DIR fees coming in 2024 if you don't have time for any of them. Luckily, there are ways to automate some of your pharmacy's administrative tasks and create more time in the day.



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Take Claims Reconciliation Off Your Plate

While reconciling claims is a necessary part of running a pharmacy, it doesn't have to be a time-consuming and manual process. Reconciling pharmacy claims properly down to the claim level could take you 10 hours per week or more if you try to do it yourself. That's time that is better spent interacting with patients, developing new services, and pursuing other opportunities that can grow your pharmacy business (see the "Offensive Plays" section in this playbook).

When you automate claims reconciliation through software (or, better yet, through a third-party service that can take the process entirely off your plate), you free up time that could be better utilized elsewhere.

"[Reconciliation] is a necessary thing, but it's not a necessary thing for a pharmacist or a pharmacy owner to be spending their time doing."

Lindsey Daniel, MBA

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Increase Operational Efficiency with Med Sync

When you batch together all of a patient's refills and dispense them on the same day each month, you can optimize the time your staff spends filling those prescriptions and better prioritize their workflows. That level of predictability also allows you to do things like verify insurance coverage and inventory without the patient standing at the counter waiting.

Plus, medication synchronization pays dividends (and saves cash) in another way. It helps you better manage and be more predictive with your inventory, allowing you to keep more money in your account and less on the shelf.

“Having a large number of your patients on med sync will allow you to balance your workload and your staffing accordingly. The more patients you have synced, the more streamlined your workflow is going to be, the more problems you can work through more efficiently.”

Jason Ausili, PharmD, MSLS

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Cut Phone Time with an IVR System

How much time during the day do you or members of your staff spend on the phone? Between patients, providers, insurance, and other calls, it's a rare event when you're not filling a prescription with a phone tucked into your shoulder. When you implement an interactive voice response (IVR) system, you put a barrier between your staff and whoever is on the other end of that call. With the right system, patients can still get the information (or the refills) they need without tying up a member of your staff.

In addition, implementing an IVR system could reduce the possibility of medication errors. 90% of respondents to a 2022 APhA survey reported that interruptions from phone calls likely contributed to medication errors or near misses.

Plus, using an IVR actually increases patient access to your pharmacy, allowing them to call and request medication refills 24 hours a day. More time and more revenue? That's a win.

“If you can reduce the number of calls that get transferred into the pharmacy, that's real time that can be saved and reinvested into revenue-generating clinical services.”

Jason Ausili, PharmD, MSLS

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Taking an offensive stance against the 2024 DIR Fee Hangover means more than just optimizing what you're already doing. It means taking new steps to grow your business and expand it beyond where it is today. Generating new income that avoids or reduces DIR exposure will help you offset that last retroactive bill when it comes due in 2024.

Pro Tip: Add new products and services to boost your revenue and offset future fees. Continue reading to learn more.



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While our defensive strategies are built around mitigating DIR risk and optimizing your current prescription business to offset DIR fees, expanding the services you offer to your patients not only gives you a revenue stream generally outside the reach of PBMs, it also allows you to become a comprehensive healthcare provider for your community.



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Ramp Up Your Vaccination Program

While pharmacists have been administering vaccines for decades, the idea of doing so as an appropriately reimbursed healthcare provider is more recent. Remember, administration fees billed through the medical benefit are not subject to DIR. And with flu season coming up, along with underutilization of the shingles vaccine and new vaccines for both RSV and COVID, there is plenty of opportunity to grow your vaccination business.

To get the most out of your vaccination business, you must make the transition from a passive effort to a proactive endeavor to increase patient awareness and behavior. If you're just waiting for walk-in patients, you could be attempting to grow your clinical business at the expense of your efficiency. And reduced efficiency could harm your prescription business.

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Provide Point-of-Care Testing

Implement a Test-and-Treat
Program

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Offerings

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Grow Your Supplement
Business

Turn Pets into Patients

**To ramp up your vaccination program, you can use
EnlivenHealth's Clinical Expansion Framework:**

Step 1

Start small. Set aside a tangible block of time (e.g. 2 hours on a day with pharmacist overlap) to provide vaccinations for your community.

Step 2

Schedule patients for vaccinations during the specific hours you have set aside to administer them.

Step 3

After 1-2 months, evaluate your results. Did you exceed your break-even point? Can any profits be reinvested in adding more clinic hours or services?

Step 4

Consider adding more time slots, more days, and/or more services to your clinical schedule. Repeat Step 2.

“[Pharmacists] should always be thinking, ‘How can I get paid as a provider — not as a dispenser — of vaccines? When a vaccine is billed through the medical side, it’s not subject to any DIR fees.”

Jason Ausili, PharmD, MSLS

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Provide Point-of-Care Testing

Beyond vaccinations, some pharmacies can offer point-of-care testing in their stores. Relevant tests include strep, flu, COVID, A1C, and blood glucose tests, and may be reimbursable. To offer testing in your pharmacy, make sure you have a CLIA Certificate of Waiver, a source for tests, testing supplies, and enough space to perform tests. (Some pharmacies are fortunate enough to come equipped with exam rooms, but not all have that luxury.) Also, be sure to build in extra startup time and funds to train your staff on how to properly perform tests.

“The goal is to understand what you can do and then start building a business model around that.”

Jason Ausili, PharmD, MSLS

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Implement a Test-and-Treat Program

Taking point-of-care testing one step further, many pharmacies can offer test-and-treat programs for common ailments like strep or the flu. Test-and-treat services are especially beneficial for patients who have difficulty accessing traditional healthcare settings, like those who live in rural areas or have transportation challenges.

Some states allow pharmacists to prescribe therapeutics, while others may require consultation with a physician. Check with your state pharmacy association to see what you can do in your area.

“A lot of pharmacies got their CLIA Certificate of Waiver during the pandemic. Now is the time to leverage that and grow test-and-treat within your pharmacy.”

Jason Ausili, PharmD, MSLS

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Expand Your Clinical Service Offerings

Clinical care isn't just vaccination and testing. Pharmacies can offer a wide variety of services to their patients that go above and beyond simply dispensing prescriptions.

Social Determinants of Health (SDOH) Screening: A patient's health isn't solely dependent on their medication regimen. SDOH screening is the process of identifying and assessing non-medical factors that influence health outcomes, including income, education, housing, food security, and more. It's a powerful and relatively new avenue for helping patients and improving health outcomes. A recent case study showed that 28.6% of SDOH screenings resulted in a referral to address an issue.⁴

Tobacco Cessation: Help your patients quit smoking for good by providing counseling, education, and access to tobacco cessation aids that can help to reduce cravings and withdrawal symptoms.

Women's Health & Contraceptives: A growing number of states are permitting pharmacists to prescribe and manage hormonal contraceptives for their patients, providing a touchpoint that is statistically more accessible than their doctor.

Diabetes Care, Prevention & Self-Management Training: Pharmacists can play a vital role in helping people with diabetes manage their condition, or in helping to keep a pre-diabetic patient from developing diabetes.

Check with your state pharmacy association to see what your pharmacy can offer and, if applicable, what the reimbursement model looks like in your state.

Source:

4. "Breaking Barriers: Improving Health Outcomes through SDOH Screening in Community Pharmacies." https://omnicell.registration.goldcast.io/events/14e648ed-7f30-43cd-b438-5f662f333c3d?utm_source=DIRPlaybook



**Visit the National Alliance of
State Pharmacy Associations to
quickly find contact details for
your state representative.**

“With the recent focus on health equity, an important light is shining on the value that pharmacists bring to their local areas.”

Jason Ausili, PharmD, MSLS

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Diversify & Expand Your Pharmacy Revenue Streams

Providing clinical services isn't the only offensive strategy to defeating the DIR Fee Hangover. Thinking outside the box and providing goods and services outside your normal offerings can give your pharmacy revenue a boost. And if that boost comes from the front of the store, it's outside the reach of PBMs.



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Help Newly Eligible Patients Find a Medicare Plan

While the Open Enrollment Period is when most patients have the opportunity to modify or switch their plans, patients who are newly eligible for Medicare can choose their plan at any time, as long as they are within 90 days of their 65th birthday.

Using analytics, dive into your pharmacy data and identify patients who will be turning 65 in the next few months or who have recently turned 65 but aren't using Medicare. Once you've identified your newly eligible patients, reach out and see if they would like help finding a Medicare plan that fits their medical needs and their budget.

“By partaking in this very needed service for their patients, pharmacists can help them find plans that are going to be better for the patient and better for the pharmacy.”

Marvin Guardado

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Grow Your Supplement Business

Offering supplements is a way to boost your pharmacy's front-of-store sales and avoid relying too heavily on prescription sales. But simply having supplements available isn't enough. Instead, offer them in a more targeted manner. You can use your pharmacy system to identify patients who would benefit from taking the appropriate supplements. Because numerous medications can cause nutrient depletion, patients taking those medications are ideal for supplements.

Supplements can also be used to manage medication side effects, which are one of the most frequently cited reasons for non-adherence in patients. So, in addition to building front-of-store revenue, supplements can also help increase adherence in patients and reduce your DIR liability.

“Supplements tend to have a higher margin than most prescriptions, and pharmacies can generate cash revenue from supplement sales without the involvement of PBMs”

Marvin Guardado

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Turn Pets into Patients

Offering pet medications provides a variety of benefits for both your pharmacy and for pet owners in your community. Your pharmacy will be tapping into an entirely new patient pool — one that largely pays cash for their medications and doesn't involve any kind of insurance. Meanwhile, pet owners will benefit from your expertise, as well as the fact that you will likely be able to offer them their pet's medications for less than their vet would charge.

“People love their pets and want to take care of them, and pharmacists can ideally produce the unique dosage forms that are more palatable and efficacious for pets.”

Jason Ausili, PharmD, MSLS

Checklist: Building Your Action Plan

The 2024 DIR Fee Hangover is a challenge, but it is not insurmountable. With the right plan in place, your pharmacy can mitigate its impact and come out even stronger. Now it's time to build your plan.

As you move through the tasks, check them off in this interactive PDF.





Immediate

Immediate Actions

Review Your Payer Contracts

Evaluate which payers are set to hurt you and which ones are trying to help you. Identify the plans that are going to have the highest fees so you can have a better idea of what is coming and how to prepare.

Project Your 2024 DIR Fees Using 2023's Numbers

Look back on your reconciled claims from late 2022 and early 2023 to get a better idea of the DIR fees that are coming. Total up the DIR fees you paid in the first quarter of 2023 and set that as your savings benchmark. In the meantime, reconcile claims regularly to ensure that every dollar is accounted for.

Pair Data Insights with Patient Outreach

Boost prescription revenue and adherence by using an analytics platform to focus on missing refills and follow up with the most potentially profitable patients.

Increase Operational Efficiency with Med Sync

Improve efficiency and adherence while reducing DIR fees by suggesting medication synchronization to patients with multiple prescriptions.

Cut Phone Time with an IVR System

Free up staff time while improving patient access to your pharmacy with an automated phone answering system. Patients can request refills 24/7, while your staff has fewer distractions and more time to focus on filling prescriptions or providing clinical services.



Short-Term Actions

Ramp Up Your Vaccination Program

Grow your vaccination business proactively by implementing an appointment-based model and identifying patient candidates using your pharmacy data.

Provide Point-of-Care Testing

As long as you have the right equipment, supplies, and training, offering POCT can benefit your community and your business.

Implement a Test-and-Treat Program

Save your patients money and time by offering test-and-treat programs for common ailments like strep and the flu.

Boost High-Value Patient Retention with Medicare Plan Comparisons

By helping patients compare plans during the Open Enrollment Period (October 15th – December 7th), you can increase your patient retention by helping them find a plan that cuts costs for them while boosting profits for your pharmacy.

Grow Your Supplement Business

Boost front-of-store sales and improve patient adherence by offering supplements in a targeted manner, based on patients' medication use and potential nutrient depletion.

Turn Pets into Patients

Offering pet medications can help you tap into a new patient pool, provide pet owners with affordable medications for their pets, and boost pharmacy revenue.



Long-Term

Long-Term Actions

Improve PDC Scores by Targeting Non-Adherent Patients

Use an analytics platform to sort through patient data and identify patients who are negatively impacting your PDC scores. Reach out to those patients and help them get back on their medication plans.

Help Newly Eligible Patients Find a Medicare Plan

Newly eligible Medicare patients have 7 months to sign up, starting 3 months before the month they turn 65 and ending 3 months after. Use an analytics program to quickly identify those patients, then reach out and offer to help them find a plan.

Expand Your Clinical Service Offerings

Pharmacies can offer a wide range of clinical services beyond vaccination and testing, such as SDOH screening, tobacco cessation, women's health, and diabetes care.

Further Reading & Information

Articles

2024 DIR Changes May Bring Financial Challenges to Independent Pharmacies.
Pharmacy Times.

[Read Article](#)

NCPA survey: Majority of independents concerned about prepping for DIR hangover.
Drug Store News

[Read Article](#)

2024 DIR Fee Changes: Everything You Need to Know
DiversifyRx

[Read Article](#)

Webinars & Podcasts

Breaking Barriers: Improving Health Outcomes through SDOH Screening in Community Pharmacies

[Watch Webinar](#)

Test & Treat: The Current State & Future Potential of Clinical Care in Community Pharmacies

[Watch Webinar](#)

DIR Fee Apocalypse – The Bottom Line for 2024.
The Bottom Line Podcast

[Listen Podcast](#)

E-Books

3 Steps to Building a Clinical Practice in Your Pharmacy

[Read E-Book](#)

Get Smart: How to Get Started with Pharmacy Intelligence & Analytics

[Read E-Book](#)

Changing the Game on DIR Fees

[Read E-Book](#)

Case Studies

Southland Pharmacy Increases Revenue by \$70k in 12 Weeks with Pharmacy Analytics

[Read Case Study](#)

Ohio-Based Kettering Health Pharmacy Gains \$732K with Pharmacy Data Insights

[Read Case Study](#)

GBANK Health, LLC Reduces Call Time & Increases Refill Requests with Personalized IVR

[Read Case Study](#)

Contact:

To reach out to the EnlivenHealth team about how we can help you navigate the DIR hangover, contact us at (800) 817-6526 or click the button below to email us!

[Email Us](#)

Conclusion

“The DIR Fee Hangover is just another example of how in business — especially pharmacy — we are constantly hit with adversity,” said Mat Slakoper, president of Mat’s Pharmacy & Medical Supply. “Planning for the future, investing financially in your business, looking for diversity, or just being hungrier will make our pharmacies stronger and more resilient to the adversities thrown at us.”

EnlivenHealth has the multifaceted approach pharmacies need to effectively deal with the DIR hangover. We have solutions for boosting revenue, improving adherence, and optimizing clinical service offerings. We want to make it easier for you to make a difference in the lives of your patients.

For more information, call us at (800) 817-6526 or use the button below to reach out to the EnlivenHealth team!

Contact Us

EnlivenHealth offers software solutions that help with:

Data insights and analytics

Claims reconciliation

Medical billing

Patient communications

Clinical services support and documentation

Medicare plan comparison, and more!

