



COLLEGE of AMERICAN
PATHOLOGISTS

YOUR DIAGNOSIS AND TREATMENT
PRECISE AND ACCURATE



2018
ANNUAL
REPORT

THE STORY OF PATHOLOGISTS IS ONE OF FOCUSED DILIGENCE, PERSISTENT QUALITY, AND UNPARALLELED EXCELLENCE. PEOPLE ARE HEALTHIER WHEN PATHOLOGISTS SUCCEED.

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INTRODUCTION

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.



CEO Stephen Myers and President R. Bruce Williams, MD, FCAP

CAP Ensures Laboratory Excellence

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.

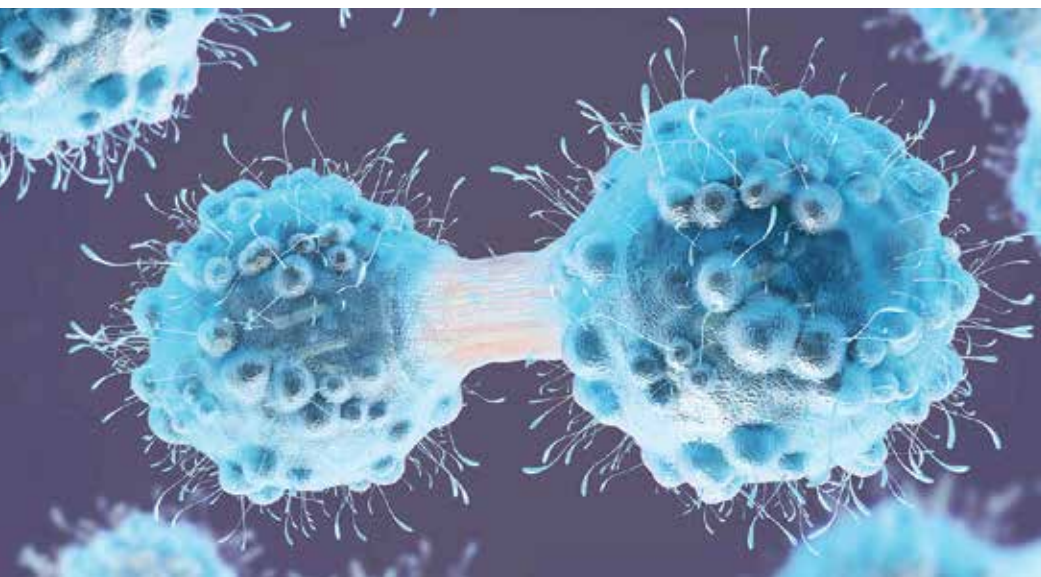
More than 5,200 pathologists are now licensed to use the electronic Cancer Checklists (eCC) and the CAP electronic Forms and Reporting Module (eFRM) tools for cancer reporting in their laboratory information system and workflow.

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

PATIENTS CAN REST ASSURED THAT THEIR RESULTS ARE ACCURATE BECAUSE OF THE CAP'S INNOVATION AND COMMITMENT TO QUALITY IN LABORATORY MEDICINE.

CAP Ensures Laboratory Excellence

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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

CAP Advocates for Patients and Pathologists

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

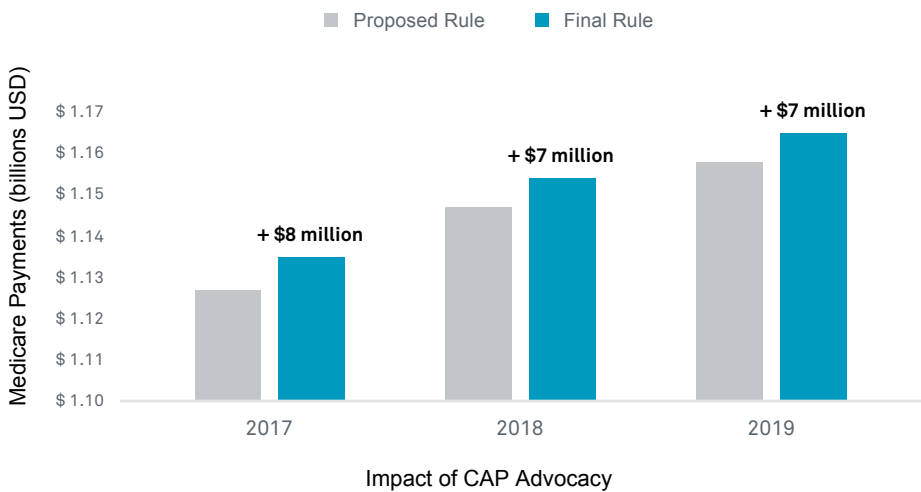
to Washington to lobby their elected officials.

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

MEDICARE PAYMENTS TO PATHOLOGISTS BY CMS REGULATORY CYCLE



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.

CAP Advocates for Patients and Pathologists

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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.

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 Advocates for Patients and Pathologists

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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.

CAP Advocates for Patients and Pathologists

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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.

CAP Advocates for Patients and Pathologists

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New Research Generated by Policy Roundtable

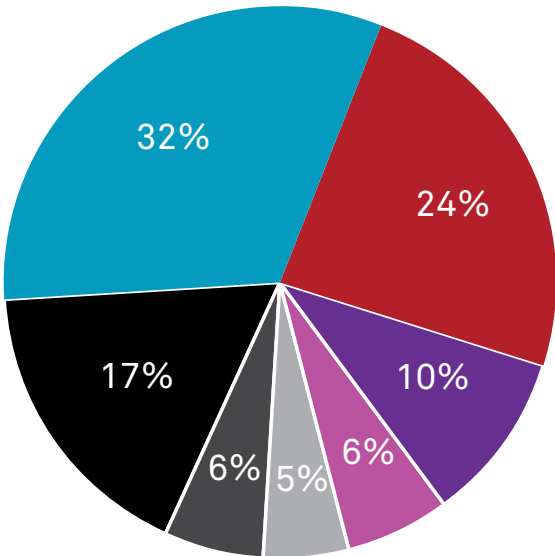
The CAP published the 2018 Practice Leaders Survey Report, providing the latest socioeconomic data on pathology practices' structure and ownership status, case volume and revenue mix, practice staffing, and problems incurred with coverage and payment for services. The 2018 survey was the second biennial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



49% to 38%
in 2016 in 2018

drop in pathologist-owned practices

SOURCES FOR PATHOLOGY PRACTICE REVENUE



Commercial Health Plans Traditional Medicare State Medicaid Programs
Hospitals for Services Provided (ie, Part A) Self-Pay
Medicare Advantage Plans Other

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



57%
survey respondents leading practices with 5 or fewer pathologists



Pathology practice hiring exceeds number of retiring pathologists.

CAP Advocates for Patients and Pathologists

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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.

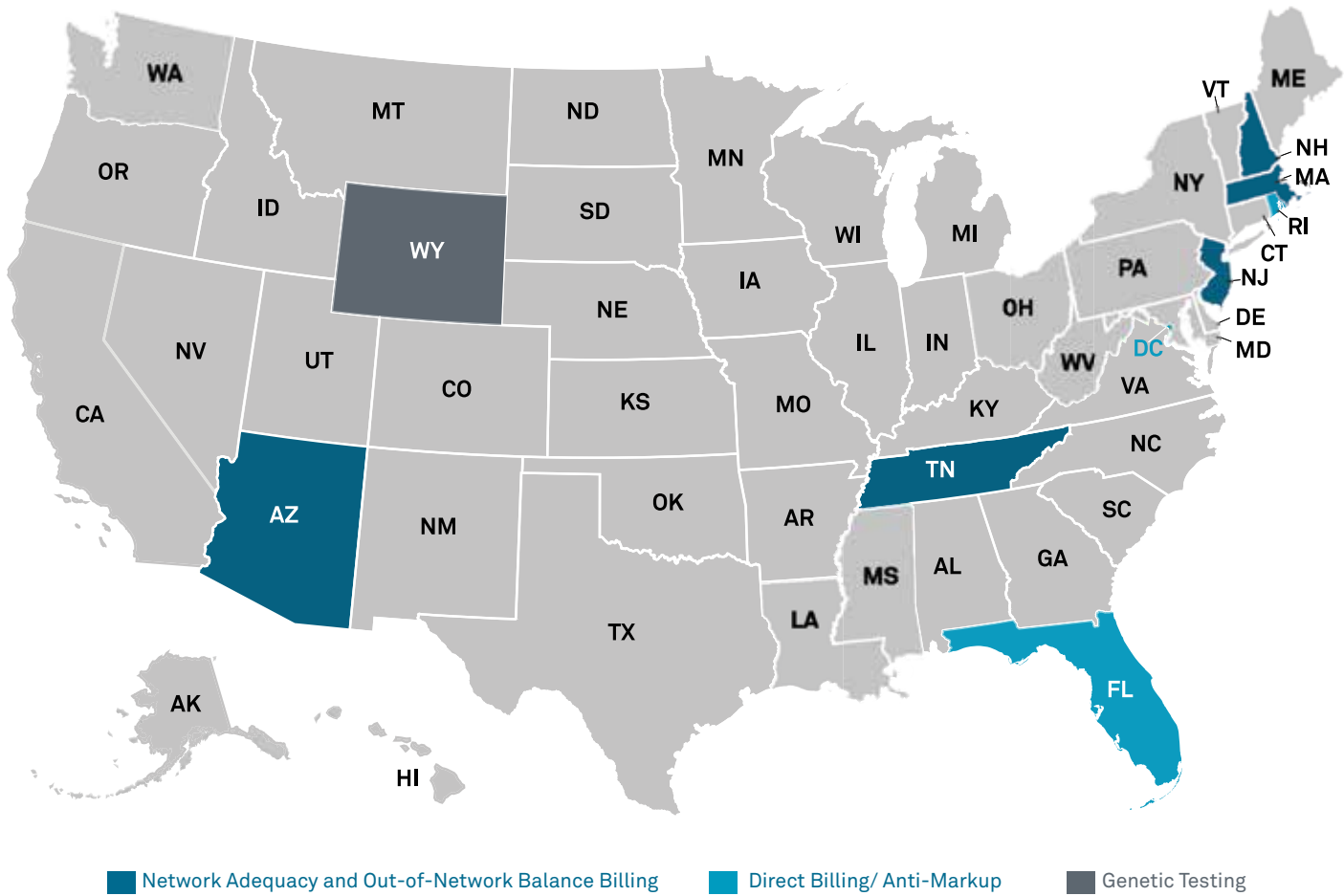
In New Jersey, the governor enacted out-of-network legislation that did not include an adverse fee schedule and maintained the patient *save harmless* protections of prior state law advocated by the New Jersey Society of Pathologists. The Massachusetts Society of Pathologists and the CAP secured a clarification from the Massachusetts State Insurance Department requiring health insurance payers to hold patients financially *save harmless* for out-of-network bills.

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.

CAP Advocates for Patients and Pathologists

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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.

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.

MEMBERS ARE THE REASON THE CAP EXISTS. EVERY PROGRAM AND SERVICE IS DESIGNED TO BENEFIT MEMBERS AND THE PATIENTS THEY SERVE.

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

CAP Supports What Members Need and Value

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The CAP provides varied opportunities for members to enhance critical skills and knowledge. The CAP18 annual meeting offered them ways to explore the latest in emerging science, improve the management of their practices, and advocate for the specialty of pathology. Members appreciated numerous networking opportunities throughout the meeting with a broad CME program featuring Saturday courses for the first time to make education accessible to more members. Live streaming of CAP18 events engaged thousands of members remotely.

Other learning opportunities during the year included the unique Advanced Practical Pathology Programs (AP³s): Ultrasound-Guided Fine-Needle Aspiration, Multidisciplinary Breast Pathology, and Laboratory Medical Direction—all of which

offered highly focused training. Also, the CAP released six new publications in 2018, helping pathologists and laboratory professionals remain current.

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.

The Residents Forum is the future of the pathology profession, representing the leaders of tomorrow. Engagement with the CAP provides the opportunity to grow the young pathologist's network of colleagues, enhance current skill sets, and prepare them for future leadership roles. Knowledge shared during Residents Forum meetings is invaluable in moving forward in one's career. Participation in the Residents Forum fosters meaningful personal and professional relationships that last a lifetime.

CAP Supports What Members Need and Value

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Participants of the 2018 Engaged Leadership Academy

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.

CAP Supports What Members Need and Value

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CAP Improves Lives and Communities

More than 700 underserved women received free cervical and breast cancer screenings at 11 See, Test & Treat programs in 2018 through the CAP Foundation's program grants awarded to CAP members. In many instances See, Test & Treat programs report abnormalities in the double-digits—well over the national average. Research shows that screening for cervical cancer detects precancerous lesions and dramatically reduces the incidence of cervical cancer. Houston Methodist Hospital partnered with BioReference Laboratories for a See, Test & Treat program at which high-

grade squamous intraepithelial lesions were detected in two women, one in her 20s.

Through this vital program, pathologists become leaders in their hospitals and communities, raising the visibility and articulating the value of their practices and their profession. See, Test & Treat has been recognized by the American Society of Association Executives (ASAE) for strengthening communities nationwide. In addition to 11 program grants for See, Test & Treat, the CAP Foundation provided 22 other awards to CAP residents, fellows, and medical students to support leadership development and advanced training opportunities. For the first time, 10 foundation

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

CAP Supports What Members Need and Value

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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.

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.



Secretary-Treasurer
Richard R. Gomez, MD, FCAP

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

THE CAP DELIVERED STRONG
FINANCIAL PERFORMANCE.

CAP Remains Financially Strong

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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.

EXPENSE CATEGORY	2018 AMOUNT (MILLIONS USD)	% OF TOTAL EXPENSES
Personnel and Benefits*	\$ 91.4	41.2%
Cost of Materials and Onsite Inspections	69.2	31.1%
Outside Services*	23.2	10.4%
Depreciation and Amortization	13.2	6.0%
Rental and Maintenance	7.6	3.4%
Council and Committee Expenses	6.0	2.7%
Travel	4.7	2.1%
Office Expenses	3.4	1.5%
General and Administrative	1.4	0.6%
Other	1.9	0.9%
Total Expenses	\$ 222.2	100.0%

* Amounts for personnel and benefits and outside services have been reduced by the capitalized expenses of \$1.9 million and \$3.3 million, respectively.

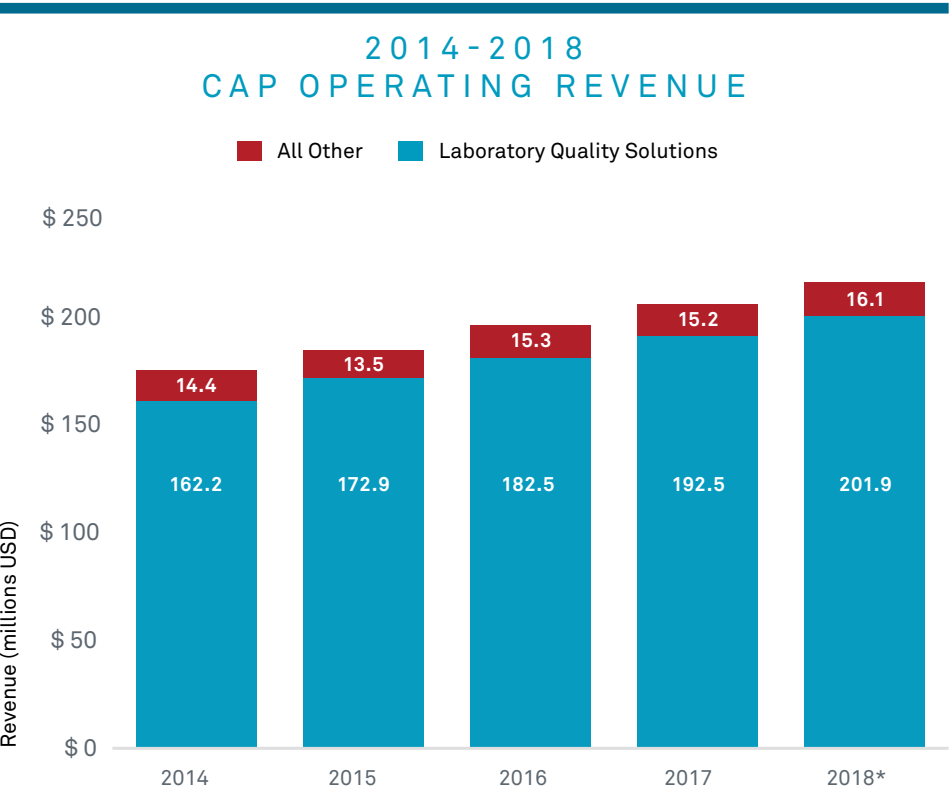
This expense grew by 2.4% over 2017, as cost increases from suppliers, international shipping, and inspection travel expenses were partially offset by benefits of a new global logistics partner. We continue to seek the most efficient ways to deliver our growing programs in an increasingly complex global

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

CAP Remains Financially Strong

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* 2018 Laboratory Quality Solutions revenue includes a one-time adjustment of -\$1.1 million to defer accreditation revenue to 2019.

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.

We continued to fund programs that meet our members' top needs. In 2018, we invested \$7.3 million into high-quality practical learning, delivered your way. We grew our investment in advocacy by 11.3%—\$8.7 million—to ensure the CAP continues to successfully advocate on behalf of pathologists as the only 501(c)(6) membership organization representing pathologists. We funded the Pathologists Quality Registry, led the development of evidence-based guidelines, and helped members build critical skills.

CAP Remains Financially Strong

(continued from page 25)

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.

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

* 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.

GROWING AND EVOLVING

\$218.0M
operating revenue—
up 5.0% over 2017

\$222.2M
expenses—up 4.6%
over 2017

\$3.2M
EBIDA
minus capital expenditures

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

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

-\$6.2 M
earnings net of
noncash expenses

\$3.7M
revenue from member dues

\$7.3M
allocated toward advancing
comprehensive learning
programs for members

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President

Patrick E.T. Godbey, MD, FCAP
President-Elect

Richard R. Gomez, MD, FCAP
Secretary-Treasurer

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Bharati Suketu Jhaveri, MD, FCAP

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Richard Michael Scanlan, MD, FCAP

Emily Ellen Volk, MD, MBA, FCAP
Nancy A. Young, MD, FCAP

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Kathryn Teresa Knight, MD, FCAP
Speaker, House of Delegates

Guillermo G. Martinez-Torres, MD, FCAP
President, CAP Foundation

Sang Wu, MD, FCAP
Vice Speaker, House of Delegates

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.

From left: (Standing) Dr. Young, Dr. Martinez-Torres, Dr. Volk, Dr. Wu, Dr. Glassy, Dr. Campbell, Dr. Dash, Dr. Myles, Dr. Scanlan, Dr. Knight, Dr. Booth. Seated: Dr. Hunt, Dr. Nakhleh, Mr. Myers, Dr. Godbey, Dr. Williams, Dr. Gomez, Dr. Karcher, Dr. Allen, Dr. Jhaveri.



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.



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