Dear Members:

Thank you for giving us the opportunity to serve you as President and Chief Executive Officer of the California Pharmacists Association in 2012. We are honored to represent pharmacists in all practice settings across the State of California.

One thing is truer now more than ever before; health care, including the pharmacy profession, is at a nexus. The health care delivery system is undergoing tremendous change with the Affordable Care Act being implemented, resulting in 5 million additional adults and nearly 1 million more children having insurance through the state Medicaid (Medi-Cal) program.

CPhA spent significant resources strategizing ways for pharmacists to do more in their practices than ever before. And as health care reform becomes a reality, the policy door for positioning pharmacists as primary care providers is open. CPhA began these efforts in 2012 with the passage and signing of two important CPhA-sponsored legislative bills: SB1481 and SB1195.

SB1481 provides pharmacists with the ability to provide A1C, glucose and cholesterol testing services to patients in order to assist them with achieving optimal therapeutic outcomes. SB1195 ensures that when pharmacists provide services (prescriptions and otherwise), that Pharmacy Benefit Managers (PBMs) are held accountable and can no longer ding pharmacies for nonsubstantative errors during a pharmacy claims audit.

During the legislative process, CPhA not only reinforced the importance of pharmaceutical care with legislators, but also strongly emphasized the benefits of pharmacist clinical services. These conversations resulted in the ground being tilled for a CPhA appointed Provider Status Taskforce to begin moving the needle on pharmacists being recognized as health care providers in California. This joint taskforce with CSHP achieved significant progress in framing the specifics of legislation that will be introduced in 2013.

2012 was also a year of tremendous growth inside the organization. CPhA worked hard to demonstrate the value of belonging, and the results were rewarding. CPhA’s pharmacist membership grew 9.9% in 2012 and student pharmacist membership grew an outstanding 22%! We also unveiled a new Corporate Partnership Program, which provides our industry partners with greater opportunities to participate in CPhA. These results reflect a renewed sense of customer service and value throughout the organization.

Finally, CPhA completed a major initiative at enhancing the CPhA governance structure. A Governance Taskforce worked tirelessly throughout the year, reviewing and recommending important changes to the CPhA Board of Trustees structure, academies, committees, and House of Delegates processes. These enhancements will ensure that CPhA is able to remain nimble, progressive, and relevant to a new era of pharmacists in California.

Far more was accomplished in 2012 than can be articulate here; and we have many more goals to achieve moving forward. For now we say, ‘thank you’ for your membership and support. Belonging to CPhA is helping ensure that we can continue our impact on representing your interests as One Profession, One Voice.

Douglas Hillblom, PharmD
2012 CPhA President

Jon R. Roth, CAE
Chief Executive Officer
CPhA’s Bill to Fight Against Abusive PBM Audits Passes!
Whether you work in a chain or independent pharmacy, many pharmacists have experienced abusive audits from pharmacy benefit managers (PBMs) that often interfere with safety and patient care. Pharmacists should be able to focus on their patients, not be distracted by paperwork and red tape.
CPhA took a significant step to protect the pharmacy profession this year and passed legislation to end abusive audit practices by PBMs. This bill, SB 1195, established fair standards for audits of pharmacies by PBMs. This is an important achievement in CPhA’s efforts to reign in egregious audit practices that have harmed pharmacies. Pharmacy audits are an important tool to identify those rare instances where fraud may exist. However, PBMs had grossly overstepped these bounds and were paying bounty-hunter type incentives to auditing companies to find non-substantive errors during the audit. PBMs have been penalizing pharmacies tens-of-thousands of dollars for technical scrivener errors where there is no question that the right patient received the right drug, and the insurance plan was billed the right amount.

CPhA Passes Bill Making it Easier for Pharmacists to Provide OTC Lab Tests!
CPhA also sponsored important legislation this year to give pharmacists additional tools that can be used to provide better care to their patients. This bill, known as SB 1481, streamlined the process for pharmacists to provide over-the-counter cholesterol, glucose, and A1c tests in pharmacies. CPhA’s bill allows pharmacists to administer these tests in a community pharmacy without having to hire a physician lab director.
Pharmacists are qualified to perform these tests on patients and already do so in many settings, but because of the prior regulatory requirements, less than two percent of the over 6,000 community pharmacies in the state were authorized to administer cholesterol and diabetes tests. Passage of this bill represents an acknowledgement of pharmacist’s high level of knowledge and training. High cholesterol and diabetes impact millions of Californians and account for a significant portion of healthcare costs. CPhA’s bill is an important achievement in giving pharmacists the tools they need to better treat their patients and increase pharmacist-provided clinical services.

Legislative Advocacy

- **Medical Homes & ACOs**
  In addition to sponsored legislation, CPhA worked on a number of other legislative efforts to benefit pharmacists. One primary initiative was to work with Senator Ed Hernandez, DO, regarding pharmacist’s roles in ACO and Medical Homes. Although CPhA was not the sponsor of SB 393, we remained actively engaged in lobby efforts and political capital were leveraged by CPhA to support the bill through the legislative process. These efforts included testifying in committees and meeting with individual legislators regarding passage of the bill. The bill successfully passed out of the legislature; however the Governor vetoed the measure.

- **Managed Care**
  CPhA also looked at ways to help members prepare for the future. One area where this was accomplished was in the area of Medi-Cal managed care. CPhA by developed a “Medi-Cal Managed Care Primer”, which was made available electronically to members for no charge, to help pharmacists prepare for the transition of Medi-Cal beneficiaries from fee-for-service to a managed care environment.

- **Medi-Cal Provider Cuts**
  Another significant area of work in Medi-Cal was CPhA’s continued leadership to the healthcare provider alliance against the 10 percent Medi-Cal provider cuts. CPhA coordinated and supported the litigation effort among the alliance members as well as continued the ongoing public relations strategy through a statewide network of local pharmacist-led coalitions.
  In late Fall 2012, we were disappointed to learn that a 3-judge panel of the 9th District Circuit Court of Appeals had overturned the injunctions prohibiting the state from implementing the 10 percent rate cuts. CPhA and the provider coalition moved swiftly into action and filed a petition for the full 9th District to review the case. That petition is pending, but CPhA remains hopeful and vigilant in fighting the 10 percent provider rate cut to the fullest extent possible.

Communications

In addition to direct advocacy efforts, the government affairs division of CPhA also developed a new advocacy e-newsletter for members (Capitol Pulse) and contracted with a third-party advocacy outreach program, Voter Voice, to provide members with a user-friendly interface for writing legislators regarding issues important to pharmacists. Voter Voice was used extensively in the successful passage of CPhA sponsored legislation, SB 1195 and SB 1481. The advocacy efforts were also taken on the road to the California schools/colleges of pharmacy where student pharmacists were educated about the legislative process and enlisted in signing petitions for CPhA sponsored legislation.
Recognizing Pharmacists as Healthcare Providers

CPhA’s number one strategic initiative in 2012 was to establish a framework which would expand the utilization of pharmacist services and provide greater access to care for primary care services to the public. These efforts were brought together through the CPhA Provider Status Task Force. The result of this year-long process was the development of a legislative that was introduced in early 2013 to achieve provider status for pharmacists in the state of California. Along the way, CPhA invited CSHP to join efforts in achieving this goal as a joint taskforce and to further unify the profession. The importance in recognizing pharmacists as providers goes beyond the need to simply allow pharmacists to be able to provide expanded services to their patients. Rather, provider status is critical to ensuring that the 5 million adults and nearly 1 million children who will be receiving insurance through the Medi-Cal program in 2014 have a place to access that care.

These 6 million Californians will have health insurance for the first time and they will seek care from the existing provider pool. Unfortunately, there already exists a primary care physician shortage, and even if we built dozens of medical schools tomorrow and flooded the system with students, these doctors will not be ready to practice for 10-12 years. Medi-Cal expansion occurs in January 2014. Pharmacists are appropriately trained to do far more than what most are allowed to do in practice. With the impending number of new beneficiaries, we need to recognize pharmacists as health care providers within the appropriate law, and create pathways for them to begin operating at the top of their scope of practice.

West Coast Pharmacy Exchange

CPhA’s annual meeting went through a major redesign and rebranding in 2012. The conference structure, development of a broad-based volunteer taskforce, greater budgeting sophistication, and a renaming and rebranding were major elements of the reinvigorated annual meeting. The reformatting of the conference also allows for future expansion and pharmacists from other states to participate in the extensive continuing education, trade show exhibition, and social events.

Preferred Member Benefit Agreements

In order to help members serve their patients better, CPhA look for other creative and needed services to offer its members. These Preferred Member Benefit Agreements offered an array of products and services to our members at a discount or reduced fee.

One of the most popular preferred vendors was with RxTran Pharmacy Language Solutions. This program was launched for all CPhA member in order to help them comply with new pharmacy regulations. Member received multiple discounts, including no enrollment or monthly fees as well as free “Point to Your Language” display placards for their pharmacies. CPhA members who use the translation service also received a discounted rate with On-Demand Phone Interpreting.

CPhA also partnered with East West Bank, who provides financing solutions for pharmacies through conventional and SBA lending programs. East West Bank earned the ranking of “America’s #2 Best Bank” by Forbes.com, and is an established leader in financing the pharmacy profession through their Professional Practice team. This program offers lending options for refinancing, expansions, acquisitions, mergers, and more.

Lastly, CPhA created a preferred partnership with NCPDP (National Council for Prescription Drug Programs). Participants receive a $50 discount on HCidea Lookup Tool service, and receive 24/7 access to NPI, DEA and SPI identifiers, as well as other demographic information contained in the HCidea database. This online solution allows a search by prescriber’s last name and geographic location or by NPI, DEA or UPIN numbers. This service can assist pharmacists by validating physicians and other prescribers, speed claims adjudication, minimize appeals, facilitate multiple state claims, and many other solutions.

Corporate Partner Program Launched

CPhA restructured its corporate membership program in 2012 to expand opportunities for partnering with companies on programs, projects, and funding. Beyond a simple membership, the Corporate Partnership Program was re-engineered to meet the needs of the industry partners that support the pharmacy profession. Corporate partners receive special privileges in recognition of their support, including special invitation-only events such as the President’s Corporate Advisory Council, the CPhA West Coast Pharmacy Exchange, and the CPhA board of trustees.

The results of the program were overwhelming with 12 companies signing on to the inaugural Corporate Partnership offering. A listing of these partners and their commitment are listed in this annual report. We look forward to welcoming many more Corporate Partners in 2013.
Governance Taskforce Recommendations Adopted

One of 2012’s most significant advancements in building an effective CPhA was the creation of the Governance Taskforce. The creation of the Governance Taskforce was the result of the CPHA leadership stepping back and asking several hard questions about the future of the organization and how CPhA can not only maintain its relevance, but rather how can it thrive in the future. Research shows that the traditional association operating model isn’t working as well as it once did. Most associations are tradition driven, slow, risk adverse and fail to keep pace the technological and generations innovations of its members. It was acknowledged that, while most associations - including CPhA - are not in immediate danger, they will struggle if they cling to conventional approaches and structures. Associations and professional societies will have members, but they will lose relevance as their members’ average age climbs and they will lose market share and influence.

Seeing the challenges of the immediate past history of the organization as well as those that lie ahead, President Hillblom appointed the Governance Taskforce and charged them with identifying those organizational elements within CPhA that needed to change in order allow CPhA to grow in the future and thrive as a 21st century association. Made up past and present leaders, and chaired by CPhA and APHA past president Charlie Green, the Governance Taskforce undertook a year-long process of examining every aspect of the CPhA governance structure, conducted surveys of leadership, members, and stakeholder groups, and studying best-practices for Governance models of the future. Every aspect of the Association’s governance systems was reviewed, including the Board of Trustees, Academies, Students, and House of Delegates.

The results were an inspiring set of recommendations regarding CPhA’s governance structures that will make the necessary adjustments that will allow the organization to meets its objectives – thriving as a 21st century association. These recommendations were forwarded and approved by the CPhA Board of Trustees. Next, they will be submitted to the CPhA membership for consideration during the 2013 elections cycle.

New Webinars Developed

CPhA developed and launched a new series of affordable online educational ‘webinars’ for members in 2012. Webinars were held monthly on various topics in pharmacy practice and provided members with cutting-edge information to help serve their patients better. These sessions included clinical, regulatory compliance and business opportunity sessions in a compact format that maximized the information provided and respected the audience member’s time.

Certificate Programs

In addition to the new webinar series, CPhA expanded its pharmacist clinical services training programs, which included immunization, diabetes, and MTM certification courses. These programs provided in-depth and comprehensive training in a combination of online and live didactic and skills workshops. Multiple certificate programs were held in various locations throughout the state to provide members with ample opportunity to achieve their practice certificate designations.

Immunization Toolkit Developed

One of the expanded immunization certificate program projects was a CPhA member Immunization Protocol, which was developed and successfully launched in 2012. CPhA, working with a local physician, provided a model immunization protocol for all CPhA pharmacists. This protocol also provides access to an immunization toolkit, which includes all of the relevant policies, procedures, and required documents for a pharmacy to administer immunizations. This toolkit, in conjunction with the protocol and immunization certificate training programs provides a comprehensive benefit for any CPhA pharmacist interested in starting immunization services for their patients.

Communications

CPhA concentrated on telling its story more effectively in 2012 by adding a number of new communication tools for members. In addition to the ever-popular weekly e-newsletter, CEO Message, CPhA created and disseminated relevant and urgent information using an array of other communication tools. These included e-newsletters such as Rx Alerts, Membership Matters, and to keep members abreast of legislative issues, the Capitol Pulse. Additionally, CPhA expanded its social media presence by expanding its online presence. These efforts included a greater focus on Facebook and Twitter. Utilization for social media expanded rapidly, with Facebook, for example, posting a jump in “Friends” from 864 at the beginning of the year, to nearly 3,000 by year-end. These communication vehicles are one more way that CPhA is striving to remain relevant and communicate important information in multiple formats to its members.

Membership Grows 9.9%

Ultimately the test of whether an association is adding value to its profession or not is through the metric of membership development. We are pleased to report that significant progress was made in recruiting new pharmacists into CPhA membership in 2012. Thanks in part to the array of new programs and services, increased communications, expanded corporate partnerships, enhanced educational offerings, and retooled governance structure, CPhA enjoyed a marked increase in pharmacist and student pharmacist membership.

Additionally, a statewide nonmember campaign was developed with messaging strategies based upon the results of the Mind of the Pharmacist survey research conducted in 2011. The campaign focused on the theme of “We Have Your Back”, which articulated the value of the efforts that CPhA had undertaken to benefit pharmacists in all practice settings. The campaign featured a four-part communications mailing highlighting different ways in which CPhA was working on behalf of pharmacists (advocacy, communications, and education). The fourth mailing included a ‘temporary’ membership card and a link to a user-friendly website interface for nonmember pharmacists to ‘activate’ their card and join CPhA. The results demonstrate growth in pharmacist membership of 9.9% and student pharmacists by 22.7%!
A Message from CPhA Treasurer, Ed Sherman, PharmD

Financially, 2012 produced some new beginnings for CPhA. First and foremost, membership revenue increased over 2011, making 2012 the second upward trending year since a downward trend began in 2006. Throughout the year there were other positive milestones such as the new educational programs that achieved both revenue and new members, revenue increases from Journal advertising as well as from member-benefit royalty programs. Supporting many of those revenue shifts have been operational investments in stronger educational, governmental and public affairs staffing. Overall, the operating budget achieved 98 percent of projected budgeted revenues and 2 percent over budgeted expenditures.

In addition to general operations, the Board made decisions regarding key strategic investments throughout 2012, including continued support of the litigation over the Medi-Cal cuts, greater lobbying representation for the CPhA sponsored PBM Audit legislation, completing the review of CPhA’s information technology infrastructure and initiating the implementation of those recommendations. Even with the expenditure of those operating reserves, the net investment balance increased for the first time since 2009. The Investment Committee continues to provide oversight to CPhA’s Investment Advisory firm, Beacon Pointe, ensuring that our Investment Policy is followed to wisely and strategically invest for the long term.

Looking forward, the financial focus in 2013 will be to continue the trends seen in 2012: continuing the net membership growth, welcoming enhanced corporate partnerships, growing the educational programs, continuing CPhA’s strong commitment to governmental and public affairs, and completing the improvements to CPhA’s information technology structure and enjoying the resulting operational efficiencies.

California Pharmacists Association

Statements of Activities
Year ended December 31, 2012

REVENUES:
Membership dues $633,294
Royalties 393,538
Outlook convention 46,265
Journal revenue 46,471
Administrative fees 29,400
Educational programs 130,015
Events 60,872
Other income 227,408
Total revenues $1,979,263

EXPENSES:
Program services:
Membership services:
Membership services 587,022
Outlook convention 280,726
Other events 110,074
Education 1,130,539
Total membership services 1,130,539
Governmental and public affairs:
Communications 146,647
Total program services 1,277,186
Supporting services:
Management and general 2,082,528
Total expenses 2,888,413

LOSS FROM OPERATIONS
Non-operating (strategic) revenues and expenses:
Pharmacy defense fund, net 194,689
Operating reserves expenditures 1,62,397
Operating expenses 70,499
Depreciation expense 513,265
Net gain on investing 17,586
Total losses (103,265)

DECREASE IN NET ASSETS
Net assets, Beginning of year 5,633,847
Net assets, End of year $5,616,262

California Pharmacists Association

Statement of Financial Position
December 31, 2012

ASSETS
Current assets:
Cash and equivalents $9,727
Accounts receivable 9,727
Due from related parties 276,716
Prepaid expenses and other current assets 9,787
Total current assets 346,035
Non-current assets:
Investments 4,555,916
Property and equipment, net 1,440,193
Total non-current assets 5,996,109
Total assets $6,342,144

LIABILITIES & NET ASSETS
Current liabilities:
Accounts payable $57,838
Accrued expenses 92,996
Deferred revenue 522,804
Current portion of capital lease obligations 20,274
Total current liabilities 693,912
Capital lease obligations 31,970
Total liabilities 725,882
Net assets:
Unrestricted:
Undesignated 904,396
Board designated 4,705,916
Total unrestricted 5,610,312
Temporarily restricted net assets 5,950
Total net assets 5,616,262
Total liabilities and net assets $6,342,144

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