



california **pharmacists** association

2009 ANNUAL REPORT

CPHA MISSION

The mission of the Association is to act as the leader in advocating the role of the pharmacist as an essential provider of health care and to support pharmacists in providing optimal patient care.

www.cpha.com

LEADERSHIP



FROM THE CEO

In 2009, the California Pharmacists Association experienced major challenges due to the unprecedented economic downturn that was felt not only across the United States, but also throughout the world. While the downturn did not affect our membership numbers, it did hit us in a substantial way in our investment portfolio. In the space of a few short months, our investment went from approximately \$6 million, down to less

than \$4 million at its low point. While the investment has recovered fairly robustly since, it was necessary for CPhA to make some significant changes to our operating budget. This budget had been subsidized by Pharmaceutical Care Network (PCN) before its sale and later CPhA took a draw from the investment of the proceeds of the sale. Some of this funding had been shared with the Pharmacy Foundation of California. At this point, we no longer use our investment as an income stream. As a result, CPhA downsized staff by 30%. While this created major challenges initially, your excellent staff has rebounded well and it has become business as usual again here at CPhA in the New Year.

Other accomplishments in 2009 included filing several new lawsuits against the State of California on behalf of pharmacy Medi-Cal providers. We achieved a number of legislative victories and important efforts with regulators including the California State Board of Pharmacy. One of our publications, the 2007-2008 Economic Impact Study Brochure received a Bronze Award in a National Association Media Competition. Our member services have improved significantly following our move to a new member management database and our new website has valuable new services and ease of use for members. Our Board stepped up to take on some difficult and complex tasks as they updated their job descriptions and revised CPhA's Bylaws and Constitution, both of which were long overdue.

All in all, 2009 contained both challenges and opportunities, both of which CPhA met successfully.

Even with a smaller budget and reduced staff, CPhA members and staff rallied together to make 2009 a success.



FROM THE PRESIDENT

In 2009, CPhA took unprecedented strides to tighten its financial belt to weather the economic downturn. Even with a smaller budget and reduced staff, CPhA members and staff rallied together to make 2009 a success. Outlook 2009 at Disneyland Hotel attracted over 1,200 pharmacy professionals for an educationally and professionally invigorating weekend. Without fail, our trademark Legislative Day event at the Capitol

saw nearly 300 white-coated pharmacy professionals storming the offices of nearly every legislator with the message of the value of pharmacy to the healthcare of all Californians. However, we can't stay the catalyst of change for our profession without members. In August, we recruited 134 new members in a one day phone banking event. Never underestimate the power of one person reaching out to another, whether it is a new CPhA member, a legislator, or your patient.

On the front of patient care, CPhA and the Pharmacy Foundation of California enlisted the endorsement of every school of pharmacy and major pharmacy professional organization in California to tell the state that pharmacists are ready to step up and contribute to a new patient care demonstration project called the Right Care Initiative. As we prepare for either the next wave of H1N1 influenza or to close out this season, CPhA in 2009 was the main communication partner for the State of California to immunizing pharmacists around the state. Lastly, CPhA has never left the side of community pharmacists struggling to survive the State's draconian cuts to MediCal by continuing to raise money for the ongoing court battle.

Thank you for your continued support of CPhA... One Profession, One Voice!

CPHA 2010 BOARD OF DIRECTORS

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Phuong Thao Tran	LLU ASP Trustee

A MESSAGE FROM CPHA TREASURER, KENNETH SCOTT

CPhA met its overall operating financial targets for revenue and expenses in 2009. This past year was financially challenging as a result of the Association needing to reduce its expenses by more than 14% to meet the operating budget. This reduction in expenses was required to offset the decrease in revenue caused primarily from a significant reduction in the withdrawal from the investment account of \$100,000, in comparison to \$650,000 in past years. CPhA no longer relies on its investment as a source of revenue and was very judicious in managing expenses to insure operating financial targets were met.

The financial markets were tumultuous in 2009 and the unprecedented economic downturn had a significant impact on the Association's investment earnings. The investment is now showing signs of recovery as a result of recent improvements in the financial community. The Investment Committee elected to change the Association's financial advisor and investment firm to ensure that the investment funds continue to be invested wisely to yield the greatest return possible.

The organization continues to be financially sound and is considered to be one of the top 10% within the country for financial performance amongst nonprofit associations.



CALIFORNIA PHARMACISTS ASSOCIATION

BALANCE SHEET—NOVEMBER 30, 2009

ASSETS

Current Assets:

Cash/Cash Equivalents	\$ 137,538.31
Investments	4,576,178.50
Accounts Receivable:	
Receivables	83,178.06
Other Current Assets	<u>13,883.06</u>

Total Current Assets 4,810,777.93

Land, Building and Equipment 2,414,078.52
Accumulated Depreciation (820,145.52)

Net Land, Building and Equipment 1,593,933.00

Other Assets:

Total Assets \$6,404,710.93

LIABILITIES & NET ASSETS

Current Liabilities:

Accounts Payable	\$ 30,133.19
Accrued Vacation & Retirement	88,912.39
Dues Payable	28,545.26
Current Portion of Capital Leases	13,352.62
Deferred Dues Revenue /Outlook	288,386.55
Other Accrued Expenses	<u>(1,560.92)</u>

Total Current Liabilities 447,769.09

Long-Term Liabilities:

Long Term Portion of Capital Leases	58,510.44
Retirement Funds - LT Comp Plan	<u>9,257.15</u>

Total Long-term Liabilities 67,767.59

Total Liabilities 515,536.68

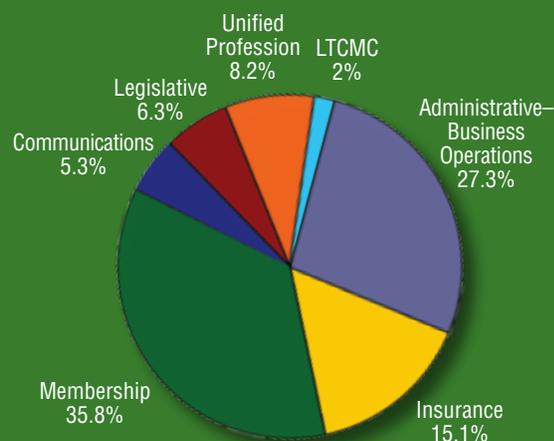
Net Assets (Member's Equity):

Balance, Beginning Of Year	6,002,171.88
Excess Revenue Over (Under) Expenses	<u>(112,997.63)</u>

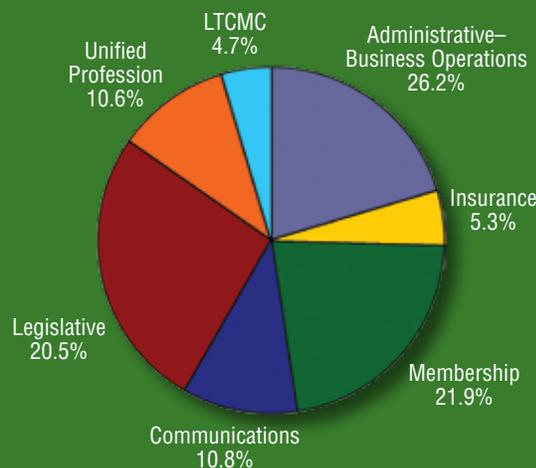
Total Net Assets 5,889,174.25

Total Liabilities and Net Assets \$6,404,710.93

2009 OPERATING REVENUE BY PROGRAM



2009 OPERATING EXPENSE BY PROGRAM



FINANCIALS

MEMBERSHIP

2009 INSURANCE MEMBER BENEFITS

Workers' Compensation Program

- A 6.5% dividend was declared on the sponsored Workers' Compensation Program. CPhA members have now received over \$3,000,000 in returned premiums over the past four years
- Due to extremely favorable program loss experience, workers' compensation rates on the program remained unchanged in December 2009 while other companies have started increasing rates

Business Owner's Package Program

- Special practice of pharmacy wording protects members who compound or provide flu shots
- Participants in the workers' compensation program can get additional discounts

Medical Insurance

- HR guidance free from Mercer Select
- High deductible health plans reduce premium expense

Homeowners, Renters and Auto

- Discounts are available to all CPhA members
- Underwritten by Liberty Mutual

Long Term Care Program

- 5% on premiums for Long Term Care policies underwritten by John Hancock and Prudential

Pharmacist Professional Liability Insurance

- Professional liability protection for employed pharmacists

CPhA and Marsh continue to provide quality insurance programs through "A-" or better rated carriers with excellent customer service, great savings, royalty income to CPhA. These programs also encourage non-members to join.



OUTLOOK 2009

At the Disneyland Hotel in Anaheim California, Outlook 2009 drew more than 1,200 pharmacy professionals from all over the state of California to network, do Association business and take continuing education courses. With over 20 hours of CE programs, special social events and important House of Delegates sessions, attendees had a full schedule. Our popular pharmacy Exhibit Hall is one of the largest in the country.

**Save the Date for Outlook 2011: February 10-13, 2011
Palm Springs, CA**

CALIFORNIA PHARMACISTS LEGISLATIVE DAY 2009

CPhA's Legislative Day brought together pharmacy professionals from all over the state to meet with their Legislators and to advocate for pharmacy issues at the Capitol in Sacramento. The day consisted of a legislative briefing, a keynote address by Assemblymember Jerry Hill, legislative appointments in the afternoon and a reception and de-brief at the end of the day. The event drew nearly 300 members and was a successful opportunity for pharmacists to speak with a united voice.

**Save the Date for Legislative Day 2010: Wednesday, April 14 at the
Sacramento Convention Center**

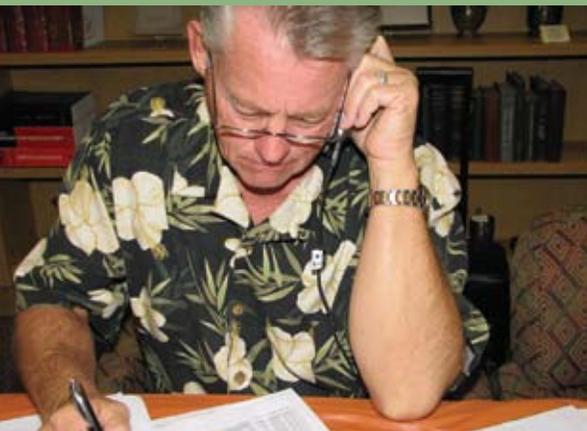
SYNERGY LEADERSHIP CONFERENCE 2009

The Synergy Leadership Conference drew together pharmacy decision makers from all practice settings, including hospital, community, government, etc. The theme of this year's conference was Emergency Preparedness and featured special emphasis on preparing special patient populations for emergencies and placed a special focus on H1N1 planning efforts. The conference raised awareness about both issues and engaged the valued leaders in strategic planning.

**Save the Date for Synergy 2010 in a new format, November 6-7
Sacramento, CA**

MEMBERSHIP UPDATE

Membership is the lifeblood of CPhA. In 2009, the CPhA Board of Trustees (BoT) participated in a membership recruiting event at CPhA headquarters. The Board called friends and colleagues for over three hours netting 134 new members. In a year with the largest economic downturn since the Great Depression, innovative approaches such as this kept membership growth steady. We plan to export this program to the local associations in the future. Student pharmacist membership continues to be very strong and in 2009 we also picked up a number of new corporate members.



LEGISLATIVE

LEGISLATIVE RECAP

The 2009 session of the California Legislature focused primarily on the State's fiscal crisis. Therefore, there were only a few bills of importance to pharmacists and pharmacies. Two key pieces of legislation were Omnibus bills that included changes proposed by the Board of Pharmacy. Among the provisions that went into effect in 2010:

- Authorizes a pharmacy to accept returned sharps containers from consumers for disposal.
- Authorizes the board to automatically inactivate a pharmacist license when a pharmacist who certifies completion of the required CE as part of a renewal fails to provide proof which is discovered during an audit or investigation initiated by the board.
- Allows the use of a mobile pharmacy, if certain criteria are met, in the event of a declared natural disaster.
- Requires all board-licensed facilities to join the Board's e-mail notification list.
- Provides clarification as to when a pharmacist-in-charge or designated representative-in-charge must notify the board that he or she ceased to serve in such a capacity.
- Clarifies procedures to be followed 1) by a pharmacy when identifying a pharmacist-in-charge 2) to notify the Board when a change in pharmacist-in-charge has occurred 3) allows for the use of an interim pharmacist-in-charge, for a period not greater than 120 days, when a pharmacy is unable to identify a permanent new pharmacist-in-charge within 30 days as required.

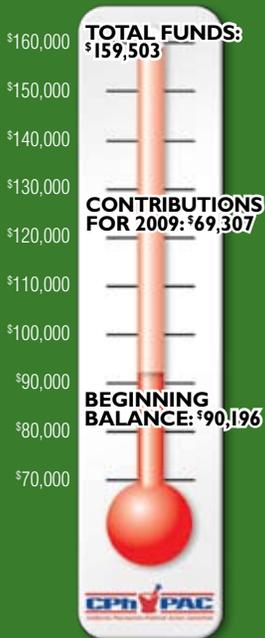
The Governor also signed AB931, sponsored by CPhA and

the Long Term Care Management Council, which increases the number of drugs to 48 and dosage units to 16 doses per drug in emergency kits in skilled nursing facilities.

Legal Actions

Among the many cuts to the Medi-Cal program were new reductions in reimbursement to pharmacies. A new interpretation of "usual and customary charge" included the lowest third party reimbursement accepted by the pharmacy and also established a new method for setting the Maximum Allowable Ingredient Cost (MAIC) for generic drugs. Pharmacies were also hurt because the State declined to make any adjustment in ingredient cost payments following settlement of a federal lawsuit involving how Average Wholesale Price (AWP) is set. The settlement effectively reduced payments for most brand name drugs by 4%.

CPhA has been involved in a number of legal efforts to block the cuts to pharmacy reimbursement. In response to the Medi-Cal payment reductions to pharmacies, two new lawsuits were filed in federal court. The first, led by NCPA and NACDS, challenges the State's failure to act to adjust reimbursement in response to the settlement in the AWP lawsuit. The second, led by CPhA, the Medicaid Defense Fund, and its attorney Lynn Carman, challenges all three reductions. At the time of this writing, the federal court has denied the pharmacies' initial motions to block these cuts. However, the cases are far from over and additional efforts in both the District Court and Court of Appeals are pending.



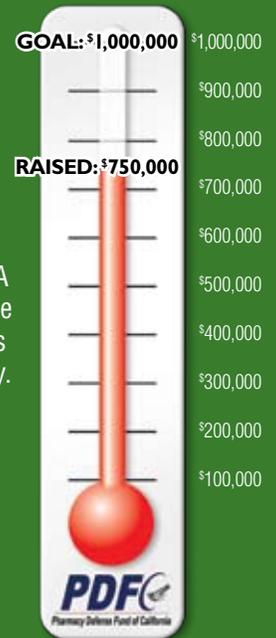
CPh-POLITICAL ACTION COMMITTEE

The political climate in 2009 was tumultuous. The State faced huge deficits and made desperate cuts to many vital programs. It was a critical time for action at CPhA. The CPh-PAC raised \$69,307 and in combination with 2008 carry-over funds of 90,196, our PAC funds totaled \$159,503 for the year. Expenses and political contributions totaled \$92,224 and went to 32 key legislators. The ending balance of the CPh-PAC fund for 2009 was \$67,279, which will be carried over into 2010, an election year.

The PAC continues to have an outstanding board led by David Wilcox and has been very successful in supporting winning candidates. All in all, it was a great year for the CPh-PAC.

PHARMACY DEFENSE FUND OF CALIFORNIA

When the State of California's Department of Health Care Services instituted three new cuts to Medi-Cal pharmacy reimbursements on Oct. 1, CPhA went into action with our Alliance for California Pharmacy Partners and others to raise funds quickly. We then worked with attorney, Lynn Carman, to work on behalf of California Pharmacists to sue the State to stop the cuts. We are still waiting for the court's decision in this matter.



H1N1 CRISIS UNIFIES HEALTH CARE COMMUNITY

In the spring of 2009, the H1N1 virus was introduced to the world, originally known as the "Swine Flu." By May, the spread of the virus had reached pandemic levels and the race to develop a vaccine was on. The California Office of Emergency Services was busy at work distributing their cache of Tamiflu. CPhA participated in pandemic planning efforts at the national and state levels. By September, California had developed the CalPanFlu.org website, where healthcare providers could register their intent to administer H1N1 vaccine. More than 140 million doses of the vaccine began to flow into the state by October and were administered to "at-risk" populations by county agencies. Two months later, the H1N1 vaccine was released to vaccinate the remainder of the general population.

Community pharmacies were ready and quickly rose to the task with patients frequently choosing to receiving their vaccinations in local community pharmacies which were readily accessible and convenient. While the threat of the H1N1 virus is not yet over, pharmacists are prepared to immunize and mitigate the spread of the virus on all fronts. Pharmacists and pharmacies play a central role in providing access to these important healthcare services and are a proven asset for patients and providers alike.

EMERGENCY PREPAREDNESS EFFORTS

The CPhA Emergency Preparedness Committee was formed in 2007 with the goal of raising awareness about the pharmacist's role in community emergency response efforts during a disaster. In 2009, the committee took action on several fronts by expanding networks in the state and counties as well as improving the amount and quality of emergency preparedness information available on the CPhA website. In addition the Committee developed a continuing education program for Local Associations that included speakers from California's Department of Public Health, County Medical Reserve Corps. Units and County Health officials to outline volunteer opportunities and to enlist pharmacists as volunteers in the State's Disaster Healthcare Volunteers database.

In November, the Committee took a lead role in developing and presenting educational programming for CPhA's Synergy Leadership Conference, which was very well received, informative and effective in calling pharmacists to action.

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PHARMACY FOUNDATION OF CALIFORNIA 2009 REPORT



Last year, millions of Americans walked, ran, biked or otherwise raced for a cure for breast cancer. But

how many people did you see working to promote safer medication use? Incredibly, for every person that was diagnosed with breast cancer during 2009, SIX were injured or killed by a completely preventable medication problem.

Unlike breast cancer, which is caused by factors largely beyond our control, preventable medication injuries are largely caused by something we CAN change: a healthcare system which increasingly provides medications to patients without also providing the information, tools and support they need to safely use them.

During 2009, the Pharmacy Foundation of California worked to change this system through investments in programs designed to educate consumers, caregivers and advocates about the services that patients should receive to ensure the safety of their therapies. Services like the ones that pharmacists are specifically trained to provide.

The Pharmacy Foundation firmly believes these efforts will save lives, and at the same time, increase the degree to which pharmacists are seen as valuable members of the healthcare team. We invite you to join us as we continue this important journey during 2010.

Michael J. Negrete, PharmD, CEO

