



NABP 108<sup>th</sup> Annual Meeting  
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# Report of the Treasurer

*Presented by:*

Karen M. Ryle, MS, RPh



The successful implementation of new National Association of Boards of Pharmacy<sup>®</sup> (NABP<sup>®</sup>)

programs over the past year, and the continued development of additional new initiatives into the coming year, speak to the remarkable commitment and concern each member places in the Association's mission to protect public health. Further, the success of NABP programs speaks to the expertise and knowledge shared by members through the task forces, steering committees, district meetings, and numerous educational and networking opportunities, including this Annual Meeting. So, I am pleased to report to you that NABP continues a period of financial stability that has supported and nurtured these initiatives.

It is the sound financial planning and guidance of prior Executive Committees, and a history of careful and strict oversight of finances, that has enabled NABP to develop and grow such

programs and initiatives. And it has been an honor to contribute to those decisions this past year by serving as your treasurer.

Established NABP programs continue to contribute to the financial strength of the Association.

The Electronic Licensure Transfer Program<sup>®</sup> (ELTP<sup>®</sup>) saw a 4% increase in license transfer requests compared with 2010. Also making a contribution, the North American Pharmacist Licensure Examination<sup>®</sup> NAPLEX<sup>®</sup> saw a 3% increase in administrations.

In addition, the Verified-Accredited Wholesale Distributors<sup>®</sup> (VAWD<sup>®</sup>) program reached a milestone, accrediting over 500 facilities by the end of 2011. In 2011 alone, there were 205 VAWD accreditations, a 53% increase from 2010, when there were 134 accreditations. Contributing to this milestone, at least 20 states recognize VAWD accreditation, and several entities continue to seek accreditation or reaccreditation to comply with state requirements.

The Veterinary-Verified Internet Pharmacy Practice Sites<sup>®</sup> (Vet-VIPPS<sup>®</sup>) program saw an

increase in activity, with eight accreditations in 2011, compared with five in 2010. In addition, 15 entities received e-Advertiser Approval<sup>CM</sup> status in 2011, compared with 12 in 2010.

The long-term stability in these various programs, along with careful financial planning has contributed to the Association's continued financial strength. In 2011 the Association's revenue remained strong at nearly 23 million. As indicated in the graph on the screen, this revenue represents a decrease of 14% compared with 2010, and this decrease is due to declines in Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) accreditation revenues and significant reductions in investment earnings. Expenses in 2011 saw a 4% increase due the resources invested into enhancing current programs and implementing new programs, including Government Affairs and NABP PMP InterConnect<sup>SM</sup>. This investment of resources enabled NABP to offer enhanced programs and new services to support member boards, and to help meet our mission of protecting the public health.

As in the past, the revenues resulting from NABP's competency assessment programs contributed to the Association's financial stability, accounting for 64% of 2011 revenue. Accreditation programs accounted for 18% of the Association's 2011 revenue and licensure transfer accounted for 13%.

I would also like to share some additional information about how program performance for the year contributed to the revenue breakdowns we just reviewed. As noted, competency assessment exams and the licensure transfer program continue to contribute greatly to the Association's revenue.

In competency assessment, there were 14,199 NAPLEX administrations from January 1, 2011, through December 31, 2011. This is an increase of 3% compared to the same period in 2010.

In addition, use of the Pre-NAPLEX® also increased 12% from 2010 to 2011, with 8,291 individuals taking the Pre-NAPLEX in 2011.

Multistate Pharmacy Jurisprudence Examination® administrations also increased in 2011, with 21,977 exams, an 8% increase compared with 2010.

ELTP received 14,196 requests in 2011, an increase of 4% compared with 2010.

As noted earlier, there were 205 VAWD accreditations in 2011, a 53% increase compared with 2010.

The Foreign Pharmacy Graduate Equivalency Examination® (FPGEE®) along with two

accreditation programs saw a decrease in activity compared with 2010. There was a 5% decrease in FPGEE administrations. The FPGEE was administered in the fall and spring of 2011, with a total of 1,983 exams in 2011, versus 2,084 exams in 2010.

The Verified Internet Pharmacy Practice Sites<sup>CM</sup> (VIPPS<sup>®</sup>) VIPPS program also saw a decrease in the number of accreditations. Six entities were VIPPS accredited in 2011 compared with 12 in 2010.

The DMEPOS accreditation program also saw a decrease in total accreditations in 2011 compared with 2010. Since the Centers for Medicare & Medicaid Services (CMS) accreditation deadline of January 1, 2010, by which time nearly 800 pharmacies were accredited, the number of newly accredited pharmacies decreased in 2010 and in 2011. The decrease was primarily due to a change in CMS requirements allowing some pharmacies to obtain an exemption from accreditation. So, compared with 2010, revenues from the DMEPOS program were down \$3 million. Additionally, the activity for the DMEPOS program is cyclical, and with anticipated reaccreditations in 2012, a positive impact on program revenues for this coming year is expected.

In addition to program performance, investment performance had an impact on overall revenue. After a strong investment performance in 2010, results in 2011 were insubstantial, resulting in an overall decline of over \$2 million dollars.

The Association's expenses also increased by 5% to \$19.1

million. As in 2010, there were some savings in general and administrative expenses in 2011. And, with fewer DMEPOS accreditations, expenses associated with surveying were once again low in 2011. In part, the increase in expenses was associated with program implementation and the enhancement of services including, the NABP InterConnect and Government Affairs services.

In addition, just as the examination program, licensure transfer, and accreditation program fees constitute the majority of the NABP annual revenues, it is these programs that also account for the most significant portion of the Association's expenses.

The chart on the screen presents an overview of expenses. In 2011, 23% of the budget went toward general and administrative expenses, which includes costs for:

- Executive Office,
- litigation and legal fees,
- Professional Affairs,
- information echnology development, and
- governance.

as well as all the other functions such as accounting.

Program expenses accounted for 77% of the budget, and a detailed look at program expenditures is presented on the chart at front. As indicated:

- 36% of all expenses were incurred to provide examination programs;
- 15% of all expenses were incurred to provide accreditation programs;
- 14% of the expenses were

attributable to a variety of other program costs;

- 6% of the expenses were allocated to updating and maintaining the examination programs through item development and review meetings, standards setting, and content analysis;
- 4% of all expenses were incurred to provide the licensure transfer program; and finally,
- 2% of all expenses were allocated to research and development expenditures for new programs and program enhancements.

A strong examination reserve fund is essential to the Association's sound finances, and the Executive Committee has been a tireless custodian of this responsibility. This commitment is integral to securely self-insuring the Association's examination programs. With the support of the Executive Committee, NABP continues to focus on maintaining a strong reserve, and I am pleased to say that we succeeded in our endeavor. The reserve fund remained strong at \$5.1 million through the end of 2011. The reserve fund is tied closely to examination revenue, which increased by 6.3% to \$14.5 million in 2011.

In February 2012, the reserve fund was increased to \$6.3 million. Maintaining the reserve is important to providing NABP with the resources necessary to support our examinations in the event of a breach, so that we can continue to provide the examinations to the states and pharmacists with little

or no disruption.

New this year, the Executive Committee approved the establishment of an accreditation program reserve fund of \$1.5 million to provide a safety net that would cover any unexpected program expenses in order to ensure that these programs continue to operate. The reserve fund for accreditation programs will also help to ensure that these programs are maintained and improved over time, and that they are positioned to respond to new challenges and threats to the safe and effective practice of pharmacy and the protection of the public health.

Overall, total NABP assets increased 9%, or by \$5 million, during 2011 as shown in the rightmost column in the graph. The Association's 2011 assets totaled nearly \$65 million. This change in assets was allocated between current assets, represented in blue, long-term investments, represented in yellow, and property and equipment, represented by purple in the bars on the graph. Current assets rose to \$27 million, while the value of the Association's long-term investments remained at \$28 million. The Association's property and equipment are valued at \$10 million.

NABP reserves increased by 6.5% in 2011, to \$57 million. NABP reserves include undesignated reserves, represented in the top bar of the graph in blue, examination program reserves, represented in yellow, and accreditation program reserves, represented in green. The level of net assets is a measure of the Association's strength. The

numbers reinforce the fact that NABP can continue implementing new initiatives that will fulfill our mission to assist the state boards of pharmacy in protecting the public health.

### **NABP Foundation**

Now, I will review the finances of the NABP Foundation®.

The Foundation, the developmental arm of the Association, oversees our research and development projects. Programs such as **NABPLAW**® Online, the state newsletter program, and the **AWARxE**® consumer protection program, are managed under the NABP Foundation.

In addition, the Foundation administers the Purdue Pharma L.P. grant that is being used to facilitate participation of state Prescription Monitoring Programs (PMPs) in the NABP InterConnect. Specifically, the Executive Committee has determined that the PurduePharma unrestricted grant will be used to assist states that need support to modify existing PMP software in order to participate in the NABP InterConnect.

The slide at the front lists the state PMPs that received a disbursement through this grant funding in 2011. PMPs in the states of South Carolina, North Dakota, Kansas, and Arizona each received \$40,035 and the West Virginia PMP received a disbursement of \$43,200. This information is also available in the PMP InterConnect section of the NABP Web site. No funds from this grant will be used to support or finance the NABP InterConnect. All of the funds will be directed to the states and their PMPs.

In 2011 we saw a 137% increase in the Foundation's revenue, primarily due to the Purdue Pharma L.P. grant. At the same time, expenses doubled due to increased development activity, especially with NABP InterConnect, as well as enhanced spending in support of the Internet Drug Outlet Identification program, the AWAR<sub>X</sub>E consumer protection program, and support of NABP member services.

For the same period, total unrestricted net assets of the Foundation increased by 8%. As a result, the Foundation can

continue to provide research and development funding. The Association's dedication to sound long-term planning and fiscal responsibility is yet again apparent in these numbers.

Our auditors, Legacy Professionals, find NABP and the NABP Foundation to be in good financial order. We can all be proud of the overall financial strength of both organizations, which positions us well for the future. that will serve its members far into the future. It is through a history of dedicated, responsible management by the

Committee that NABP has distinguished itself as a fiscally responsible and vital organization. If you have any questions about NABP finances, please see me, Carmen Catizone, or Robert Cowan, NABP's chief operating officer, at any time during this meeting. A copy of the financial statement will be available on the NABP Web site tomorrow, or you may obtain a copy by e-mailing NABP at [exec-office@nabp.net](mailto:exec-office@nabp.net).

It has been a privilege to serve as your treasurer. Thank you.

# NABP 2012 Operating Budget

## Revenue

Examination, Licensure, and Accreditation Programs	\$ 25,484,435
Survey Sponsor Fees	15,000
State Membership Dues	16,000
Publication Fees	34,655
Convention/Conference Registrations, and Contributions	187,150
Investment Income	1,251,403

**Total Revenue** \$ 26,988,643

## Operating Expenses

**Program Expenses** \$ 19,294,747

Consulting, Convention/Conferences Program/Speaker Expense,  
Examination Content Expenses, Examination Insurance Reserve,  
Honoraria, Licensure Program Expense, Photographs, Printing,  
Salaries and Benefits, Seminars, Testing Examination Fees

**General & Administrative Expenses** 5,188,177

Accounting/Audit Fees, Building Maintenance,  
Contributions, Copying, Equipment Rental  
and Maintenance, Fringe Benefits, Insurance, Investment Fees,  
Legal Fees, Library, Memberships and Dues, Postage, Printing,  
Public Relations, Salaries and Benefits, Shipping, Supplies,  
Telephone, Temporary Help, Utilities

**Total Operating Expense** \$ 24,482,924

**Net Budgeted Revenue and Expenses from Operations** 2,505,719

**Capital Improvements and Systems Upgrades** 2,414,114

Computers, Computer Software, Building Equipment,  
Office Equipment and Furniture

**Net Budgeted Revenue and Expenses** \$ 91,605