



NABP 112<sup>th</sup> Annual Meeting  
May 14-17, 2016  
San Diego, CA

## Report of the Treasurer

*Presented by:*

Jeanne D. Waggener, RPh, DPh



Good afternoon. I hope you are finding this year's meeting to be energizing and educational thus far.

It is my privilege to serve as Treasurer of NABP and to share with you this report on the Association's finances. Based on my involvement with other state and national pharmacy organizations, I can say without question that NABP operates in the most transparent manner and provides more information to its members than other organizations, pharmacy and otherwise. I know, based upon my time on the Texas State Board of Pharmacy and serving as its current president, that we are often challenged about the cost and benefit of regulation. More times than not, my Board, and I am sure yours as well, discusses the need to do a better job of explaining what we do and the importance of regulation.

NABP finds itself in the same situation. As an officer of NABP, I hope that we are always there when you have need of us and

can also appreciate the scope and depth of services NABP provides, often at little or no cost to the states. The cost of providing those services and being there when needed is something that very few of us as members of boards of pharmacy are aware of or even think about at all.

In that regard, I would like to begin my report by sharing with you some of the benefits available to you from NABP.

Now, we've all heard the saying "You get what you pay for." In the case of NABP and the relationship with and between the states, I believe the return for member boards of pharmacy is substantial. In terms of dollars, the annual membership dues are \$250, the same it has been since 1985. Further, just as a crew maintains the ship to ensure smooth sailing and to weather storms, the Association continues to be careful to maintain and protect its most valuable assets, you, the member boards, and to ensure smooth sailing for your important work.

It is safe to say that if we listed all of the services and programs NABP provides to the state

boards of pharmacy, my report would go on for some time. Instead, we've listed as many of these services and programs that would fit on a slide and not look like the fine print in a contract!

Please allow me to note a few highlights of 2015 and specifically address the status and impact of some of NABP's principal programs.

The availability and delivery of these programs and services are not possible unless there is a sound financial base. To this end, the financial planning of prior executive committees has had a lasting positive impact on NABP's assets. Serving as your treasurer this year, I have worked with my fellow officers toward the goal of continuing careful and strict oversight of the Association's financials. Part of our work in this area involves ensuring that we sufficiently reinvest in NABP programs and services to support the kind of enhancements and development that both Joe and Ed have just discussed. This reinvestment ensures that our programs and services will continue to support your mission of protecting the public health.

How is that accomplished?

I'd like to begin by asking you to participate in another polling question. This question is to get you thinking about NABP programs from the perspective of investment and growth. There is no right or wrong answer for this one – we'd like to give you a chance to share your ideas with the group.

Which program area do you think would be the most complex and costly for a board to run on its own?

As a quick reminder, if you think the answer is "e-LTP," text "A" to 22333.

If you think it is "NAPLEX," text "B," and if you think the answer is "FPGEC," text "C" to 22333.

As I mentioned before you took the poll, there is no correct answer. I know that as pharmacists it is a bit distressing not knowing the right answer because we always want to do the best we can and know the right answer. If we had to designate a right answer we probably should have included another response that said, "All of the Above."

Each of the programs for which NABP provides the centralized infrastructure and has assembled all of the necessary expertise to develop, administer, and defend it would require commitments in the millions of dollars for states to develop and administer on their own. That probably would not include the indirect staff costs associated with managing and coordinating 50 different systems, 50 different standards, and 50 different "right answers!"

Thank you all for sharing your thoughts. I will discuss what goes into running these programs throughout my report.

Notably, with the continued growth in the number of graduating pharmacy students, both the North American Pharmacist Licensure Examination® (NAPLEX®) and the Multistate Pharmacy Jurisprudence Examination® (MPJE®) programs saw growth in 2015. Of course these growth rates translate to a growth in the demand for licensure, and fortunately, examinations developed by NABP continue to support the boards of pharmacy in this process.

Without the NAPLEX, states would need to develop and administer their own exams. This could make for some rough seas fraught with costly administrative and legal challenges. And, a lack of uniform competency exams would have the potential to compromise public health and inhibit the movement of pharmacists across states as currently exists.

That is not the case because boards can rely on the cumulative experience and knowledge of the Association and fellow members to ensure the integrity of the examination programs.

As you know, the Association manages the development and administration of the NAPLEX, the MPJE, the Foreign Pharmacy Graduate Equivalency Examination® (FPGEE®), and the practice exams, as well as the Pharmacy Curriculum Outcomes Assessment®, or PCOA®.

The development process draws upon the expertise of NABP members and the larger pharmacy community by coordinating the work of volunteer pharmacists and college of pharmacy faculty who write and review 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.

All of these exams and assessments offer a means for boards to measure competence in particular areas to support the licensure process.

In 2015, these examination programs generated 59% of the Association's revenue.

And they accounted for about 26% 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 exams helps maintain the stability of all the examination programs.

As we know, because the NAPLEX is a standardized

examination, it allows the score to be valid in all states. Thus, the exam has another benefit by serving as an integral component of the Association's Electronic Licensure Transfer Program®, known as e-LTP™. This program remains vital to support boards of pharmacy as large numbers of pharmacists become more mobile and continue to seek licensure transfer. 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 2015, almost 20,500 requests for license transfer were submitted through the e-LTP program nationally, a 3% increase over 2014. E-LTP provides a tremendous benefit to the boards by evaluating these applications to support the licensure decisions of the boards.

Now I'd like to ask you another polling question, to get your thoughts about e-LTP. When you think of the volume of licensure transfer requests coming through the program, which state do you think had the highest number of in-state transfers? Is it:

- a. California,
- b. Texas, or
- c. Florida?

While your answers are coming in, I'd like to share what I see as some of the key benefits provided by e-LTP and remind you of the steps used in the e-LTP process. E-LTP streamlines the license transfer evaluation process for the boards. The program compiles all relevant information for

the benefit of the boards of pharmacy and the applicants. 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. The Clearinghouse continues to be a robust data source with member boards continuing their diligence in reporting disciplinary actions in 2015. Thank you all for your efforts.

This is another example of how teamwork is key in maintaining a valuable NABP resource.

As a reminder, another related benefit to the boards is the opportunity to designate NABP as your reporting agent for the National Practitioner Databank (NPDB). The authorization form to start this process is available on the NABP website; just click on Programs and scroll down to Member Services, and you will see the link to the NPDB page.

Now let's take a look at the answer to our polling question. Those of you who keep up with the NABP newsletter, now known as *Innovations*, probably remember that the correct answer is Texas had the highest number of in-state transfer requests. There were over 1,100 requests to transfer a license to Texas submitted to e-LTP in 2015.

In fiscal terms, the Association has the capacity to operate such

programs very efficiently. Out of the total 2015 Association revenue, e-LTP accounts for 16% of the Association's revenue.

At the same time the program accounted for 4% of 2015 direct expenses.

Further supporting member boards' efforts to protect patients and public health are the NABP accreditation programs.

2015 was a triennial reaccreditation cycle for the durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) program, and it remained strong with over 230 accreditations and reaccreditations, including 11 chains. DMEPOS continues to help ensure that beneficiaries are receiving quality patient care and products.

The Verified-Accredited Wholesale Distributors® (VAWD®) program also continued to contribute to the protection of public health, and more specifically help ensure the safety of medications in the United States drug supply chain. VAWD remained strong with 300 accreditations or reaccreditations in 2015. Further, in 2015 new VAWD accreditations increased by 62% compared with 2014.

The accreditation programs Verified Internet Pharmacy Practice Sites® (VIPPS®) and Vet-VIPPS®, and the NABP e-Advertiser Approval™ program, continue to protect patients from rogue sites by giving Internet pharmacies a means to distinguish themselves as safe, licensed entities.

As with the other NABP programs, the scope of each

accreditation program is extensive. NABP's expertise allows the Association to address 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.

Accreditation programs accounted for about 24% of the 2015 revenue and about 16% of 2015 direct expenses.

Other areas that generated revenue in 2015 include the .Pharmacy® Top-Level Domain (TLD) Program, which Carmen will discuss tomorrow.

Revenues from these programs enable NABP to provide programs and services such as the Internet Drug Outlet Identification program, the CPE Monitor® service, and NABP e-Profile Connect, as well as convening committee and task force meetings.

In 2015, these programs and services accounted for 16% of expenses.

General and administrative costs include services to the boards that are provided by staff of such departments as NABP Member Relations and Government Affairs, Legal Affairs, and Professional Affairs. These departments work directly with member boards to assist with numerous projects, and account for 31% of the expenses. Also included with this figure are the

costs of administrative 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® service at no cost to the boards.

Since the program launch in 2011, the Association has invested \$1.8 million in software development and \$4.3 million in operations. In addition, with the \$1 million grant from Purdue Pharma, LP, the Association has provided \$900,000 in grants to assist boards with costs related to PMP developments needed to connect to PMP InterConnect.

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

In 2015, total NABP assets increased 4% as shown in the right-most column in the graph.

NABP reserves increased by 2% in 2015, as shown in the top line of the graph on the screen, and include:

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

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 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 to cover any unexpected program expenses so as 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 protection of the public health. The accreditation program reserve fund stands strong.

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.

### ***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 Pharmacist Assessment for Remediation and Evaluation®, and the **AWARx®** Prescription

Drug Safety Program, were managed under the NABP Foundation in 2015.

In 2015 we saw a 33% decrease in the Foundation's revenue compared with 2014. The decrease in 2015 was in part due to NABP receiving a support grant for the .Pharmacy TLD Program in 2014.

At the same time, expenses decreased 19%, due to lower expenditures from the PMP InterConnect grant and lower AWARDxE-specific marketing costs.

For the same period, total unrestricted net assets of the Foundation decreased by 8% due to program expenditures exceeding funding. 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.

#### ***NABP Foundation Non-Profit Efforts***

Next, I would 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 2015, the Association provided over \$3 million in services and support, which included educational and charitable activities, as well as activities undertaken to alleviate government burden.

For example, the AWARDxE program continued to educate consumers and providers about prescription drug abuse prevention and how to safely buy medications online. In addition to the efforts Ed discussed,

the program used radio public service announcements, social media, Pandora ads, infographics, a radio media tour, and digital ads to spread the word in 2015. These efforts enabled millions of consumers to see or hear AWARDxE messaging and read important updates on prescription drug abuse trends and prevention tools, as well as Internet prescription drug safety.

Pursuant to continued requests by member boards of pharmacy to assist with sterile compounding inspection training, in 2015, NABP coordinated such training for board compliance officers. Further, NABP helped educate board executives, compliance officers, and board attorneys by hosting educational forums. NABP also made multiple charitable contributions to worthy causes over the course of the year.

In 2015, 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. Most notable is the funding for the operation of PMP InterConnect, at no cost to the states, as I previously discussed. I am pleased to say that NABP confirmed its commitment to fund PMP InterConnect, on behalf of the boards, through June 2018.

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.

#### ***Task Force on Sponsorship of NABP Meetings***

One final topic to discuss with you is the Task Force on Sponsorship of NABP Meetings. In response to a resolution proposed by members at last year's Annual Meeting, the Executive Committee committed to research the matter and convened a working group/mini task force in 2015 to review the Association's practices and policies for accepting sponsorships and grants for NABP District and Annual Meetings. The task force recommended four actions which I would like to share with you.

First and foremost the task force determined that there were no improprieties in the acceptance or management of sponsorships for educational and member activities at the Annual Meeting. It was acknowledged that a perception could and probably does exist that accepting sponsorships could be problematic or perceived as diminishing NABP's ability to operate as an impartial and objective Association. To directly

address that perception, the Executive Committee accepted the recommendations of the task force to change some aspects of sponsorship acceptance and recognition at the Annual Meeting.

First, the task force recommended that NABP revise its practices related to the recognition of Annual Meeting sponsors in order to address any perceived bias or potential conflicts of interest. Some of the changes under consideration for implementation include how sponsors are recognized in the signage for events or the process for recognizing sponsors during the educational and business sessions.

Second, the task force recommended that NABP continue to allow sponsorship of the continuing pharmacy education sessions at the annual meeting, as these sessions assist the member boards in their roles as regulators and are in complete accordance with the guidelines and standards enforced by

ACPE. The task force stressed that these sponsorships should continue to follow ACPE standards, noting that these standards include oversight and safeguards related to the acceptance and use of such sponsorships.

Third, the task force recommended that NABP examine and enact policy related to how non-CPE sponsors are currently recognized, and determine alternate means for recognition during meetings. Two suggestions included were listing the sponsors collectively in program materials and noting the sponsorships during the treasurer's report rather than during the president's address.

Finally, the task force recommended that NABP work with districts to develop and implement consistent requirements and monitor processes for receiving and utilizing sponsorships parallel to those of NABP.

The report of the task force is available in the Members section of the NABP website.

Pursuant to the approved report of the task force, I would now like to recognize the sponsors of the 112<sup>th</sup> Annual Meeting as part of the Treasurer's report and financial accounting provided to the member boards of NABP – the sponsorships represent less than one half of 1% of NABP's total revenues. The sponsors of this year's meeting are listed on the screen and under Tab 9 in the program book.

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 2016 Operating Budget

## Revenue

Examination, Licensure, and Accreditation Programs	\$ 32,786,212
Survey Sponsor Fees	15,000
State Membership Dues	16,500
Publication Fees	53,425
Convention/Conference Registrations and Contributions	231,625
Investment Income	2,166,635

**Total Revenue** \$ 35,269,397

## Operating Expenses

**Program Expenses** \$ 23,082,138

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** \$ 11,259,939

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** \$ 34,342,077

**Net Budgeted Revenue and Expenses from Operations** 927,320

**Capital Improvements and Systems Upgrades** 1,985,302

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

**Net Budgeted Revenue and Expenses** \$ (1,057,982)