



NABP 114th Annual Meeting
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Denver, CO

Report of the Treasurer

Presented by:

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Good afternoon!
Thank you for the honor of serving as your treasurer this year, and for the

opportunity to speak to you today. I will be presenting a high-level – or, in keeping with this year’s mountain climbing theme, a mile-high – overview of the Association’s finances.

Our Association’s fiscal condition is strong – thanks to prudent management, wise investment, strong revenue-producing programs, and clear spending priorities. That strength allows the Association to support the many programs and services that **you**, our member boards requested and rely upon to carry out your public health protection mission.

With the continued demands placed on pharmacists and other health care professionals, expanded scopes of pharmacy practice – including an increasingly interstate component – and technological advances in all areas of health care, we will continue to see

changes and challenges in our regulatory missions. In fact, according to the federal Bureau of Labor Statistics, the demand for pharmacists is projected to rise 6% through 2026. And this figure may understate growing demand as health care providers face the challenges of meeting the needs of an aging population and an increasing population of patients dealing with chronic diseases such as diabetes. All of these factors almost certainly will translate to an increase in the number of candidates seeking to fulfill the requirements of licensure, license renewal, and license transfer – making our Association and its member board services ever more in demand.

With this backdrop in mind, let’s now take that mile-high view of the key areas of the Association’s 2017 financials.

Programs and Services

The programs and services that you, our member boards, have requested, created, support, and rely upon ensure that you maintain your seat at every table at which increasingly challenging and complex pharmacy regulatory issues are in play.

In 2017, NABP improved its delivery of services and programs to the boards by employing **advanced technology** and offering boards **enhanced tools** to streamline your regulatory efforts. The Association also furthered our shared mission – to protect public health – by developing **new educational** content, as highlighted by President Jeanne Waggener during her report.

Details on NABP programs and services and estimated dollar values were included in the member benefit statements you received with your annual dues notice in March – estimates that, in fact, likely significantly understate the value of these services. I hope the statement helps you assess the value that your active participation in NABP brings by giving you access to tools, technology, data, and educational materials that would be difficult or impossible to provide through a board’s own resources.

Let’s look first at our examination, licensure transfer, and accreditation programs, which remain at the core of our mission and are also the main

sources of our Association's revenue. Each of these programs saw stable or slightly increased use and, therefore, revenue in 2017.

North American Pharmacist Licensure Examination® administrations remained stable in 2017. Multistate Pharmacy Jurisprudence Examination® administrations increased by 4%. And Foreign Pharmacy Graduate Equivalency Examination® administrations saw a slight increase.

Required by ACPE accreditation standards, the PCOA® is utilized by all 134 schools and colleges of pharmacy to the tune of over 18,000 administrations in 2017. The PCOA reflects NABP's commitment to supporting and advancing pharmacy education, which is why the Association operates the program as an expenditure.

Use of the Pre-NAPLEX® has grown over the years, and last year there were 12,249 administrations. And the Association is currently investigating the viability of developing a pre-exam for candidates preparing for the MPJE®.

NABP's examination programs also bring significant – and increasing – intangible value to our member boards. NABP continues to enhance its testing infrastructure and utilize cutting-edge technology to maintain the security and integrity of our exams and assessments. Further, the expertise of staff psychometricians, and test security and delivery specialists, as well as the ability to draw

on members and college of pharmacy faculty for volunteer item writing and review, make NABP examination programs an indispensable resource for our member boards.

The Electronic Licensure Transfer Program® (e-LTP™) also remains a vital program as our profession grows ever more interstate in nature. In 2017, requests to transfer licensure decreased by 4% to a little over 19,800 requests. However, context is important. The number of e-LTP requests in 2017 is not only large in itself, but is also the fourth highest number in the past ten years.

The launch of the new customer application and upgrade of e-Profile Connect for our member boards last month has enhanced and streamlined these high volume e-LTP processes. Gone are paper official applications that must be mailed in to the boards by candidates. The entire e-LTP process has migrated online, including NABP staff's communication with the boards regarding verification of applicants' licenses and board actions. Further, member board staff processing licensure transfer requests now receive the official verified licensure data electronically from NABP through the e-Profile Connect system. This streamlining will save processing time, which will mean higher productivity and cost savings for both NABP and our member boards.

NABP also enhanced the Clearinghouse by migrating it to the new e-Profile Connect database. Our member boards'

staff can enter new board actions and update existing records more easily and quickly. In addition, queries to the database have been improved to assist boards in making licensure decisions.

A final word on the Clearinghouse – thank you for your continued commitment to keeping it the robust data source it is. Diligent reporting of disciplinary actions to the Clearinghouse is crucial to our member boards' public health protection mission, and most members have indeed been diligent in 2017. Our Association needs all states to participate, and to do so in a timely way, to maximize the Clearinghouse's effectiveness. Thank you for your efforts.

Let's turn now to our Association's accreditation programs – which play a vital role in keeping our member boards in a position to maintain their principal regulatory role in our evolving profession. Moreover, reinvested earnings from our accreditation programs also support non-revenue generating programs and services that assist you in fulfilling your public health protection mission.

Accreditation program utilization remained steady in 2017, and those programs include two that serve as the principal sources of revenue that support all accreditation programs:

- The Durable Medical Equipment, Prosthetics, Orthotics, and Supplies program, or DMEPOS, which helps to ensure that Medicare

beneficiaries receive quality products and services, and

- The Verified-Accredited Wholesale Distributors®, or VAWD® program, which helps provide the drug supply chain a shield of defense against questionable distribution practices.

As Chairperson Hal Wand discussed earlier, the .Pharmacy Program saw many successes in 2017, advancing our Association's efforts to protect patients who buy medications online. In addition, the Verified Internet Pharmacy Practice Sites®, or VIPPS®, program remains strong.

And, as a reminder, revenues from the examination, e-LTP, and accreditation programs are reinvested into and drive a wide array of other Association programs and services that are not themselves revenue producing. Among them are the Internet Drug Outlet Identification program, the CPE Monitor® service, and NABP e-Profile Connect, as well as supporting critical committee and task force work. The pie chart on the screen shows how much each area contributes to our Association's overall revenue – and thus our member boards' ability to carry out their missions effectively and efficiently. Your continuing support of these programs is appreciated – and vital.

Expenses

Let's take a look now at the Association's 2017 expenses. A breakdown of expense categories is displayed on the screen.

General and administrative costs include core Association services

provided by such departments as Member Relations and Government Affairs, Legal Affairs, and Professional Affairs. These departments, shown in the dark blue category, work directly with our member boards to assist with numerous projects. In fact, our Association increased the resources provided to Member Relations and Government Affairs activities in response to our member Boards' needs and requests for NABP staff to appear at board meetings or participate in member Board events as an information or in-person expert resource.

Administrative support expenses break down further to items such as information technology, accounting, and customer service.

With the development of the new online interface for customer applications and the NABP mobile app, our Association increased expenditures in the Information Services and Technology line item. IT investments also strengthened existing security systems and safeguards to protect NABP's data and respond to cyber security threats and attacks, which any of our members from the Atlanta area can tell you is critically important.

Your Executive Committee remains sensitive to the financial challenges faced by a number of our member boards. Careful financial management by your executive committee has allowed, and will continue to allow, our Association to provide PMP InterConnect® at no cost

to our member boards so they can focus their resources and federal grants on supporting PMP operations. Since PMP Interconnect's launch in 2011, our Association has invested \$1.85 million in its software development and \$6.7 million in its operation.

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

In 2017, total NABP assets increased 15% as shown in the top bar in the displayed graph.

NABP reserve funds increased by 12% in 2017, as shown in the top line of the displayed graph. Those reserve funds include:

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

These strong reserves are the safety net that allows our Association to move quickly on behalf of our member boards to manage crises or threats to public health, to cover unexpected program expenses, and to ensure programs are maintained and improved over time.

NABP Foundation Update

Let's switch our focus to the NABP Foundation® – the Association's vehicle for research and development projects.

Two key programs – **NABPLAW** Online and the State Newsletter Program – were managed by the Foundation in 2017.

In addition, the Foundation manages the Purdue Pharma grant supporting PMP InterConnect costs. Of the \$1 million provided by Purdue Pharma, the Association has awarded \$900,000 in grants to assist boards with development costs of linking a state PMP to PMP InterConnect.

The Foundation's financials remained strong in 2017, due to the careful management of its programs and investments. Strong investment performance allowed NABP to reduce funding to the Foundation. So, while that appears as an 11% decrease in the Foundation's revenue, that is in fact a positive, resulting in more funds being available for our Association's programs, services, and strategic reserves.

Foundation expenses decreased 18% in 2017 due in large part to two factors:

- First, all participating member boards have now switched over to an electronic format newsletter, the result being significant savings to the Foundation's newsletter production costs.
- Second, and related, the Foundation saw reduced wage and overhead expense.

With positive investment results offsetting the decreases in program revenue and these decreases in expenditures, the Foundation's total unrestricted net assets increased in 2017. Careful management of funds and dedication to sound long-term planning means the Foundation will continue to provide research

and development funding to programs and services that will support our member boards.

Educational and Charitable Activities

Last year, NABP provided over \$3 million in services and support to assist our member boards and jurisdictions in protecting the public health through educational and charitable outreach.

Educational outreach efforts included:

- inspector training in compounding safety for four member boards;
- conducting inspection services for one member board; and
- Interactive forums for our member boards' executive officers, compliance officers, and counsel.

We were also active on the charitable front, including the following activities:

- NABP staff collected donations for disaster relief efforts in the United States and its territories, with our Association matching those donations;
- NABP staff volunteered at a local charity to package and distribute food to people in developing nations; and
- Our Association donated its furniture and office supplies to local non-profit organizations during the building renovation project (more on that in a moment).

Our Association also directed non-profit endeavors to the public that we serve through consumer-oriented educational

campaigns. As Chairperson Hal Wand detailed, these campaigns included TV and radio broadcast PSAs related to the .Pharmacy Verified Websites Program, which exists to protect the public from illicit online drug sellers.

In 2017, our Association received \$10.9 million worth of donated television and radio air time from US and Canadian broadcast stations for the PSAs. Our Association invested \$113,375 to develop and pitch the PSAs in order to obtain these placements in 2017. This figure includes production and distribution costs for US and Canada. Suffice it to say, with that level of in-kind donation, our Association's \$113,000 investment went a long, long way.

Headquarters Renovation

May 2017 saw the completion of a major capital project -- extensive renovation of our headquarters. The project began in October 2016, spurred by a need to provide the efficiencies and resources needed to sustain and grow the member programs and services I have discussed today. As Treasurer, I closely reviewed the details of this project and can assure our member boards of the thoughtful deliberation, hard work, and commitment of our Association staff throughout the process. "Above and beyond the call of duty" is not a sufficient description of our staff's efforts, but it will have to do.

Improvements to our headquarters include larger meeting rooms and enhanced

technology. These improvements are smart investments. The renovation expenses are displayed on the screen. They have enabled our Association to host more of its regularly scheduled meetings, committee work, and task forces onsite throughout the year – while decreasing meeting expenses and saving our Association upward of \$50,000 just this past year.

Clean Audit Report

As you know, each year our Association undergoes a comprehensive financial audit. I am pleased to report that our auditors, Scanlan and Leo, found NABP and NABP Foundation to be in sound financial order. A long history of dedicated, responsible management by your Executive Committee and our NABP staff has ensured that our Association is a fiscally responsible and vital organization.

Sponsor Recognition

A word of thanks to the sponsors of the 114th Annual

Meeting. These sponsorships, although representing less than one third of 1% of our Association's total revenues, support an Annual Meeting for our members that includes timely educational programming and vital networking events. Our sponsors pledge funds to support the educational offering and networking opportunities and do not receive promotional opportunities in exchange for their support. Our thanks to the sponsors of this year's meeting; they are listed on the screen and in your program booklet.

Closing

Having served on the Executive Committee for four years, and with hopes of further service to come, I have witnessed, first-hand, our Association's eagerness to meet any challenge and continually – and staunchly – support our member boards with innovative services and programs. Having completed my term as treasurer, I am confident that our Association's finances will continue to support our goals to climb upward and think forward.

Thank you, members, for placing your trust in me to serve in this role, which has been educational, professionally satisfying, and left me with an even deeper understanding of, and commitment to, the depth and breadth of our Association's service to our member boards and to the public trust.

A specific thanks to Carmen, to Larry Strass – our Chief Financial Officer, and to Therese Ertler, our Accounting Manager – for their hard work and endless patience with my questions. They, and all our Association's staff, are consummate professionals. We are lucky to have them. Specific thanks as well to the members of the 2017 Interim Budget Planning and Finance Committee – Hal Wand, Sue Ksiazek, Caroline Juran, and Tim Fensky – whose enthusiasm for our Association's mission, embrace of innovation, and commitment to our Association's financial strength are inspiring.

Thank you all.

NABP 2018 Operating Budget

Revenue

Examination, Licensure, and Accreditation Programs	\$ 34,064,186
State Membership Dues	16,750
Publication Fees	58,010
Convention/Conference Registrations and Contributions	240,550
Investment Income	2,389,857

Total Revenue \$ 36,769,353

Operating Expenses

Program Expenses \$ 24,247,145

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 \$ 12,441,887

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 \$ 36,689,032

Net Budgeted Revenue and Expenses from Operations \$80,321

Capital Improvements and Systems Upgrades \$1,655,405

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

Net Budgeted Revenue and Expenses \$ (1,575,084)