YOUR DIAGNOSIS AND TREATMENT
PRECISE AND ACCURATE

2018 ANNUAL REPORT
Patient Health Begins With Supporting Our Members

As new technologies emerge and health care becomes more complex, pathologists must prepare to lead and thrive in a changing environment. The one constant they can count on remains the support and guidance of the College of American Pathologists.

In 2018, the CAP continued to respond to member needs, investing in what members value most. We modernized the way laboratories enter proficiency testing (PT) results, streamlining the experience to be more user friendly. In addition, we improved our website, databases, and servers to increase effectiveness and efficiency. Our commitment to protect pathologists’ reimbursement remained strong as did our innovative work to ensure consistent laboratory quality.

Members worked collaboratively with professional staff at the CAP, which was recognized as a 2018 top workplace. Together, we provided pathologists with the knowledge, skills, and resources to remain current and relevant in an evolving health care landscape. Together, we’re changing lives by providing patients with the answers they need to guide their care.
Laboratory medicine is changing at a rapid pace. The CAP’s comprehensive range of laboratory quality solutions constantly evolves to keep in step with these changes, enabling more time for what matters most—accuracy in the laboratory.

Year over year the CAP innovates, drawing on the collective knowledge of thousands of member experts to help laboratories navigate the accelerating changes in laboratory medicine and health care. Much of this innovation comes from integrated laboratory quality solutions that include accreditation and PT. These programs ensure the highest quality of patient care and mitigate risk for laboratories and the patients they serve.

CAP Provides Global Laboratory Leadership

More than 22,000 laboratories worldwide chose the CAP as their PT provider. The CAP launched 28 new programs in 2018, bolstering its comprehensive suite of 650 PT programs that offer innovative and scientifically developed PT for both routine and esoteric testing. Seven new programs were designed specifically for quality assurance in next-generation sequencing, including emerging areas such as cell-free circulating tumor DNA testing and noninvasive prenatal testing.

The CAP’s innovation carried through to its Laboratory Accreditation Program, a vital part of providing high-quality patient care. CAP-accredited laboratories, numbering more than 8,000 worldwide, are committed to quality improvement beyond simply satisfying regulatory requirements. They see CAP accreditation as an opportunity to pursue continuous improvement in patient care.

Accreditation Checklists Set Standards for Quality Laboratory Practices

Twenty-one discipline-specific Laboratory Accreditation Program checklists with nearly 3,000 requirements form the quality practices blueprint for laboratories to:

• Maintain compliance with Centers for Medicare & Medicaid Services (CMS) regulations
• Stay up to date with changes in laboratory medicine

The CAP updates its accreditation checklists every year, renewing the CAP’s promise to help laboratory partners administer world-class patient care. The collective knowledge of the CAP’s scientific resource committees reflects changing technology and increasing sophistication in laboratory testing.

In the 2018 accreditation checklist edition, the CAP added more than 40 new requirements and significantly revised approximately 240 requirements, with the most significant changes in the Anatomic Pathology Checklist, Laboratory General Checklist, and Transfusion Medicine Checklist.

Laboratory quality solutions include much more, extending to the CAP’s leadership in the development of cancer protocols and evidence-based guidelines and in tracking advancements in technology.

Cancer Protocols, Biomarker Templates, and eFRM Tools Improve Reportability

In 2018, the Cancer and Pathology Electronic Reporting committees released 54 revised cancer protocols and biomarker templates, in addition to the new DNA Mismatch Repair biomarker template aligned with checkpoint inhibitor immunotherapy testing. While most updates were minor, significant revisions improved the reportability of regional lymph nodes and the redesign of the central nervous system protocol to allow for reporting initial findings and then for reporting biomarkers with an integrated diagnosis.

More than 5,200 pathologists are now licensed to use the electronic Cancer Checklists (eCC) and the CAP electronic Forms and Reporting Module (eFRM) tools for cancer reporting in their laboratory information system and workflow.

In addition, in 2018 the Centers for Disease Control and Prevention (CDC) awarded the CAP a five-year, $300,000/year collaborative grant to further address standardization and
CAP Ensures Laboratory Excellence

(continued from page 3)

support for diagnostic cancer and biomarker electronic reporting. This initiative supports continued eCC product development, including technical and functional improvements, pathologist and cancer registrar educational activities, and promotion of downstream data usage for quality reporting and surveillance activities.

Evidence-Based Guidelines Advance Pathology

The CAP’s Pathology and Laboratory Quality Center for Evidence-Based Guidelines (the Center) collaborated or partnered with more than 10 professional societies and patient advocacy organizations this past year. Joint efforts such as these ensure that the practice of pathology is fully represented and its practitioners are seen as invaluable members of the clinical care team. The CAP is committed to advancing the specialty by developing evidence-based guidelines and bringing them to the forefront of clinical decision making.

Along with its partners, the Center published two evidence-based guidelines in 2018:

1. The CAP/International Association for the Study of Lung Cancer (IASLC)/Association for Molecular Pathology (AMP) update of the “Molecular Testing Guideline for the Selection of Lung Cancer Patients for Treatment With Targeted Tyrosine Kinase Inhibitors” recommends testing for new genes such as ROS1 mutations.

2. The American Society of Clinical Oncology (ASCO)/CAP focused update on “Human Epidermal Growth Factor Receptor 2 (HER2) Testing in Breast Cancer” offers a revised definition of IHC 2+ score classification of the less common patterns observed when performing dual-probe ISH testing for breast cancer and the optimal algorithm for the diagnostic approach.

The Center wrapped up the five-year, CDC-funded grant “Improving the Impact of Laboratory Practice: A New Paradigm for Metrics.” As a result, the Center identified sustainable modalities to track metrics and established new collaboration relationship models. In addition, the Center created and revised processes to improve guideline development and dissemination to increase awareness, adoption, and implementation.

Technology Advances Help Shape the Pathologist’s Future

The CAP keeps a close eye on innovation as it happens at a faster rate than ever before in laboratory medicine due to technological advancements. Recognizing the vast amounts of data generated by laboratories, technology companies are developing new artificial intelligence (AI) and machine learning tools that create both opportunities and challenges for the pathologist. The Informatics Committee and other Council on Scientific Affairs (CSA) committees analyze the developments in this area, while providing new resources to inform the pathology community about these advancements. The CSA and the Council on Government and Professional Affairs (CGPA) work together to address regulatory concerns around AI and machine learning, providing the pathologist’s perspective in shaping the future.

LIVING OUR QUALITY MISSION

22,576 laboratories using the CAP’s PT

2,182 pathologists participating in on-site inspections

8,053 CAP-accredited laboratories
THE CAP IS FIGHTING TO ENSURE THAT PATHOLOGISTS ARE REIMBURSED PROPERLY FOR THEIR LIFE-SAVING WORK AND THAT POLICIES NATIONALLY AND STATEWIDE PUT PATIENTS FIRST.

Pathologists Secure House Passage for Local Coverage Determination Reform

Following a successful CAP-led campaign to influence public policy, the US House of Representatives passed the Local Coverage Determination Clarification (LCD) Act on September 12. This was a key victory for patients, making the process for what Medicare covers more transparent and based on scientific evidence.

Pathologists helped secure 82 sponsors from the House of Representatives to achieve overwhelming support for the legislation. Key provisions concerning pathologists in the bill are:

- Open and recorded Medicare Administrative Contractor (MAC) Carrier Advisory Committee meetings
- Upfront disclosure of evidence as well as the rationale MACs use to deny coverage
- Additional options for challenging an LCD
- Annual reports to Congress on the number of LCD appeals and actions taken

Bill sponsorship increased after the 2018 Policy Meeting, when 78 CAP members lobbied the offices of 135 members of Congress on May 1.

Advocacy was further augmented by 370 CAP members sending more than 1,000 emails and social media messages to their representatives in Congress through the CAP’s grassroots program, PathNET. Digital advertising placements targeting Capitol Hill also supported the legislation.

The CAP’s political action committee, PathPAC, kept pathologists’ messages visible and in central focus throughout the year. During the 2018 cycle, PathPAC donated more than $189,000 to members of key congressional committees with jurisdiction over health care policy. CAP members also attended several events with members of Congress, hosted fundraisers, and flew to Washington to lobby their elected officials.

Protecting the Value of Pathology Services

Through advocacy to protect the value of pathology services, overall Medicare payments to pathologists were projected to increase from 2017 through 2019. Due to the CAP’s engagement with the CMS and other stakeholders, advocacy achieved positive changes, resulting in payment increases for pathology services between the proposed and final Medicare Physician Fee Schedule regulations (see graph).

A $22 Million Difference: Advocacy on the Medicare Fee Schedule in 2017, 2018, 2019
CAP Advocates for Patients and Pathologists (continued from page 7)

Recent examples of CAP efforts to increase or maintain reimbursements or mitigate decreases to reimbursements for physician work value components of pathology services include:

- **Fibrinolysins (85390)**—The CMS, which is the agency administering the Medicare program, agreed with the CAP’s recommendation to increase the physician work relative value unit (RVU) for CPT code 85390.

- **Fine-Needle Aspiration Biopsy (10021, 10004–10006)**—The CMS agreed with most of the valuation recommendations from the CAP and its coalition partners for the new and revised codes.

- **Blood Smear Interpretation (85060)**—The CMS agreed with the CAP’s recommendation to maintain the physician work RVU for CPT code 85060. After a proposed decrease by the Medicare agency, the CAP defended its recommended value.

- **Bone Marrow Interpretation (85097)**—While the CMS did not agree with the CAP’s recommendation to increase payment for CPT code 85097, the government agreed to maintain the value of the service.

CAP Fights for Laboratories in Courts

To mitigate large cuts to clinical laboratory services, the CAP filed amicus briefs supporting a lawsuit against the government to halt implementation of the new clinical laboratory rates. The CAP further called on Congress to amend the statute instituting market-based reforms to Medicare’s clinical laboratory fee schedule. Following the CAP’s advocacy directly with the CMS, the agency agreed to improve its data collection.

CAP Advocates for Patients and Pathologists (continued from page 8)

**Simplifying the Complexities of Medicare’s MIPS to Help Pathologists**

As the rules for Medicare’s quality programs got tougher in 2018, the CAP provided pathologists with the guidance and support to optimize performance in the second year of the Merit-based Incentive Payment System (MIPS). As a result of its five initiatives to help pathologists meet performance requirements and maximize Medicare bonus potential, the CAP:

1. Ensured hundreds of pathologists participating in the 2017 MIPS Reporting Solution met requirements and realized full reimbursement potential before the March 2018 deadline.

2. Enrolled more than 600 pathologists (half of whom used automated data integration) at nearly 60 practice locations in the Pathologists Quality Registry in 2018, enabling them to fully comply with MIPS requirements and to improve the quality of patient care.

3. Secured CMS approval for the inclusion of 21 registry-specific pathology measures, providing pathologists more reporting options under MIPS’s quality category for 2019.

4. Collaborated with the CMS to identify and publish the subset of pathologist-relevant improvement activities, saving pathologists time and making it easier to attest to activities.

5. Advocated for fair MIPS performance scoring so pathologists are not disadvantaged due to the unique circumstances of their practice settings.

And, through meetings and other lobbying activity with Medicare officials, the CAP effectively urged the CMS to reduce the burdens pathologists encounter in complying with MIPS by seeking to introduce greater flexibility for pathologists as non-patient-facing physicians in a system designed for patient-facing physicians.
The Pathologists Quality Registry, a CMS-approved qualified clinical data registry (QCDR), was developed by the CAP in collaboration with FIGmd, the leading registry vendor for specialty societies.

As a QCDR, the Pathologists Quality Registry offers participating pathologists exclusive access to more measures relevant to the care they provide, plus simplified options to gain additional points in other MIPS categories. In its second year, the Pathologists Quality Registry offered participants flexible data collection options via a web interface or automated data integration for small and large pathology practices. In 2018, the registry successfully interfaced with laboratory information and billing systems to exchange quality improvement data and simplify reporting for pathologists.

As part of its strategy to influence public policy, the CAP provided expert guidance and tools to make sense of the complex requirements and assist pathologists in succeeding in MIPS. Pathology-specific educational materials helped pathologists understand the new payment rules, reduce the burden of complying, and position their practices to maximize Medicare bonus potential.

New Research Generated by Policy Roundtable
The CAP published the 2018 Practice Leaders Survey Report, providing the latest socioeconomic data on pathology practices’ structure and ownership status, case volume and revenue mix, practice staffing, and problems incurred with coverage and payment for services. The 2018 survey was the second biennial advocacy survey targeting pathology practice leaders. The following are among the most notable findings:

Nearly 1/3 of practice revenues, on average, come from commercial health plans and 1/3 from Medicare.

Pathology practice hiring exceeds number of retiring pathologists.

57% survey respondents leading practices with 5 or fewer pathologists
State Advocacy Protects the Future of Pathology

To strengthen the profession of pathology, the CAP’s strong partnerships with state pathology societies bolstered advocacy efforts with legislatures and governors.

Network Adequacy and Out-of-Network Balance Billing

Advocacy on health plan network adequacy and out-of-network balance billing included leading a multispecialty coalition of hospital-based physicians to address various state legislative proposals. State legislative action on balance billing occurred in more than a dozen states. In New Jersey, the governor enacted out-of-network legislation that did not include an adverse fee schedule and maintained the patient save harmless protections of prior state law advocated by the New Jersey Society of Pathologists.

Multiple state medical societies advocated for state legislation to establish standards for health plan network adequacy in Washington and Tennessee. In New Hampshire, state legislation was enacted to require state regulatory oversight over health plan network adequacy, including pathology. For more than four years, the CAP and the New Hampshire Society of Pathologists have advocated for enactment of the network adequacy requirement for pathology and laboratory services.

The Arizona Society of Pathologists and the CAP led efforts to seek administrative clarification on that state’s compliance with federal standards on out-of-network pathology/laboratory access for patients and the out-of-network payment requirements in the state Medicaid program.

Direct Billing/Anti-Markup

The Rhode Island Society of Pathologists and the CAP defended a state direct billing law for pathology and laboratory services against a repeal effort. The Florida Society of Pathologists and the CAP ensured that the Florida clinical laboratory licensure law’s repeal did not void the section of state law that prohibits clinical laboratory inducements, kickbacks, and markups.

Genetic Testing

Wyoming enacted a genetic information privacy law that ensures clinical laboratories and pathologists will not be inadvertently impeded by the protections afforded to patients. The new law prohibits the collection, retention, and disclosure of genetic information without the informed consent of the individual or an authorized representative, with some exceptions.
MEMBERS ARE THE REASON THE CAP EXISTS. EVERY PROGRAM AND SERVICE IS DESIGNED TO BENEFIT MEMBERS AND THE PATIENTS THEY SERVE.

CAP Supports What Members Need and Value

Key Initiatives Enhance Member Experience

From superior education and state and federal advocacy to laboratory accreditation and proficiency testing, the CAP strives to meet the needs of its members. This commitment is a simple one, woven into the DNA of everything the CAP does to advance the professional and socioeconomic interests of pathologists in their role as physicians caring for patients.

In 2018, the CAP focused on 17 key initiatives to deliver even greater value to members. These included an expansion of offerings to help members prepare for evolving market dynamics, new payment and employment models, and the emergence of new technologies. That was only the beginning. The CAP continues to actively listen to members, asking them what they need and investing in what they value most.

In response to member input, the CAP continued to improve its website experience. In 2018, the organization made significant changes to cap.org, including the applications within e-LAB Solutions Suite (ELSS) to manage accreditation and PT needs. A refreshed informational website, a redesigned ELSS landing page, a new online accreditation reapplication process with enhancements to keep organizational profiles up to date, and optimization of PT result forms were among some of the projects the CAP implemented, all based on feedback from CAP members and customers.

During 2018, the CAP aligned offerings with evolving member and practice needs. The organization identified collaborations and ways to provide practice leadership and support to members. Specific practice management resources offered in 2018 included the Practice Management Workshop, release of the new Billing Assessment Toolkit, CAP18 and state pathology society presentations, practice management webinars, and direct support of member inquiries with curated content.

An organization that consistently serves the needs of its members will continue to thrive and grow. Total CAP membership is strong with nearly 18,000 members. Nine out of 10 Fellows renew their CAP membership year over year. In addition, recruitment of new members grew in 2018 with success in reaching early-career pathologists and in recruiting 85% of pathology residents who became CAP Junior Members.

Members Grow Influence at State Level and Build Expertise

Key issues impacting pathologists don’t just happen nationally. The CAP’s partnerships with state pathology societies also bolster advocacy efforts at the state level. Through the CAP’s State Pathology Society (SPS) affiliate agreement, state pathology societies can send notifications of society meetings and offerings, calls to action, and invitations to join or renew membership. To date, 29 states have signed SPS affiliate agreements with the CAP.

Through the joint providership program, the CAP offers nonprofit pathology and laboratory medicine organizations the ability to award continuing medical education (CME) and continuing education (CE) credits for their educational activities. By partnering with the CAP, state societies can provide their members with intensive grassroots education right where they live. This year, the program served 16 organizations with more than 50 accredited CME activities, impacting more than 1,700 physicians and 300 nonphysicians.

In 2018, the CAP implemented a learning design strategy, focused on innovative design approaches in its education programs, making the learning experiences more personalized, flexible, and accessible. Participants have noted greater satisfaction and improved knowledge and skill development. One example is the redesigned online activity “Creating a Culture of Patient Safety,” which includes interactive video and self-directed learning.
KNOWLEDGE-SHARING SUCCESSES

507
live and online educational courses offered to pathologists and laboratory professionals

>59,000
CME activities completed by physicians

160
courses that offered self-assessment module (SAM) credits to pathologists

92%
CME courses rated as 4.2 or greater on a 5.0-point scale in overall value by participants

33
scientific committees, comprising 510 member experts, that met regularly to pioneer and update CAP programs

~1,000
committee positions with CAP members serving to promote advocacy, learning, laboratory improvement, and professional development

~1,400
professionals who attended CAP18, the CAP’s annual meeting, with pathologists accessing more than 80 CME courses, including 37 SAMs

~14,000
pathologists who received our peer-reviewed journal, Archives of Pathology & Laboratory Medicine

~44,000
professionals who subscribed to our monthly trade publication, CAP TODAY
Members Lead and Advance Their Careers

The House of Delegates (HOD) is a highly active and engaged group of CAP Fellows. Working with the Board of Governors and the five CAP councils, the HOD raises awareness of emerging issues impacting pathologists today. Working collaboratively, HOD members provide feedback to the Board and its councils on CAP programs, products, and services to ensure member needs are met.

The nearly 500 elected members of the HOD represent the largest organized body within the CAP. Importantly, HOD members are actively involved in many CAP committees, participate in advocacy efforts, and are focused on strengthening their local and state pathology societies.

Members Demonstrate Impact

The Engaged Leadership Academy trained another 40 pathologists in the professional communication skills needed to articulate and demonstrate the value of pathologists and the profession. After training, these members joined more than 200 of their colleagues in the Engaged Leaders Network, a group of dynamic pathologists who participate in a wide variety of activities designed to demonstrate the value of pathologists to the community, to elected officials, and to other professional colleagues.

In 2018 the CAP continued to educate the public and media about the importance of the pathologist’s role in health care.

With medicine changing at warp speed and most patients desiring more information about their health care, a pathologist will be a bigger part of that conversation now and into the future. On a 25-city radio tour, the CAP highlighted the CAP Foundation’s See, Test & Treat program, which remains committed to helping underserved and uninsured women. Those interviews were heard on more than 700 radio stations and networks nationwide.

Through a satellite media tour, the CAP educated the public about direct-to-consumer genetic testing kits; the initiative focused on how they work and how the information contained in these tests might affect individuals and their families, especially in making medical decisions based on the results.

This media tour reached more than 16 million viewers through stories on 450 radio and television stations around the country. A complementary advertising campaign achieved 25 million impressions.

Another successful nationwide digital advertising campaign focused on molecular pathology and targeted cancer therapy. Advertising spots ran on app-based providers like ABC, A&E, Discovery, Pandora Internet Radio, and streaming devices such as Apple TV and Roku. DirecTV networks featuring the ads included Animal Planet, BBC America, DIY, Food Network, Hallmark, HGTV, TLC, Travel Channel, TV One, USA, and the National Geographic Channel, among others. The campaign achieved more than six million impressions.
Awards were presented to medical students with an interest in pathology to attend CAP18. This new medical student award provided recipients the opportunity to meet a diverse group of physicians dedicated to delivering the highest quality of patient care in pathology and laboratory medicine.

Employees Receive Recognition and Give Back

Serving the needs of members and patients requires a talented, engaged staff. In 2018, the Chicago Tribune recognized the CAP as one of the 50 top workplaces for midsize organizations. The nomination and ranked achievement represented the CAP’s focus on continuously improving the culture and its commitment to ensure that the CAP is a great place to work.

In recognition of the CAP’s qualities as a socially responsible employer, Companies That Care once again named the CAP to its 2018 Honor Roll. This national list recognized employers for outstanding workplace practices and active community involvement, especially in the areas of education, diversity, and inclusion.

Giving back to the community is a point of pride for those who work at the CAP. Employees used more than 500 paid volunteer hours to support youth outreach programs in low-income communities, children’s health charities, food and book banks, and more. Among these community efforts, the CAP’s Center staff invited all employees to participate in a special needs student mentoring program that introduced the students to pathology and laboratory medicine. Encouraging paid volunteer time by staff distinguishes the CAP from other organizations and is consistent with the CAP’s goal to recruit engaged, ambitious, and committed employees.

While employees consider their work to improve patient lives through pathology and laboratory medicine an important part of demonstrating social impact, they're often eager to find additional ways to give back to the community and to those in need. Through staff support, the CAP Foundation met a $25,000 donor challenge in 2018, garnering $50,000 for See, Test & Treat.
The CAP delivered strong financial performance.

CAP Remains Financially Strong

The CAP’s goal—as a nonprofit organization—is to provide the greatest value to the greatest number of members. To do this, we need to maintain a strong financial position and invest our excess earnings into the right portfolio of member benefits.

Our total operating revenues for the year ended December 31, 2018, were $218.0 million—a 5.0% growth over fiscal year 2017. Revenues were slightly below the Board-approved target due to a one-time accounting adjustment.*

Revenue from Laboratory Quality Solutions, which includes proficiency testing and laboratory accreditation, grew 4.9% over 2017. These programs benefit pathologists, clinicians, and patients and—at 92.6% of total revenues—remained the primary source of funding for other CAP member benefits. We continue to experience strong growth in strategic international markets, which contributed 17.0% of proficiency testing revenues. Laboratories choose the CAP as their accreditation and proficiency testing provider thanks to our unique peer inspection model, the breadth and quality of our programs, and tools such as the performance analytics dashboard, which make it easier for large systems to advance quality. The enduring success of these programs is a testament to the dedication of our volunteers—both members and other laboratory professionals.

In 2018, we also saw notable growth in other revenue, largely due to increased exhibitor participation in our annual meeting.

<table>
<thead>
<tr>
<th>REVENUE CATEGORY</th>
<th>2018 AMOUNT (MILLIONS USD)</th>
<th>% OF TOTAL OPERATING REVENUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proficiency Testing</td>
<td>$156.1</td>
<td>71.6%</td>
</tr>
<tr>
<td>Laboratory Accreditation*</td>
<td>45.8</td>
<td>21.0%</td>
</tr>
<tr>
<td>Periodical and Published Materials</td>
<td>5.5</td>
<td>2.5%</td>
</tr>
<tr>
<td>Membership Dues</td>
<td>3.7</td>
<td>1.7%</td>
</tr>
<tr>
<td>Learning</td>
<td>2.8</td>
<td>1.3%</td>
</tr>
<tr>
<td>Structured Data</td>
<td>2.5</td>
<td>1.2%</td>
</tr>
<tr>
<td>Other</td>
<td>1.6</td>
<td>0.7%</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>$218.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Investment Earnings/(Loss)</td>
<td>(2.0)</td>
<td>(0.9%)</td>
</tr>
</tbody>
</table>

Total Revenues $216.0 99.1%

* Includes a one-time adjustment of -$1.1 million to defer accreditation revenue to 2019 to properly correlate customer payments with the timing of services.
We continued to actively manage costs across all departments while investing in the right member benefits. Total operating expenses were $222.2 million, $6.3 million below budget.

As with many organizations, cost of personnel and benefits is our largest expense category—accounting for 41.2% of total expenses in 2018 (net of capitalized amounts). The Compensation Committee continuously monitors this cost against external benchmarks, ensuring our ability to attract and retain the right talent in a sustainable way. In addition to building internal capabilities, the CAP also selectively engages outside services for specific short-term expertise on projects and for more cost-effective solutions for ongoing operations. In 2018, outside services (net of capitalized amounts) were 10.4% of total expenses.

Cost of materials and on-site inspections is our second largest expense category, comprising 31.1% of total expenses. This category includes payments to outside vendors for test kits, cost of shipping those kits to more than 22,000 laboratory sites in over 100 countries, and worldwide inspector travel costs.

This expense grew by 2.4% over 2017, as cost increases from suppliers, international shipping, and inspection travel expenses were partially offset by benefits of a new global logistics partner. We continue to seek the most efficient ways to deliver our growing programs in an increasingly complex global environment, mitigating costs and accelerating delivery times, especially to our international customers.

Depreciation and amortization accounted for 6.0% of total expenses in 2018. This non-cash expense is related to significant past investments to update our information systems. The Board of Governors continues to monitor member and customer feedback and invest in the areas of highest priority. It is now easier than ever to enter proficiency testing results online and update your organization’s profile. Additional investments are forthcoming based on a five-year strategic technology plan approved by the Board in 2018.

With revenue slightly below target and expenses significantly below budget, 2018 net income (excess revenue over expenses after investments and adjustments) was negative $6.2 million—$1.1 million better than budget. The Board also monitors earnings before interest, depreciation, and amortization (EBIDA), minus capital expenditures (CapEx). While yearly results may fluctuate, our long-term goal is to break even. The CAP again exceeded this target—achieving EBIDA less CapEx of $3.2 million in 2018 and positioning us well for future investments.
CAP Remains Financially Strong

Our balance sheet remains strong, with total assets of $238.4 million, including reserves of $76.6 million. Like most investors, we saw some decline in our portfolio in 2018, but we were able to manage it to 2.8% of value through strong diversification.

Your CAP is financially sound and well positioned to foster excellence in the practice of pathology and laboratory medicine worldwide for years to come.

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>BALANCE AS OF DECEMBER 31, 2018 (MILLIONS USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$30.8</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>88.2</td>
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<tr>
<td>Other Current Assets</td>
<td>8.7</td>
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<tr>
<td>Land, Buildings, and Equipment,</td>
<td>37.6</td>
</tr>
<tr>
<td>Net of Accumulated Depreciation</td>
<td></td>
</tr>
<tr>
<td>Investment and Other Long-Term Assets</td>
<td>73.1</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$238.4</td>
</tr>
<tr>
<td>Less: Total Liabilities*</td>
<td>188.5</td>
</tr>
<tr>
<td>Net Assets*</td>
<td>$50.0</td>
</tr>
</tbody>
</table>

* Beginning deferred revenue balance was increased by $14.1 million (with a corresponding reduction to net assets) for a one-time accounting adjustment to properly correlate customer payments with the timing of accreditation services.

$218.0M operating revenue—up 5.0% over 2017

$222.2M expenses—up 4.6% over 2017

$201.9M revenue from Laboratory Quality Solutions—4.9% growth over 2017

$3.7M revenue from member dues

$8.7M spent in direct support of advocacy initiatives, to lobby on behalf of the interests of pathologists

$3.2M EBIDA minus capital expenditures

$7.3M allocated toward advancing comprehensive learning programs for members

$6.2 M earnings net of noncash expenses
# Officers
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- **Patrick E.T. Godbey, MD, FCAP**
  - President-Elect
- **Richard R. Gomez, MD, FCAP**
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- Alfred Wray Campbell, MD, MBA, FCAP
- Rajesh C. Dash, MD, FCAP
- Eric F. Glassy, MD, FCAP
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- Donald Steven Karcher, MD, FCAP
- Jonathan Louis Myles, MD, FCAP
- Raouf E. Nakhleh, MD, FCAP
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  - Chair, Residents Forum
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  - President, CAP Foundation
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  - Vice Speaker, House of Delegates

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- Alfred Wray Campbell, MD, MBA, FCAP
- Rajesh C. Dash, MD, FCAP
- Eric F. Glassy, MD, FCAP
- Jennifer L. Hunt, MD, MEd, FCAP
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- Raouf E. Nakhleh, MD, FCAP
- Richard Michael Scanlan, MD, FCAP
- Emily Ellen Volk, MD, MBA, FCAP
- Nancy A. Young, MD, FCAP

### Our Mission
**THE COLLEGE OF AMERICAN PATHOLOGISTS (CAP), THE LEADING ORGANIZATION OF BOARD-CERTIFIED PATHOLOGISTS, SERVES PATIENTS, PATHOLOGISTS, AND THE PUBLIC BY FOSTERING AND ADVOCATING EXCELLENCE IN THE PRACTICE OF PATHOLOGY AND LABORATORY MEDICINE WORLDWIDE.**

### Our Vision
**PEOPLE ARE HEALTHIER BECAUSE OF EXCELLENCE IN THE PRACTICE OF PATHOLOGY AND LABORATORY MEDICINE.**
The CAP is a 501(c)(6) nonprofit membership organization under the Internal Revenue Code. The IRS designation allows the CAP to lobby for pathologists with Congress, the federal administration, and state governments, and establish a political action committee (PathPAC) to participate in the political process. Our member-elected Board of Governors provides financial and operational oversight and sets strategic direction.