2011 Annual Report

california pharmacists association
Dear Members:

Thank you for giving us the opportunity to serve you as President and Chief Executive Officer of the California Pharmacists Association this past year. It was our pleasure to represent pharmacists in all practice settings across the State of California. The past year was one filled with challenges but also many successes and advancements for the profession.

We advanced many of our key priorities this past year in an effort to both promote and advocate for pharmacists. We ensured that we ‘had our member’s backs’ by fighting the Medi-Cal 10% reimbursement cuts both in the courts and in the hallways of the State Capitol while proposing an innovative cost-effective alternative to save the State money.

We held a Leadership Summit with pharmacy leaders from the CPhA locals, academies and committees and developed the first-ever CPhA strategic framework to effectively manage the strategic goals of our organization. We were both able to personally visit over 25 local chapters and interact with hundreds of members across California to share the new Strategic Operating Priorities.

A new director of Government Affairs began working with the Legislative Committee and local leaders to develop a progressive agenda whereby CPhA will be more proactive and better positioned to influence needed change, rather than simply reacting to events occurring around us. This includes new efforts to have pharmacists recognized as providers and expanding our ability to perform clinical services for our patients.

We also launched programs for students and employed pharmacists, including the Student Mentorship program and the CPhA Ombudsmen Program. Both of these initiatives are bringing great value to our members.

The Board of Trustees made a commitment to expand our knowledge base as an organization by contracting with a research firm to conduct a comprehensive market research project. The results of this project continue to help us understand what pharmacist’s desire in their professional association with a focus on where we can create value in the professional lives.

In 2011, we held several successful events including the Annual Meeting - Outlook 2011, Celebrate Pharmacy, Long Term Care Weekend, Compounders Day, and Leadership Weekend. These events help educate and inspire our members.

CPhA continued to partner with the schools of pharmacy, deans, and faculty. The student pharmacists have been integral to the success of many of our local chapters and social events.

Finally, we began efforts to expand and improve our communication across the organization. We enhanced the CEO Message and began offering the CPhA Pharmacy Flash and CPhA Rx Alerts. These communications were developed to help keep our membership informed and up-to-date on issues affecting the profession.

Much was accomplished in 2011, but we have many more goals to achieve. We believe that CPhA’s strength is to serve as a convener, bringing groups together as we navigate the ever-changing healthcare landscape and pharmacists role in the Affordable Care Act. Belonging to CPhA is helping ensure that we can continue our impact and represent your interests with One Voice.

Kenny Scott, RPh
2011 CPhA President

Jon Roth, CAE
Chief Executive Officer
CPhA undertook an array of both progressive and defensive efforts in 2011 to advocate for pharmacists in all practice settings. These efforts preserved patient’s access to medications and pharmacist services as well as defended pharmacies from payment reductions and abusive PBM practices. A new director of Government Affairs was hired on the staff team and began working with the Legislative Committee and our local leaders. CPhA efforts led to a progressive legislative agenda whereby CPhA became more proactive rather than simply reacting to events occurring around the profession. This includes new efforts to have pharmacists recognized as providers and expanding our ability to perform clinical services for our patients.

Advancing pharmacy

AAC Pharmacy Reimbursement Proposals

CPhA led a series of meetings held by the Department of Health Care Services (DHCS) regarding the Medi-Cal transition to Average Acquisition Cost (AAC) and proactively developed a strong collaboration with NACDS, individual chain drug stores, and the California Retailers Association government affairs teams to provide collective input and negotiate on the AAC budget trailer legislation. These efforts resulted in signed legislation that was pharmacy-friendly and ensured that the profession would be involved in the implementation of this project moving forward. Additionally, CPhA has continued to collaborate with pharmacy stakeholders to identify an author for legislation in 2012 to complete important fixes to the AAC legislation that were not included in the original bill.

CPhA also testified in a Center for Medicare and Medicaid Service (CMS) invitation-only meeting to discuss the National Average Drug Acquisition Cost (NADAC) efforts and its relationship to California’s state AAC efforts.

Advocacy Opposing Medi-Cal 10% Provider Cut

CPhA developed and executed significant proactive government affairs and lobbying efforts in advance of the Medi-Cal 10 percent provider cut. Working with general council, government affairs, and CPhA lobbyists in a multi-pronged advocacy effort aimed at CMS, these efforts resulted in a coalition with other healthcare provider associations including the physicians (CMA), hospitals (CHA), dentists (CDA), adult day health, and nursing homes (CAHF), and emergency transportation associations.

CPhA also participated in a face-to-face meeting with CMS administrator Dr. Berwick, which resulted in CPhA being only one of three members of the delegation to present materials to argue against the cuts. CPhA also developed an analysis of the impact the cuts on pharmacies that was used in advocacy and legal efforts.

Litigation Against Medi-Cal 10% Provider Cut

Concurrent with the advocacy efforts, CPhA obtained board approval to engage in litigation against DHCS and CMS on multiple fronts. CPhA first filed suit against DHCS and CMS for failing to disclose public records and information transmitted between DHCS and CMS in regards to the State’s plan to cut provider reimbursement. Additionally, after the cuts were approved in late October 2011, CPhA led efforts to enlist the other health care provider groups and the National Association of Chain Drug Stores (NACDS) in a multi-pronged litigation strategy against DHCS and CMS regarding patient access to medications if the cuts were allowed to stand.

CPhA appreciates the broad cross-section of support from the pharmacy community to secure funding to support these important litigation efforts.

Alternative Cost-saving Plan Proposed

In conjunction with both the AAC and 10 percent provider cut advocacy and litigation efforts, CPhA took a proactive leadership position in crafting viable alternative cost saving solutions for DHCS and the State to consider. These efforts resulted in a cost savings plan that would save the Medi-Cal program approximately $135 - $190M per year. This plan was presented to DHCS staff, the DHCS director, the California State Director of Finance and her team, and CMS.

Legislative Advocacy

CPhA advocated a number of legislative bills on behalf of pharmacists in 2011. These efforts resulted in many legislative bills being passed and signed by the Governor or being derailed during the legislative session. For example, CPhA joined forces in opposing a bill that would have placed ephedrine and pseudoephedrine-containing products on prescription only, but supported legislation that would have created a statewide electronic tracking program; supported the regulation of Dextromethorphan-containing products; supported a bill that standardized the prior authorization forms for prescription drugs; and supported a bill that benefitted medication distribution from centralized hospital pharmacies.

Workers’ Compensation Compounding Legislation (AB378)

CPhA worked with its Academy of Compounding Pharmacists (ACP) to provide leadership in developing a favorable solution in addressing AB378, a 2011 workers’ compensation legislative bill for compounding reimbursement. The ACP developed and recommended a workers’ compensation fee formula that would support the unique time and expertise required by compounding pharmacists when being reimbursed through the workers’ compensation system. Ultimately, the bill’s author did not accept the proposal because of the political dynamics involved in the legislation, but regardless of the outcome, the ACP efforts were acknowledged and appreciated by external stakeholders as well as CPhA members.

Advocating Pharmacists’ Role Under Federal Healthcare Reform

Even in the early stages, CPhA has had an active role in California’s implementation of federal healthcare reform. In 2011, CPhA began working with staff at the California Health Benefits Exchange Board to ensure that pharmacists play a significant role in health plans created in the Exchange. CPhA testified at a listening session with CMS regarding the Essential Health Benefits that will be mandated in the Exchange, and stressed pharmacists’ role as providers of services such as Medication Therapy Management.
Pharmacy Technician Certification
Through the Academy of Pharmacy Technicians, CPhA developed a proactive taskforce that focused on the sufficiency and quality of education and training of pharmacy technicians in California. The outcomes of the taskforce resulted in three recommendations: Identifying pharmacy education programs of concern and engaging them in a discussion regarding the components of a quality training program; second, a policy agenda that would require certification of pharmacy technicians prior to entering practice; and third, when a pharmacy technician receives no formal schooling but becomes a pharmacy technician through certification only, that they work 1500 hours in a pharmacy prior to receiving their license.

Pharmacy Workforce Study
CPhA, in collaboration with Dr. Kathy Knapp, Dean of Touro University, hosted a one-day California Pharmacy Council summit regarding the future of pharmacy workforce. The summit was facilitated by national pharmacy workforce experts and included a presentation by UCSD CAPSLEAD students. Presentations focused on data trends and the current literature regarding pharmacy workforce; trends in utilization; projections in workforce supply and demand; and the number of new graduates that will be entering the workforce based on the new schools slated to open in California over the next several years. The summit resulted in an invitation to Dr. Peter Vlasses, executive director of the Accreditation Council for Pharmacy Education, to speak at the CPhA Annual Meeting and House of Delegates in 2012.

CPhA Mentor Program
CPhA developed, implemented and launched the CPhA mentoring program where students can connect with pharmacists in all practice settings. The Mentoring Program was unveiled in fall 2011 and immediately enrolled dozens of pharmacists and students looking to develop a mentor/mentee relationship.

Pharmacists Resource Program
In an effort to expand quality programming and services for employed pharmacists, CPhA launched the Pharmacists Resource Program. This program enlists a full-time dedicated ombudsman for members to connect with for confidential and unbiased advice regarding workplace conflict resolution services. The program is free to CPhA members and is designed to assist pharmacists in working through even the most difficult workplace challenges.

Members Received 10.1% Dividend Through Insurance Program
CPhA continued to provide outstanding membership value through its endorsed insurance program. Whether an owner or an employee, the CPhA partnership with Marsh Insurance provided quality insurance products through “A-” or better related carriers and excellent customer service to members across the state. Hundreds of CPhA members benefited from the peace of mind that CPhA & Marsh insurance programs provided. For the second year in a row, members also received a 10.1% dividend check for their participation in the Workers’ Compensation program. This brings the total to nearly $4 million in returned premiums to the members who participate in the program. No other state pharmacy insurance program offers this dividend to its members.

Note: In 2011, CPhA was saddened by the loss of long-time Board of Trustees member, Paul Drogichen, pictured below.
PBM fair business & transparency efforts

PBM Audit Legislation
CPhA has heard the concerns of its members regarding Pharmacy Benefit Manager (PBM) audit practices. That is why CPhA has made this important issue a top priority, and in 2011, secured one of the top lobbying firms to assist in developing a legislative solution regarding PBM audits. A legislative bill to assist pharmacists with curbing onerous PBM audit practices was developed and outreach to relevant stakeholder was undertaken in 2011. A legislative bill has been introduced in the 2012 legislative cycle and will make its way through the legislative process.

Express Scripts-Medco Merger
Concerns over the proposed merger of Express Scripts and Medco to form the nation’s largest PBM prompted CPhA to take action in 2011. CPhA joined other pharmacy interests in opposing the merger and engaged a nationally-renowned attorney, Mr. David Balto, to represent CPhA’s interests in opposing the merger. These efforts resulted in CPhA CEO Jon Roth, General Counsel Dr. John Cronin, and members of the Academy of Pharmacy Owners - Dr. Brian Komoto and Dr. Jerry Shapiro - meeting with the California Attorney General’s office to present concerns over the merger. CPhA’s contract attorney, Mr. Balto, was also invited to testify at a joint hearing of a Congressional subcommittee to express pharmacist’s concerns over the proposed merger.

Building an effective cpha

Added Communication Tools
CPhA added new communication capabilities in 2011 to ensure that members were kept up-to-date on important and late-breaking professional information. The increased member communication included the development of additional online resources, including the new “CPhA Pharmacy Flash” weekly professional e-newsletter; the creation and dissemination of the CPhA “Rx Alert” for legislative, regulatory, and time sensitive dissemination of professional information; the creation of the CPhA “Membership Matters” email communications for disseminating member-benefit related items; and the creation and dissemination of the Legislative Digest regarding pharmacy-related legislative bills considered in 2011.

“Mind of the Pharmacist” Market Research Project
One of the greatest investments CPhA made in 2011 was the development of the first-ever professional pharmacist market research project. The Board of Trustees made a commitment to expand CPhA’s knowledge base as an organization by contracting with a professional research firm to conduct a comprehensive market research project. The results of this project continue to help CPhA understand what pharmacist’s desire in their professional association with a focus on where it can create value in their professional lives. The data from the research continues to help CPhA understand the wants and desires of its membership.

Pharmacy Foundation of California Restructured
The Pharmacy Foundation of California (PFC) board of directors conducted an environmental scan on the vision and purpose of the PFC. Interviews with 40 stakeholders took place regarding PFC and the future of the organization. In reviewing the information obtained from this study, the PFC board decided to restructure the organization. CPhA CEO, Jon Roth, became the interim Executive Director during the restructure and the board of directors is engaging in a rebuilding process as well as renamed the organization the CPhA Foundation.
Treasurer’s report

A Message from CPhA Treasurer, Ed Sherman, PharmD

CPhA began 2011 with a hope that the slight economic recovery experienced in the fourth quarter of 2010 would be sustained and grow throughout 2011. Unfortunately, that growth leveled out in the first quarter resulting in only a modest increase in investment income for the year. However, I am pleased to report that the CPhA financial operations received a comprehensive redesign during 2011 allowing the Board of Trustees to receive enhanced financial reports and improved the transparency of the CPhA finances. The Board of Trustees also made several strategic investments in 2011, including the first-ever comprehensive pharmacist market research project; greater lobbying representation for CPhA sponsored legislation; additional legal counsel for the Medi-Cal lawsuits; and consulting investments to review CPhA information technology infrastructure. While these activities required extraordinary resource expenditures above and beyond the operating budget, the investments for these important projects will allow CPhA to provide greater member value moving forward.

Overall, CPhA’s operations took steps forward in creating better operating efficiencies that will allow CPhA to be positioned for greater service to our members into the future. We anticipate additional resource allocations for operational enhancements in 2012 and will continue to work with the Investment Committee to monitor CPhA’s Investment Policy and ensure that your contributions are wisely and strategically invested for the long term.

California Pharmacists Association
Statements of Activities
Year ended December 31, 2011

REVENUES:

Membership dues $ 625,273
Royalties 367,525
Outlook convention 258,835
Pharmacy defense fund revenue 95,285
Grants and contributions 42,293
Journal revenue 39,400
Administrative fees 33,600
Rental income 26,699
Events 97,453
Other income 2,015,272
Total revenues

EXPENSES:

Program services:
Membership services: 885,210
Outlook convention 120,413
Events 1,283,069
Total membership services
Governmental and public affairs: 327,870
Pharmacy defense fund 494,423
Total governmental and public affairs 185,439
Communications 50,622
Publications 2,013,553
Total program services
Supporting services: 141,495
Management and general 2,155,048
Total expenses

LOSS FROM OPERATIONS

Operating reserves expenditures 204,827
Depreciation expense 70,499
Net loss on investing 187,981

DECREASE IN NET ASSETS

6,272,891

NET ASSETS, Beginning of year $ 5,669,808

Note: These financial statements are unaudited and contain estimates that are subject to change as final information becomes available.