



NABP 113th Annual Meeting
May 20-23, 2017
Orlando, FL

Report of the Treasurer

Presented by:

Susan Ksiazek, RPh



Good afternoon. Serving as the Association's treasurer this past year has been an honor and one taken

with strong conviction. Along with the rest of the Executive Committee we had a goal to ensure that all the programs vital to the member boards would continue to thrive. And the results of these efforts are reflected in the ratio Hal just referenced. Specifically, for every one dollar of the \$250 annual dues, boards may access thirteen hundred dollars of National Association of Boards of Pharmacy® (NABP®) programs and services. We hope you see this ratio, in what we like to call your NABP Passport, as a positive return on investment in our shared mission to protect the public health. Further, I am pleased to report that NABP's financial landscape will continue to support these programs.

Illustrating the value of the passport, earlier this year, the Association sent each member board a Member

Benefit Statement along with the membership renewal notice. We hope that you all reviewed the statement with your entire Board and found it helpful to justify with your State administration the value that NABP provides.

We sent this detailed document because we wanted to remind you of all the crucial services that are provided to members for the \$250 membership dues. With so many programs and services provided, and some benefits being difficult to quantify in terms of dollar value, the \$325,000 listed is likely on the low side. We are not trying to sell the Association to you, but simply provide you with information and background to support your ongoing involvement in NABP because we are aware of how every single expense you have is reviewed and questioned.

I would now like to review some of the key areas of the Association's 2016 financials.

To start, the examination programs, the licensure transfer program, and the accreditation programs remain the bread and butter of the Association's

finances. These three areas alone testify to the value of NABP. But let's dive a bit deeper, and explore the member benefits of each area as well as the finances behind them.

To start, we might quantify the dollar value of the examination programs as averaging \$270,000 per board. But that simple math cannot truly capture their value.

The exam programs are successful, in part, due to the Association's level of expertise and experience and the incredible contributions of our many expert volunteers. In addition, the Association provides a centralized infrastructure for test development and administration, which has not only been maintained but enhanced over the past several decades. For boards to provide the staffing, technology, and security to develop and administer high stakes exams on their own would be time-consuming and perhaps cost prohibitive, especially as we see resources shrinking in many states.

NABP brings all these areas together to provide uniform,

valid, secure, and defensible examinations. Having NABP as your support means that, as member boards, you can rely on our examination programs to sustain your licensure processes.

With the increased number of pharmacy graduates in 2016, both the North American Pharmacist Licensure Examination® and the Multistate Pharmacy Jurisprudence Examination® programs saw growth. The Foreign Pharmacy Graduate Equivalency Examination® saw growth as well, and figures for all three are on the screen.

Our exam programs also serve in supporting the schools of pharmacy in their efforts to successfully prepare pharmacy students for practice. To this end, NABP worked with the Accreditation Council for Pharmacy Education (ACPE) and many colleges and schools of pharmacy to develop the Pharmacy Curriculum Outcomes Assessment® (PCOA®). When the PCOA was launched in 2014, as a voluntary tool for the colleges and schools of pharmacy, it was quickly adopted by innovative faculty and deans. Today, since the inclusion of the PCOA into the ACPE Accreditation Standards, the program is utilized by all 134 schools and colleges of pharmacy with administrations to over 18,000 students.

Complementing the competency assessment programs offered by NABP, and the basis for the states coming together to found NABP, is the Electronic Licensure Transfer Program® (e-LTP™). This program remains vital as

pharmacists continue to seek licensure in multiple states. In 2016, over 20,700 requests were submitted to the program, representing a 1% increase from the prior year.

Yet again, NABP provides a service designed to alleviate administrative burden and promote the protection of public health. When the board receives a candidate's completed official e-LTP application, it means NABP staff has verified the candidate's licensure and checked the NABP Clearinghouse for any relevant disciplinary data.

That said, I'd like to take this opportunity to say thank you to all members for committing the time to keep the Clearinghouse the robust data source it is. In support of protecting the public health, all members have continued their diligence in reporting disciplinary actions in 2016. Sincere gratitude for your efforts.

Another area adding to the value of NABP is the Association's accreditation programs. The earnings from these programs are reinvested into the Association to support the boards' efforts to protect the public health.

Accreditation programs remained strong in 2016 and include:

- The Durable Medical Equipment, Prosthetics, Orthotics, and Supplies accreditation program which helps to ensure that medicare beneficiaries receive quality products and services.
- The Verified-Accredited

Wholesale Distributors® program, which helps provide the drug supply chain a shield of defense against questionable distribution practices.

And we know all too well that danger doesn't just lurk in the United States medical supply chain. It also surfaces in our homes on the Internet. NABP provides four programs focused on protecting consumers that purchase medications or access pharmacy-related services online. These include:

- Verified Internet Pharmacy Practice Sites® (VIPPS®)
- Veterinary-Verified Internet Pharmacy Practice Sites® (Vet-VIPPS®)
- NABP e-Advertiser Approval Program
- .Pharmacy Verified Websites Program

In August 2016, NABP began streamlining these online programs into the .Pharmacy program to reflect evolving online safety and security challenges. Entities earning a VIPPS accreditation will be required to register and use a .Pharmacy domain by September 2017. Additionally, by this date, the Vet-VIPPS and e-Advertiser Approval programs will no longer be available. NABP strongly believes that .Pharmacy is the future of online pharmacy safety as the seal of quality is built into the web address.

As mentioned earlier, revenues from the accreditation programs, the examinations, and e-LTP are reinvested into other Association programs and services. Specifically, such services

include the Internet Drug Outlet Identification program, the CPE Monitor® service, and NABP e-Profile Connect, as well as convening committee and task force meetings. The pie chart on the screen shows how much each area contributes to the overall revenues of NABP.

Next on the screen you can see the percentage breakdown of expenses. General and administrative costs include services provided by such departments as NABP Member Relations and Government Affairs, Legal Affairs, and Professional Affairs. These departments, shown in the purple category, work directly with member boards to assist with numerous projects. NABP increased the resources provided to our Member Relations/Government Affairs activities in response to increasing member needs and requests for NABP to appear at more board meetings or participate in state board events as an information source or in-person resource. Breaking down the administrative support expenses further identify items such as information technology, accounting, and customer service as key components of this line item. NABP has also increased the allocations in our Information Services/ Information Technology (IS/ IT) area. This was implemented to build the infrastructure necessary to support the ever-increasing needs of our member boards and to strengthen existing security systems and safeguards. Speaking first hand as someone who just suffered

through a major cyber security situation, NABP's allocation of expenses to our IS/IT area and the resources included to protect against and respond to cyber security threats and attacks are important to so much of what NABP does with our member boards and the integrity of the data.

The NABP Executive Committee continues to be very sensitive to the many financial challenges faced by the boards of pharmacy. Due to careful financial management by the executive committee, NABP will continue to provide the NABP PMP InterConnect® service at no cost to the boards so states can focus their resources and federal grants to support operations of prescription monitoring programs (PMP). Since the program launch in 2011, the Association has invested \$1.85 million in software development and \$5.5 million in the operation of PMP InterConnect.

The fiscal strength of the Association is seen in its overall assets and the reserve funds it maintains for various purposes. In 2016, total NABP assets increased 3.1% as shown in the top bar in the graph. NABP reserves increased by 3% in 2016, as shown in the top line of the graph on the screen, and include:

- Undesignated reserves
- Examination program reserves
- Accreditation program reserves
- Self-insurance reserves

Strong reserves will allow NABP to move quickly on behalf of the

boards to help manage crises or threats to public health, provide a safety net to cover unexpected program expenses, and ensure programs are maintained and improved over time.

NABP Foundation

Now, I would like to shift our financial focus to the NABP Foundation® – the developmental arm of the Association, which oversees our research and development projects. Programs such as **NABPLaw** Online and the state newsletter program, were managed under the NABP Foundation in 2016.

In addition, the Purdue Pharma, LLP, grant supporting PMP InterConnect is managed under the Foundation. Specifically, of the \$1 million grant from Purdue Pharma, the Association has provided \$900,000 in grants to assist boards with costs related to PMP developments needed to connect to PMP InterConnect.

The Foundation's financials remained strong in 2016, due to the careful management of its programs and NABP investments. Specifically, with improved investment performance, NABP provided additional funding into the Foundation in 2016, resulting in an 18% increase in the Foundation's revenue compared with 2015.

The Foundation's expenses decreased 36% with three factors playing into those savings. First, the AWARxE program was managed as an NABP program in 2016, whereas it had previously been managed under the Foundation. Second,

there were also savings in state newsletter production costs, and third we saw reduced expenditures associated with the Purdue Pharma grant for PMP InterConnect.

With the increased program revenue and decreases in expenditures, total unrestricted net assets of the Foundation increased in 2016. Careful management of funds and dedication to sound long-term planning, means the Foundation can continue to provide research and development funding to programs and services that will support the member boards of pharmacy.

NABP and 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 2016, 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.

These non-profit efforts in 2016 include sterile compounding training provided to board staff, specifically compliance officers, to assist boards in understanding and regulating the intricacies of sterile compounding. This area is a challenge that all boards of pharmacy face and it is paramount to patient safety. In addition to the sterile compounding training programs offered by NABP, the non-profit efforts also included

the interactive, educational forums for board executive officers, board members, compliance officers, and legal staff. The interactive forums are consistently rated very highly for their value as networking and learning sessions.

NABP also made multiple charitable contributions to worthy causes over the course of the year. In 2016, these contributions included donating a good portion of the Association's old office furniture and interior fixtures to local non-profits as part of the building renovation project.

As reported in Innovations, NABP began an extensive renovation of its headquarters in October 2016. The project was initiated to provide the efficiencies and resources needed to continue to support the growth of member programs and services I have discussed today. In planning the renovation, various options to accommodate future change were analyzed. In the end, it was determined that the renovation was the most cost-effective and efficient solution versus finding a new location or even expanding the existing facility. As Treasurer, I worked closely with NABP on this project and can assure you the membership of the thoughtful deliberations, hard work, and commitment of the NABP staff through the entire process. The improvements to the existing building include larger meeting rooms and enhanced technology, which will enable NABP to house more of its regularly scheduled meetings onsite throughout

the year, hence decreasing meeting expenses and saving the Association upwards of \$50,000 in meeting room expenses, meals, and audio visual equipment usage. We look forward to hosting some of you at the facility for task force meetings, item writing workshops, forums, and other events. The related expenses and assets figures will be included in next year's report on the 2017 finances.

Another area supported under NABP's non-profit endeavors are the educational campaigns related to online pharmacy and the .Pharmacy program. These included .Pharmacy posters displayed at bus shelters and on public transportation in cities such as Chicago and San Francisco. In addition, television public service announcements (PSAs), raising consumer awareness about the dangers of medications purchased from unapproved and unknown online sources, ran at a small fraction of the usual market cost. Specifically, in 2016, the Association received \$7.5 million worth of donated television and radio air time and ad space to share the .Pharmacy PSAs with consumers. The Association invested \$130,000 to develop and pitch the PSAs in order to obtain these placements in 2016.

Our auditors, Scanlan and Leo, find NABP and the NABP Foundation to be in sound financial order. 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. This strength translates to a varied portfolio of programs and services accessed by your membership in the Association.

Lastly, I would now like to recognize the sponsors of the 113th Annual Meeting. The sponsorships, although representing less than one third of 1% of NABP's total revenues, allow NABP to provide an Annual Meeting for our members that includes timely educational programming and networking events to share information and insight. Our thanks to the sponsors of this year's meeting who are listed on the screen and under Tab 10 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 ExecOffice@nabp.pharmacy.

It has been an honor to serve as your Treasurer thank you for the privilege.

NABP 2017 Operating Budget

Revenue

| | |
|---|---------------|
| Examination, Licensure, and Accreditation Programs | \$ 33,312,340 |
| State Membership Dues | 16,500 |
| Publication Fees | 65,480 |
| Convention/Conference Registrations and Contributions | 234,200 |
| Investment Income | 2,221,637 |

Total Revenue \$ 35,850,157

Operating Expenses

Program Expenses \$ 22,609,901

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 \$ 13,098,553

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 \$ 35,708,454

Net Budgeted Revenue and Expenses from Operations 141,703

Capital Improvements and Systems Upgrades 1,462,872

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

Net Budgeted Revenue and Expenses \$ (1,321,169)