



# Report of the Treasurer

NABP 115<sup>th</sup> Annual Meeting  
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Minneapolis, MN

## ***Presented by:***

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Good afternoon! I am honored to have served as your treasurer this past year, and for the opportunity

to speak to you today about the Association's finances.

It is great to be here with you in Minneapolis. This beautiful city is known for many things, including its beautiful lakes and parks and the famous Mall of America. You may have also discovered that Minneapolis is home to the largest, contiguous system of enclosed skyways in the world. The system is composed of over 9.5 miles of pathways and connects 80 city blocks. That network of bridges reminds me, in many ways, of what our Association is all about. The people in this room represent many jurisdictions and walks of life, and the National Association of Boards of Pharmacy® (NABP®) helps bring us all together in pursuit of our common mission of protecting the public health.

Part of what moves us forward in that mission is a sound financial

footing. So, with our shared mission in mind, let's take a look at the Association's finances for 2018. This report will give you a high-level overview of the Association's finances, and I am happy to report that the Association is positioned to continue supporting you, our member boards, with the services and programs you rely on through 2019 and beyond.

Overall, our Association's fiscal condition remains strong and – thanks to sensible management, prudent investment, and quality programs that serve the pharmacy regulatory community – that strength is expected to continue.

### ***Programs and Services***

Let's start by exploring the many programs and services NABP offers.

Let's first look at our examination, licensure transfer, and accreditation programs, which continue to provide vital information used by the boards in licensure decision processes. They are also the main sources of our Association's revenue.

The number of candidates seeking pharmacy licensure

is consistent and exam administrations remain steady.

North American Pharmacist Licensure Examination®, or NAPLEX®, administrations slightly decreased by less than 1% in 2018. Multistate Pharmacy Jurisprudence Examination®, or MPJE®, administrations increased by 4%.

Foreign Pharmacy Graduate Equivalency Examination®, or FPGE®, administrations saw a decrease of 27%, which is largely related to the technological and processing changes that occurred due to the Foreign Pharmacy Graduate Examination Committee™, or FPGEC®, Certification Program's transition to the new online system. This year, as part of that transition, we also launched a new online application for FPGE Certification. The FPGE program remains steady, but as I just mentioned, with technological and processing changes, fewer applicants were approved to test in 2018.

The figures for all three exams are highlighted on the screen.

The Pharmacy Curriculum Outcomes Assessment®, or

PCOA<sup>®</sup>, which is required by Accreditation Council for Pharmacy Education accreditation standards, was utilized by all 137 schools and colleges of pharmacy to the tune of over 19,880 administrations in 2018. The PCOA reflects NABP's commitment to supporting and advancing pharmacy education, which is why the Association operates the program as an expenditure.

The Pre-NAPLEX<sup>®</sup> has continued to grow more popular and last year there were 13,260 administrations.

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 to volunteer for item writing and review, make NABP examination programs indispensable resources for our member boards.

The Electronic Licensure Transfer Program<sup>®</sup>, known as e-LTP<sup>™</sup>, remains a vital program as license portability continues to be essential to pharmacists' ability to practice. In 2018, requests to transfer licensure increased by 3.4% compared to 2017 – to a total of 16,740 requests.

The launch of the new NABP e-Profile system has already

enhanced data quality and streamlined high-volume e-LTP processes. Now that e-LTP is entirely online, NABP can review and verify licensure data all from the same system, and the official application is provided electronically to the boards via NABP e-Profile Connect.

The NABP Clearinghouse, a vital part of the e-LTP process, has also been enhanced by the new e-Profile system launch. 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.

One last thing about 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 public health protection mission, and most member boards have indeed been diligent in this area during 2018. 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.

Now, let's transition to the Association's accreditation programs, which play a vital role in helping to keep medications and medication delivery safe for patients, so that member boards of pharmacy can maintain their principal regulatory role.

Accreditation program utilization remained steady in 2018. The two programs with the strongest performance were:

- The durable medical equipment, prosthetics, orthotics, and supplies, or DMEPOS, program, which helps ensure that Medicare beneficiaries receive quality products and services, and
- The Verified-Accredited Wholesale Distributors<sup>®</sup>, or VAWD<sup>®</sup>, program, which helps provide the drug supply chain with a shield of defense against questionable distribution practices.

In addition, the .Pharmacy Verified Websites Program saw many successes in 2018, advancing our Association's efforts to protect patients who buy medications online. The Verified Internet Pharmacy Practice Sites<sup>®</sup>, or VIPPS<sup>®</sup>, program also remains strong.

Also in 2018, the Verified Pharmacy Program<sup>®</sup>, or VPP<sup>®</sup>, remained a valuable tool for boards of pharmacy to find verified pharmacy license data.

Additionally, reinvested earnings from our accreditation programs support non-revenue-generating programs and services that assist you in fulfilling your public health protection mission.

### ***Revenues and Expenses***

In fact, revenues from our examinations and e-LTP, as well as from our accreditation programs, are reinvested into a wide array of other Association programs and services that are not themselves revenue-producing. Among them are the Internet Drug Outlet Identification program and NABP e-Profile Connect, as well as critical committee and task force work. The pie chart on

the screen shows how much each area contributes to our Association's overall revenue.

Let's look now at the Association's 2018 expenses. A breakdown of expense categories is displayed on the screen.

General and administrative costs include core Association services provided by departments such as Member Relations and Government Affairs, Legal Affairs, and Professional Affairs. These departments, shown in the dark green category, work directly with our member boards to assist with numerous projects.

This category also includes administrative support expenses, which break down further to items such as information technology, accounting, and customer service.

In addition, the 37% includes some 2018 expenses related to technology improvements and cybersecurity, for example. The primary technological investment was developing and launching the new customer e-Profile application, which brought almost all NABP services into an online format and into a centralized database. Cybersecurity has always been a top priority and remained so in 2018. Part of this includes cloud storage that provides for backups to secure servers in multiple locations around the country. The NABP phone system was also upgraded to a cloud-based system that operates via the internet, as opposed to traditional analog landlines; this transition will prevent phone system downtime that can be

disruptive to NABP and member board business.

One of our biggest investments this year has been in new customer and staff support technology. Many of these new applications, such as the new e-Profile system and new phone system, are fully customizable and have already helped streamline processes and improve cybersecurity. And because these applications are cloud-based, they are also protecting against downtime.

In 2018, we launched a paid version of CPE Monitor® that has additional features to help pharmacists easily stay compliant with licensure renewal requirements. The free CPE Monitor service is still available to everyone who has an e-Profile, but pharmacists can choose to upgrade and pay the annual fee for the plus plan, which has an advanced rules engine that reminds them when a state's continuing pharmacy education (CPE) cycle is ending and tells them exactly what CPE they need. Available on both desktop and mobile, we are continually making improvements to CPE Monitor to make it more user-friendly for customers.

Your Executive Committee, as always, is cognizant of the financial challenges faced by many of our members boards. Financial management by your Executive Committee has allowed, and will continue to allow, our Association to provide NABP PMP InterConnect® at no cost to our member boards, so they can focus their resources on supporting prescription

monitoring program operations. Since PMP InterConnect's launch in 2011, our Association has invested \$1.85 million in its software development and \$7.5 million in its operation.

### ***Assets and Reserves***

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

In 2018, total NABP assets decreased 4% due to the decrease in market value of the Association's investments, as shown in the top bar in the displayed graph.

NABP reserve funds were virtually unchanged in 2018, 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 the 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 that programs are maintained and improved over time.

### ***NABP Foundation Update***

Now, let's shift 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 2018.

The Foundation's financials remained strong in 2018, due to the careful management of its programs and investments.

Foundation expenses decreased by 29% in 2018 due in large part to reduced wage and overhead expenses. This decrease in expenses helped to offset the decrease in revenue that was due to a decrease in investment returns.

In addition, a grant from NABP offset the decrease in program revenue, and therefore, the Foundation's total unrestricted net assets were unchanged in 2018. 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 Activities***

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

#### ***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 115th Annual Meeting. These sponsorships, although representing a fraction of a percentage of our Association's total revenues, provide vital support for an Annual Meeting for our members that includes timely educational programming and vital networking events. Our sponsors pledge funds to support the educational offerings 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.

#### ***Conclusion***

I have been honored to serve on your Executive Committee as your treasurer this year. Our Association's commitment to meeting the challenges of our time and in supporting our member boards is extremely satisfying to see firsthand.

Having completed my term as treasurer, I am confident that our Association's finances will continue to support our goals of creating and maintaining the bridges that facilitate cooperation between our member boards in the pursuit of our mission to protect public health. To my fellow members, thank you for selecting me to serve in this role. Both personally and professionally, I have learned a great deal about what it is that connects us and what you all do each and every day to ensure the continued success of that mission. All of you make these programs and everything else that we do possible. Thank you.

## NABP 2019 Operating Budget

### Revenue

Examination, Licensure, and Accreditation Programs	\$ 35,504,908
State Membership Dues	16,500
Publication Fees	59,635
Convention/Conference Registrations and Contributions	227,500
Investment Income	2,314,767

**Total Revenue** **\$ 38,123,310**

### Operating Expenses

**Program Expenses** \$ 25,816,366

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** \$ 12,259,088

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** **\$ 38,075,454**

**Net Budgeted Revenue and Expenses from Operations** \$47,856

**Capital Improvements and Systems Upgrades** \$1,249,000

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

**Net Budgeted Revenue and Expenses** **\$ (1,201,144)**