



NABP 111<sup>th</sup> Annual Meeting  
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New Orleans, LA

## Report of the Treasurer

*Presented by:*

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Good afternoon. I'm pleased to see you all here at this important business session, and I hope you

are enjoying your time in the Crescent City. With its reputation for a lively and optimistic atmosphere, New Orleans makes a very appropriate backdrop for this year's meeting, including for my report today.

That is, I'm happy to report that the Association's fiscal strength has continued to see a positive trend in 2014. Such growth means that we can continue to rely on our Association, and its many programs and services, to support our work of protecting the public health.

2014 was also a positive year for many health care professions. Regarding pharmacy in particular, at the end of 2014, *Forbes* magazine ranked "pharmacist" as the top health care job of 2015. In fact, the projected growth for the field is 14% by 2022. These projections likely mean a steady stream of

candidates seeking licensure and licensure transfer over the next decade, and a continued demand on boards of pharmacy. 2014 also saw the implementation of new federal regulations on compounding, track and trace, controlled substances disposal, and other key areas presenting new challenges for boards.

Further, we are continually challenged to support our licensees in their efforts to prevent drug diversion and prescription drug misuse, and to help patients struggling with abuse or addiction issues.

So, NABP's continued fiscal strength means we boards can continue to rely on the programs and services that help us carry out our various responsibilities and meet these challenges.

Now I have a question for you. Do you know how many students, nationally, graduated from pharmacy school in 2014?

If you think the answer is "over 10,000 students," text "A" to 22333.

If you think it was over 15,000, text "B," and if you think it was over 20,000 students, text "C" to 22333.

The correct answer is "B." NABP administered the North American Pharmacist Licensure Examination® (NAPLEX®) to more than 13,300 individuals who graduated from United States pharmacy schools in 2014.

As the demand for licensure has grown, the NAPLEX continues to support the boards of pharmacy in this process. Without the NAPLEX, we would lack uniformity in the exam process and be forced to administer our own exams. Such an endeavor would be costly and fraught with administrative and legal challenges.

Fortunately, by using the NAPLEX, the Multistate Pharmacy Jurisprudence Examination® (MPJE®), and the other competency assessment programs, boards have assistance to face such challenges. As you know, the Association manages the development and administration of the NAPLEX exam. This process includes drawing upon the expertise of NABP members and the larger pharmacy community. To do so, NABP coordinates the work of volunteer pharmacists and pharmacy faculty who write the

exam questions. In addition, the Association has the capacity to:

- ensure the exam is psychometrically sound,
- ensure the exam standards are reviewed and revised when needed,
- handle any and all challenges as to the validity of the exam, and
- manage all aspects of registering candidates and administering the exam.

The Association handles the same process for the MPJE, the Foreign Pharmacy Graduate Equivalency Examination® (FPGEE®), the Pharmacy Curriculum Outcomes Assessment® (PCOA®), and the Pharmacist Assessment for Remediation Evaluation® (PARE®). All of these exams and assessments offer a means to measure competence in particular areas.

These examinations generated 57% of the Association's revenue in 2014. And they accounted for about 28% of direct expenses. Having the examinations developed and administered by the Association also means that experts in examination security and validity are helping to ensure the integrity of the examinations on an ongoing basis. This would be extremely challenging for boards to accomplish on their own. Further, NABP's decades of experience overseeing the exam helps maintain the stability of all the examination programs.

As we know, because the NAPLEX is a standardized exam, it allows the score to be valid in all states, making the

process of pharmacist licensure transfer a reality. Thus, the exam has another fiscal benefit by serving as an integral component of the Association's Electronic Licensure Transfer® program, known as e-LTP®. This program remains vital as pharmacists, like many other professionals, become increasingly more mobile. Further, with mail order pharmacies, and new requirements for compounding pharmacies, many pharmacists-in-charge at nonresident pharmacies are seeking licensure in multiple states.

In regard to the need for e-LTP, are you aware of the trends in pharmacist licensure transfer? Which state do you think had the highest number of requests to transfer licensure in 2014?

If you think it was Florida, text "A" to 22333.

If you believe it was Texas, text "B" to 22333, and if you think it was California, text "C."

The correct answer is "B." Texas saw the highest number, with just over 1,020 requests submitted in 2014.

In 2014, over 19,800 requests for license transfer were submitted through the e-LTP program nationally. That's an almost 23% increase over 2013, and the second largest increase in requests since 2008. That's also an average of almost 400 requests per board. Just think if each board was tasked with processing these applications without the e-LTP program.

How many staff hours would be needed to evaluate applications, and search for disciplinary records?

Fortunately, e-LTP compiles all relevant information for the benefit of the boards of pharmacy and the applicants. E-LTP streamlines the license transfer evaluation process for the boards. Key in this process is the NABP Clearinghouse, which contains disciplinary data submitted by all state boards of pharmacy. The Clearinghouse makes it possible for e-LTP to provide boards with data for use in making decisions on applications for licensure transfer. In short, the information compiled, verified, and provided to boards of pharmacy by e-LTP saves boards' resources while supporting boards' licensure processes. I would also like to note that member boards continued to be diligent in reporting disciplinary actions to the Clearinghouse in 2014. Thank you all for your efforts in maintaining this valuable resource.

The Association also has the capacity to operate such programs very efficiently, in fiscal terms. Out of the total 2014 Association revenue, e-LTP accounts for 14% of the Association's revenue. At the same time, the program accounted for 5% of 2014 direct expenses.

Further supporting member boards' efforts to protect patients and public health are the NABP accreditation programs. How many of you have become aware of unlicensed websites selling drugs to patients in your state?

If your answer is "yes," text "A" to 22333.

If it's "no," text "B" to 22333.

And, if your answer is “No, but I suspect it does take place,” text “C” to 22333.

The accreditation programs Verified Internet Pharmacy Practice Sites<sup>®</sup> (VIPPS<sup>®</sup>) and Vet-VIPPS<sup>®</sup>, and the e-Advertiser Approval<sup>CM</sup> program, continue to protect patients from such rogue sites by giving Internet pharmacies a means to distinguish themselves as a safe, licensed entity. Other accreditation programs, including Verified-Accredited Wholesale Distributors<sup>®</sup> (VAWD<sup>®</sup>) and durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS<sup>CM</sup>), help to ensure that patients and beneficiaries are receiving quality medications, patient care, and products.

As with the other NABP programs, the scope of each accreditation program is extensive. NABP’s expertise allows the Association to meet the complexities of each program, a feat which would likely be very difficult for boards to accomplish alone. Each program involves thorough facility surveys and detailed policy and procedure reviews, among other verifications. Further, the Association has the capability to work collectively with all member boards, to assess when program changes may be needed.

All accreditation programs remained strong in 2014, and accounted for about 22% of the 2014 revenue and about 13% of 2014 direct expenses.

Other areas that generated revenue include investments,

the income from which made up 7% of the Association’s 2014 revenue. These other revenue generating areas provide additional resources that enable NABP to offer other programs and services which generate little or no revenue, but assist member boards.

These programs and services include the Verified Pharmacy Program<sup>TM</sup> (VPP<sup>TM</sup>), the Internet Drug Outlet Identification program, the CPE Monitor<sup>®</sup> service, and NABP e-Profile Connect, as well as district meetings, and committee and task force meetings.

In 2014, these programs and services accounted for 16% of expenses.

General and administrative costs include services to the boards, such as NABP member relations and government affairs, legal affairs, and professional affairs, which work directly with member boards to assist with numerous projects, and account for 30% of the expenses. These expenses also include administrative costs of support services such as information technology, accounting, and customer service.

Due to the careful financial management by the Executive Committee over the past several years, NABP has also been able to fulfill its commitment to provide the NABP PMP InterConnect<sup>®</sup> service at no cost to the boards. To continue development and enhancements to the service, the Association has invested \$1.8 million in software development and \$3.1 million in operating costs since

the program launched in 2011. With the \$1 million grant from Purdue Pharma, the Association also administered \$750,000 in grant expenditures to assist boards with costs related to prescription monitoring program (PMP) developments needed to connect to PMP InterConnect.

I must also acknowledge that the sound leadership of prior Executive Committees has brought us to this position of fiscal strength. Over the years, each Executive Committee has practiced careful and strict oversight of NABP’s finances, thus maintaining current programs and ensuring that the Association is ready to assist when new programs and services are needed by its members.

The fiscal strength of the Association is seen in its overall assets, and the reserve funds it maintains for various purposes.

In 2014, total NABP assets increased 6% as shown in the rightmost column in the graph.

NABP reserves increased by 7.4% in 2014, as shown in the top line of the graph on screen, and include:

- undesignated reserves,
- examination program reserves,
- accreditation program reserves, and
- self insurance reserves.

The level of NABP reserves 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.

A strong examination reserve fund is essential to the Association's sound finances and allows NABP to move quickly on behalf of the boards to provide needed services to help manage a crisis, and continue to provide the examinations to the states and pharmacists with little or no disruption. 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 happy to say that we succeeded in this endeavor.

NABP also maintains an accreditation program reserve fund 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 also helps 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. The accreditation program reserve fund stands strong.

### ***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, the .Pharmacy® Top-Level Domain

Program, and the AWARD® Prescription Drug Safety Program, were managed under the NABP Foundation in 2014.

In 2014 we saw a 4.5% decrease in the Foundation's revenue. The decrease was in part due to final development for NARxCHECK in order to position the program for sale. At the same time, expenses increased 35%, as the .pharmacy program was developed and launched in 2014.

For the same period, total unrestricted net assets of the Foundation decreased by 29% due to the sale of NARxCHECK. With the careful management of funds and dedication to sound long-term planning, the Foundation remains financially strong and can continue to provide research and development funding.

I would also like to provide information on NABP and Foundation non-profit efforts in support of member boards' mission to protect public health. NABP is proud to say that in 2014, the Association also provided over \$3.4 million in services and support, which include educational and charitable activities, as well as activities undertaken to alleviate government burden.

For example, the AWARD program continues to educate consumers and providers about prescription drug abuse prevention and how to safely buy medications online. Through radio public service announcements, social media efforts, a bi-weekly electronic newsletter, and outreach, the program has expanded its reach

in 2014. Millions of consumers have had the opportunity to see or hear AWARD messaging and read important updates on prescription drug abuse trends and prevention tools, as well as Internet prescription drug safety. Ed McGinley will be sharing more details about AWARD on Tuesday.

NABP also made charitable donations, provided support for inter-agency programs developed to combat prescription drug abuse, and coordinated a training on sterile compounding for board compliance officers.

Further, the Foundation spent approximately \$750,000 to develop the .pharmacy program.

In 2014, NABP and the Foundation continued to engage in non-profit initiatives in furtherance of the Association's mission to assist the boards of pharmacy in protecting public health.

Our auditors, Scanlan and Leo, 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. It is through a history of dedicated, responsible management by the Executive Committee that NABP has distinguished itself as a fiscally responsible and vital organization. The Association's fiscal management allows NABP to successfully achieve its mission to support the member boards in the protection of public health. Without the Association, our individual challenges would be many. Working together

through NABP we remain strong as we face the regulatory challenges of the future.

If you have any questions about NABP finances, please see me or Carmen Catizone, at any time during this meeting. A copy of this report will be available on the NABP website tomorrow, or you may obtain a copy by emailing NABP at [exec-office@NABP.net](mailto:exec-office@NABP.net).

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

# NABP 2015 Operating Budget

## Revenue

Examination, Licensure, and Accreditation Programs	\$ 31,627,432
Survey Sponsor Fees	15,000
State Membership Dues	16,000
Publication Fees	47,925
Convention/Conference Registrations and Contributions	214,400
Investment Income	2,032,850

**Total Revenue** \$ 33,953,607

## Operating Expenses

**Program Expenses** \$ 18,104,459

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

**General & Administrative Expenses** \$ 13,891,053

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

**Total Operating Expense** \$ 31,995,512

**Net Budgeted Revenue and Expenses from Operations** 1,958,095

**Capital Improvements and Systems Upgrades** 1,884,762

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

**Net Budgeted Revenue and Expenses** \$ 73,333