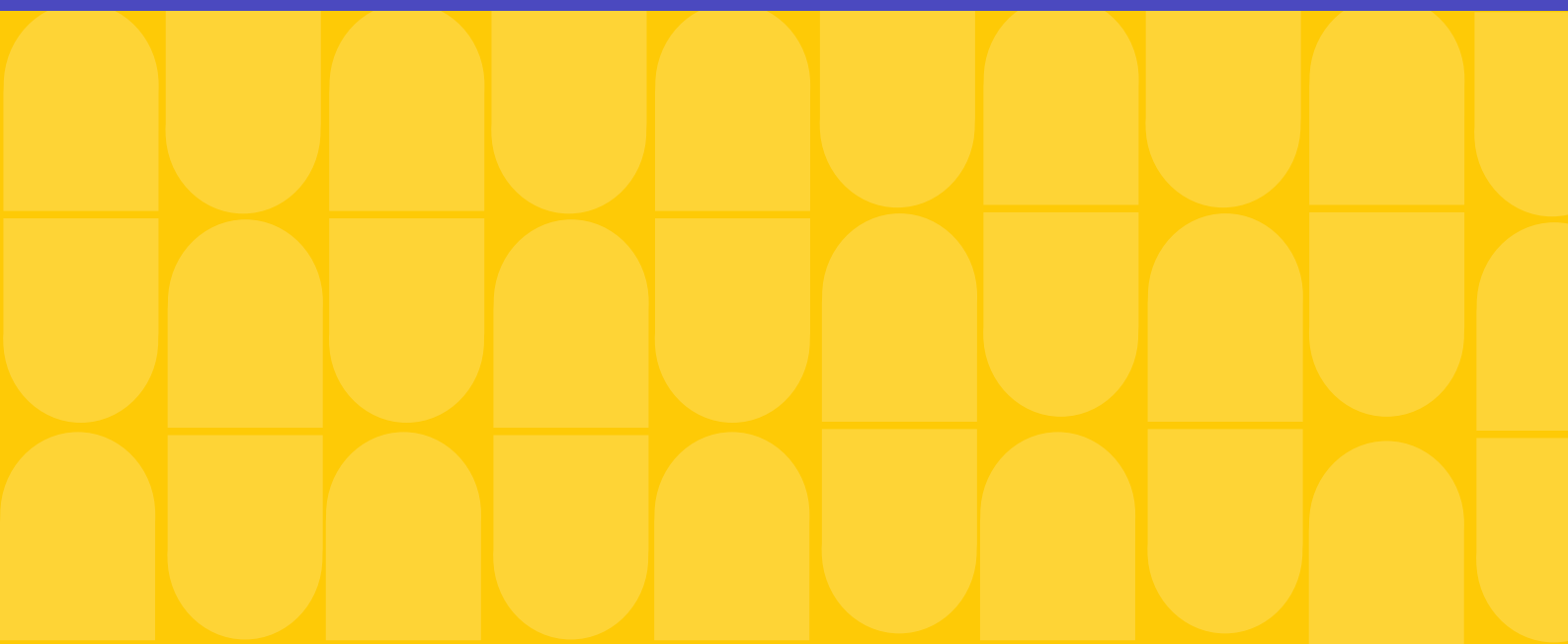




# 5 Ways to Offset the Impact of DIR Fees with Smarter Purchasing Strategies

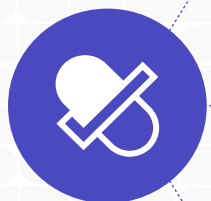


This white paper dives into the real challenges faced by pharmacies today, focusing sharply on the financial burden of Direct and Indirect Remuneration (DIR) fees. We're looking at how pharmacies can use smarter purchasing to ease the impact of these fees, stay on top of compliance and work more efficiently.



Let's explore today's DIR challenges for pharmacies and show how smart buying choices can lead to significant benefits. By leveraging SureCost, pharmacies can save more, stay within the rules and work smarter. Ready to dive in?

## Here's what today's independent pharmacy landscape looks like:



In 2024, pharmacies face a double financial challenge with DIR fees, balancing both retrospective fees from 2023 and current year's point-of-sale fees.

84% of independent pharmacies reported moderate to severe impacts on their business due to DIR fees complexities.

Operational cutbacks were significant, with 54% delaying or reducing hiring and 52% cutting operational hours to manage costs.

### Defining DIR Fees and Their Evolution

DIR fees in pharmacy reimbursement have shifted from being a mechanism to promote better services and patient outcomes, to a significant financial burden.

Initially, these fees were reconciled annually, posing challenges in financial predictability for pharmacies. Over time, the complexity of DIR fees has escalated, with pharmacies struggling to forecast their actual costs and reimbursement rates. This shift has led to a growing financial strain on pharmacies. Effective financial management has become more challenging, compounded by the uncertainty and potential magnitude of fee assessments.

#### The Double Impact of DIR Fees

In 2024, DIR fees changed, hitting pharmacies twice as hard. Before, fees were charged after the fact, causing financial surprises for pharmacies and higher costs for patients.

Now, these fees are included upfront in prices, making costs clearer, but not lessening the financial burden<sup>1</sup>. This change has significantly affected many pharmacies' operations, with a large number of pharmacies reporting severe impacts, leading to staff cuts and reduced hours.

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The way Medicare and the PBMs are now providing reimbursement is now a direct fee discount. The impact is really twofold... you're now getting lower reimbursement effective January 1st and yet they still have the right to call back for a prior quarter or, potentially longer. **So, the impact to you is essentially double, a double hit for the first quarter potentially, in the second quarter.**

Calvin Hunsicker, Founder and Chief Product Officer of SureCost

An NCPA survey further highlights the severity of this impact, with 84% of independent pharmacies experiencing a moderate to severe effect on their business<sup>3</sup>. These challenges underscore the need for strategic financial responses within the pharmacy sector.

### Contract Changes and Increased Competition

The game has changed for pharmacies and Pharmacy Benefit Managers (PBMs). Without the fees that used to help PBMs cover their costs, they're likely to pay pharmacies less and be tougher in negotiations. This means pharmacies have to fight harder to win customers by slashing prices, despite getting less money to start with and dealing with DIR fees right away. This price war is tough on pharmacies' wallets, making it harder for them to stay afloat and keep up the quality of care they provide.

### Impact of the DIR Hangover

The financial impact of DIR fees on pharmacies is profound. A CMS report highlighted an astronomical increase of 4.8% in pharmacy price concessions as part of the Part D gross drug costs by 2020. This is up from a mere 0.01% in 2010<sup>2</sup>. This growth translates to a substantial portion of a pharmacy's prescription revenue being consumed by DIR fees, significantly squeezing their operational margins.

## 5 Strategies to Offset DIR Fees Using Smarter Purchasing with SureCost

To address the challenges of DIR fees, this section introduces five smart purchasing strategies with SureCost. These strategies are designed to tackle key areas of pharmacy management. They aim to optimize inventory management for maximum efficiency and leverage Group Purchasing Organizations (GPOs) and buying groups for better pricing. Additionally, they ensure seamless vendor compliance and help to find the best prices through strategic insights. Finally, they harness technology to make informed, data-driven purchasing decisions.

Each approach is designed to help pharmacies manage costs effectively, maintain optimal inventory levels and improve overall operational efficiency, providing a comprehensive solution to the financial pressures posed by DIR fees.



### 01

#### Quickly find the best prices with strategic insights

In the highly competitive and cost-sensitive realm of pharmacy operations, securing the best prices for pharmaceuticals isn't just about cost savings — it's about sustainability and quality patient care.

The traditional approach to price shopping, often cumbersome and fraught with inaccuracies, falls short in today's fast-paced market. SureCost introduces a paradigm shift with its innovative platform, revolutionizing how pharmacies compare prices across multiple vendors to make the most informed and strategic purchasing decisions.

SureCost consolidates all vendor catalogs into a single, intuitive platform, enabling pharmacies to efficiently compare prices by unit price. This consolidation dramatically reduces the time traditionally spent on manual price comparisons across different websites or catalogs, minimizing errors and enhancing operational efficiency.

A standout feature of SureCost is its capacity to unearth savings opportunities beyond the widely purchased top 200 generic medications. The platform analyzes product equivalents that may vary by brands, package sizes, unit of use and unit dose, revealing potential savings often overlooked in traditional procurement processes.

SureCost champions the concept of value over mere cost savings. It guides pharmacies in evaluating the broader value proposition of each purchase, including vendor reliability, delivery times and payment terms. This approach ensures that purchases that not only save costs upfront but also support long-term operational benefits.

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**One area I think people forget about...** is AP integration and having that automated as well to make sure you're paying for what you actually received, like I mentioned earlier, a three-way invoice check that's automatic that does all that validation for you just in receiving a loan."

Calvin Hunsicker, Founder and Chief Product Officer of SureCost

Unlock strategies for navigating DIR fees and securing the best prices. [Watch our DIR webinar replay now.](#)

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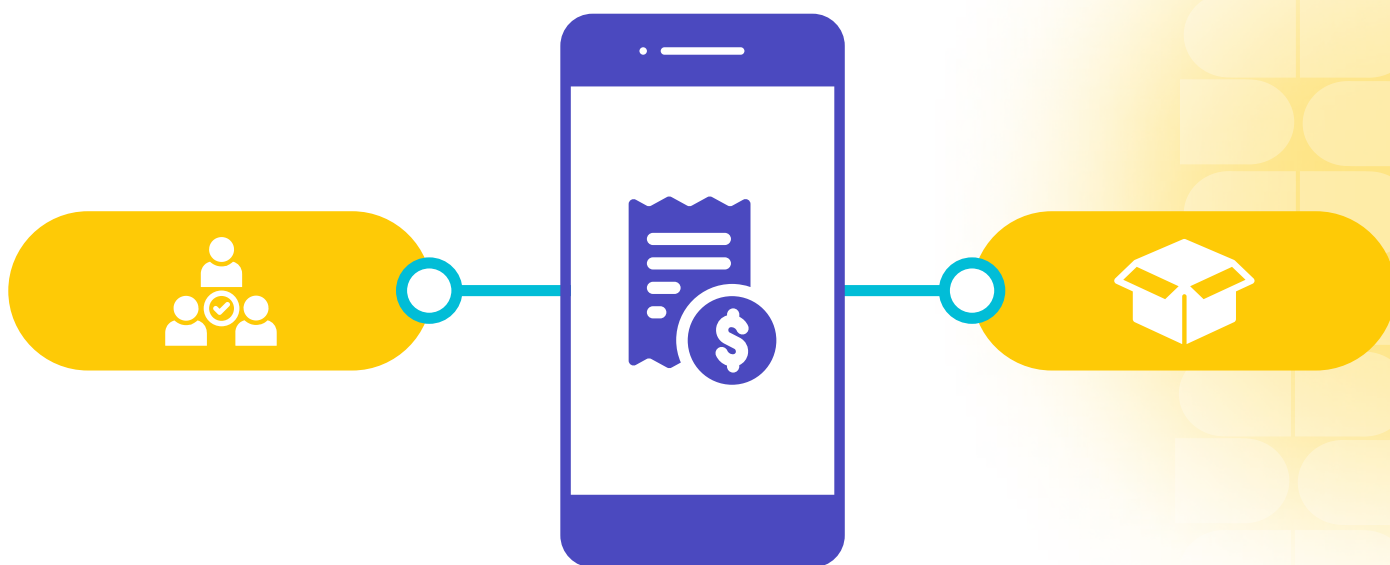
## Buy smarter by maximizing rebates with your Primary Vendor, GPOs and buying group membership

Teaming up with GPOs and buying groups is a smart move for independent pharmacies. It's about getting better prices and terms, something usually reserved for the big chains.

### Understanding GPOs and Buying Groups

Joining a GPO or buying group can significantly level the playing field for independent pharmacies. These entities negotiate on behalf of their members with manufacturers and suppliers to secure favorable prices and terms typically reserved for larger chains.

They do this by leveraging the collective purchasing power of their member pharmacies, pooling their volumes to secure more significant discounts and rebates. This ensures that individual pharmacies can access better deals than they might on their own.



[Book a Free Consultation](#) with Us to Define the Best Rebate Strategy For Your Pharmacy.



In the complex world of pharmacy procurement, maintaining a strong relationship with your primary vendor is key. This is where SureCost steps in to ensure you're getting the best possible terms from your primary supplier.



**To fully capitalize on the potential** of these partnerships and your primary vendor relationships, pharmacies must adopt several strategic approaches. Firstly, pharmacies should prioritize purchasing items that yield the most substantial rebate benefits. It's crucial to be well-informed about which items contribute to or are excluded from cost-plus and Generic Compliance Ratio (GCR). Additionally, selecting products that align with Pharmacy Benefit Manager (PBM) contracts ensures maximum profitability. Adjusting buying patterns to meet criteria for higher rebate tiers is a key tactic. Accuracy in data recording and analysis is paramount for calculating rebates based on real-time metrics effectively. Moreover, analyzing purchasing data and rebate outcomes helps identify trends and areas for improvement, enabling pharmacies to stay competitive and financially robust.

### Primary Vendor Assurance

Primary Vendor Assurance is a strategic approach to manage and maximize the benefits of your primary vendor contracts. This includes ensuring compliance with contract terms, making the most of rebates and discounts and keeping a close eye on pricing structures. The goal is to optimize your purchasing decisions while maintaining a healthy relationship with your main supplier.

So, what's the result of using GPOs, buying groups and SureCost? Your profit margins can shoot up, sometimes by 2 to 6 percent<sup>4</sup>. That's a noticeable boost in annual profits for your average independent pharmacy.

Plus, these partnerships, along with SureCost, make working with suppliers easy. You get competitive prices and a steady supply. It's a must for smooth pharmacy operations and top-notch patient service.

It boosts your buying power and profits, making you a top player in the market while serving your patients efficiently.

**Learn more about enhancing inventory automation for GPO member pharmacies in our white paper.**  
[Read it here.](#)

## 03

### Ensure vendor compliance

A critical aspect of vendor compliance that cannot be overlooked is adherence to the Drug Supply Chain Security Act (DSCSA) regulations. SureCost not only facilitates streamlined vendor compliance, but also integrates DSCSA compliance seamlessly into pharmacy operations. This offers a unified solution that addresses both procurement efficiency and regulatory adherence.

# 17%

A study with a pharmacy chain shows that smart inventory management can really boost profits by as much as 17%<sup>5</sup>. This means keeping a close eye on stock levels and knowing what your customers are likely to buy.

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Highly, highly recommend everybody starting to procure a DSCSA provider to make sure that you're compliant. **The sooner you can implement that into your workflow, the better.**”

Calvin Hunsicker, Founder and Chief Product Officer of SureCost

SureCost addresses several key aspects of vendor compliance by implementing a range of measures. Firstly, it ensures that products delivered precisely align with the pharmacy's orders, encompassing drug type, quantity and packaging specifications. Moreover, vendors are held accountable for consistently applying negotiated pricing, rebates and discounts outlined in contracts. Timely deliveries are emphasized to minimize operational disruptions, fostering seamless pharmacy operations. Pharmacies are empowered to routinely verify the accuracy of received products against their purchase orders, instilling confidence in inventory management. Regular auditing of invoiced prices against contractual terms is conducted to detect and rectify any discrepancies promptly. SureCost automates the tracking of vendor compliance, proactively alerting pharmacies to any potential issues, thereby bolstering efficiency and reliability in pharmacy purchasing processes.

#### Automated DSCSA Validation for Seamless Compliance

SureCost's platform automates the DSCSA compliance process, validating transaction data against regulatory requirements in real-time during the receiving process. This automation ensures pharmacies aren't only compliant with federal regulations, but also streamlines the workflow, eliminating the need for manual checks and validations.

#### Mobile Solutions for On-the-Go Compliance and Efficiency

Highlighting the importance of mobility and ease of use, SureCost offers a mobile solution that supports DSCSA compliance alongside other critical inventory and procurement tasks.

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**Mobile solutions are huge to pharmacies. You want to make sure you're doing the work where that inventory is and lives.**”

Calvin Hunsicker, Founder and Chief Product Officer of SureCost

Here, Mr. Hunsicker underlines the value of integrating DSCSA compliance into everyday pharmacy operations through accessible, user-friendly technology.

#### A Unified Approach to Vendor and Regulatory Compliance

Incorporating DSCSA compliance into the broader strategy for ensuring vendor compliance strengthens the pharmacy's position in managing the complexities of today's pharmaceutical landscape. By choosing SureCost, pharmacies benefit from a comprehensive tool that not only ensures they are getting the best deals from their vendors, but also guarantees that they remain within the bounds of regulatory compliance.

Discover how to streamline vendor compliance with SureCost. [Watch our 1-minute product tour now.](#)

Getting inventory right is crucial for pharmacies. It's not just about having what your customers need right when they need it, it's also about saving money by avoiding back orders and excessive stock.

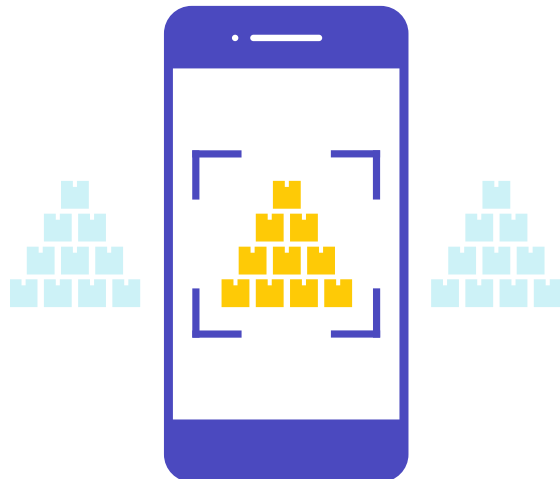
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### Find a smarter approach to inventory

Smaller pharmacies often have a tougher time because they're juggling different patient programs and prices. Integrating technology that can analyze purchasing patterns and inventory levels predict demand more accurately. This means pharmacies can adjust their stock in advance, reducing the risk of overstocking or understocking.

Enter SureCost, a solution that offers more than simple stock tracking. It leverages comprehensive data for dynamic inventory management, including real-time valuation of inventory based on the last acquired price. This approach extends beyond the shelves — it's about tracking and monitoring perpetual inventory, physical inventory and cycle counts and understanding the entire supply chain from order to delivery.

Furthermore, [SureCost helps manage inventory](#) by enabling the efficient transfer of inventory across departments or locations, reducing waste and managing excessive stock. It automates the creation of data-driven replenishment purchase orders, leveraging real-time needs and predictive analytics to optimize stock levels.



**Out-of-Stock Improvements:** Pharmacies that have adopted SureCost have experienced remarkable improvements in inventory management. They've witnessed over a 10X improvement in mitigating out-of-stock issues compared to traditional methods.

To sum it up, the first step in dealing with DIR fees better is to have a top-notch inventory system. Such a system does more than just monitor stock levels. It enables pharmacies to minimize waste and excessive stock, automate replenishment orders and provide insights and reports into purchasing and inventory trends. By using SureCost Inventory Manager™, pharmacies can significantly optimize savings. This, in turn, helps improve profits and offset the burden of the DIR Hangover.

See how much you could save on annual cost of goods and time with SureCost. Input your purchasing volume and management hours [here](#) to calculate your potential savings.

**SureCost Purchase Manager** is designed to make life easier for pharmacies. It's a one-stop platform that brings together numerous vendors and a wide range of product catalogs into a single, easy-to-use interface.

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## Let technology help you make data-driven purchasing decisions

In the intricate world of pharmacy operations, marked by the complexities of DIR fees and convoluted PBM contracts, the strategic adoption of technology is indispensable.

SureCost revolutionizes the traditional purchasing process by allowing pharmacies to end the tedious practice of managing multiple purchase orders across various formats. With SureCost, pharmacies can submit a single purchase order for all their vendors with just one click, streamlining procurement and eliminating inefficiencies.

The platform automates time-consuming tasks associated with purchasing and inventory management. Pharmacies benefit from the ability to handle physical inventory, perpetual inventory, cycle counts, transfers and returns all within one solution. This integration simplifies operations and enhances accuracy by centralizing key processes. Seamless integration with pharmacy management systems ensures that purchasing decisions are informed by dispensing trends, automatically updating on-hand counts to optimize inventory levels based on actual demand. Additionally, the platform seamlessly incorporates with accounts payable systems, enabling meticulous tracking of receiving, reimbursements and credits. This comprehensive oversight of financial transactions enhances financial management practices, providing pharmacies with greater control and insight into their financial health.



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**Customers have told us** that they save two-thirds of their time...They've gotten back two-thirds of what it typically takes them to create an order back by using SureCost."

Calvin Hunsicker, Founder and Chief Product Officer of SureCost

SureCost empowers pharmacies to standardize their goals and strategies, ensuring consistent operational efficiency across the board. By automating and unifying the procurement and inventory management processes, pharmacies can align their operations with their business objectives. This fosters a cohesive approach to managing supply chain and financial health.

Ready to embrace technology and make your pharmacy smarter? Discover the power of SureCost Purchase Manager. [Book a demo now.](#)



With SureCost, pharmacies can focus more on their operations and less on compliance worries. It's not just about meeting regulations -- it's about making every part of the pharmacy more efficient and proactive.

## SureCost: Smarter Purchasing, Inventory Management, and DSCSA Compliance

By using SureCost, pharmacies can effectively manage their purchasing and inventory while also staying compliant with DSCSA regulations. This comprehensive solution is tailored to meet the unique challenges faced by independent retail pharmacies, empowering them to excel in today's competitive market.

**SureCost's platform is packed with features** that make it easier for pharmacies to comply with regulations. Here's how it helps:

- **Automated purchasing:** SureCost streamlines the procurement process with real-time price tracking and easy order management. This means less manual work and more accuracy.
- **Intelligent inventory management:** The platform uses predictive analytics to help pharmacies keep the right stock levels, anticipating patient needs and avoiding over or under-stocking.
- **DSCSA compliance made easy:** SureCost ensures all transactions meet legal requirements, giving pharmacies peace of mind that they're fully compliant without the extra legwork.



<sup>1</sup> CMS Eliminates Retroactive DIR Fees

<sup>2</sup> CMS Report

<sup>3</sup> NCPA Survey

<sup>4</sup> GPOs Increasing Profit Margins

<sup>5</sup> Kellogg School of Management

Book a 30-minute introductory meeting today. **Let's talk.**

Book a Demo

