

# ***The Financial Aspects of Credentialing Programs: How to Build, Price, and Operate a Cash Cow Instead of a Draining Distraction***

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# AGENDA

- ▶ Terminology refresher: Types of standard-setting programs
- ▶ Financial success metrics
- ▶ Financial planning
  - ▶ Engagement and growth rate targets
  - ▶ Price-point setting
  - ▶ Development costs
  - ▶ Operational costs
- ▶ Risk exposure and management

# CERTIFICATION

- ▶ Independent validation by a non-governmental organization that a person has demonstrated the level of knowledge, skill, or ability required to practice an occupation, profession, or role at a defined level of competence.
- ▶ Certification is sometimes voluntary but may be mandated by a government entity.
- ▶ Certificants are usually authorized to use a designation or title to communicate their certified status to consumers, employers, business partners, and other stakeholders.
- ▶ Certificants must demonstrate continued competence or enhanced competence through periodic recertification.



# LICENSURE

- ▶ The mandatory process by which a government entity authorizes a person to engage in a profession, occupation, or role after verifying that he or she has satisfied relevant criteria and has demonstrated the level of knowledge, skill, or ability required to practice that profession, occupation, or role at a defined level of competence.



# CERTIFICATE

- ▶ Recognition that an individual has completed a discrete course of study—based on attendance, participation, or an assessment.
- ▶ A certificate program usually has a narrower scope (course of study) than a certification program (knowledge, skill, or ability required to practice an occupation competently).
- ▶ A designation or title is usually not granted at the completion of a certificate program.



# ACCREDITATION

- Independent validation by a non-governmental organization that a program, process, institution, building, business, organization, or other thing (other than a person) has satisfied a set of standardized criteria.



# ONE QUESTION, TWO WAYS

How many years for a new credentialing program to be financially successful?

IT DEPENDS ON HOW YOU DEFINE “SUCCESS”

How many candidates per year for an existing credentialing program to be financially successful?

IT DEPENDS ON HOW YOU DEFINE “SUCCESS”

# FIRST PRINCIPLES

- ▶ We are all Mission-driven and measure success in that context
- ▶ Not-FOR-profit ≠ NON-profit
- ▶ Credentialing (and professional development) is more resilient to economic cycles than other association revenue sources
- ▶ Financial self-sustainability is desirable
- ▶ Financial performance is a quantifiable metric for success

# SAME QUESTIONS, IN CONTEXT

How many years for a new credentialing program to become financially self-sustaining (annual ROI)?

3 years

How many years for a new credentialing program to recoup the costs of development (ROI over time)?

5-10 years

How many candidates per year for an existing credentialing program to have net positive financial impact?

- Market volume
- Engagement rate and growth rate
- Price point
- Costs



# INITIAL DECISION POINTS FOR A NEW PROGRAM

- ▶ What Is the Program Purpose?
- ▶ What Is the Intended Scope?
  - ▶ Who Is the Target Audience of Certificants
  - ▶ Single credential, or comprehensive credentialing framework with stackable microcredentials
  - ▶ One Level or Multiple Levels of Experience
  - ▶ Core Practice—with or without Specialty Endorsement Modules
  - ▶ Global Standard or Local Endorsement Modules
  - ▶ Single Language of Practice or Local Translation
- ▶ Market Analysis – Value Proposition and Likely Volume

# MARKET ANALYSIS

- ▶ Market volume = Number of practitioners in your field
  - ▶ Data
  - ▶ Country
  - ▶ ...and beyond! (?)
- ▶ Define stakeholders
  - ▶ Determine what outcomes they value
  - ▶ Can the credentialing program assess and validate those outcomes?



# REVENUE ASSUMPTIONS

- ▶ Engagement rate

Typically 1%-10% in first year, depending on marketing

- ▶ Growth rate

Target 20% growth / year for first 3 years, then step down each year to sustainable 5% growth (based on inflation)

- ▶ Price point

Exam Fees = 1% of average annual salary

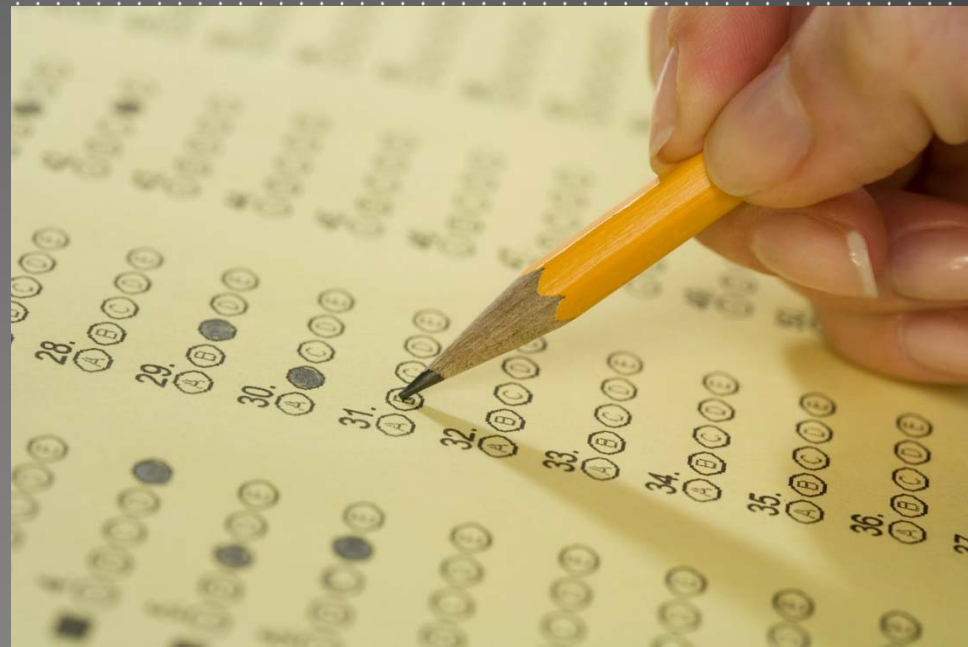
- Localization
- Member / non-member differential
- Consistent annual increase
- Recertification
- Ancillary products and services (approved provider, institutional alliance, branded merchandise, replacement certificates, digital badges, etc.)

# DEVELOPMENT COSTS

- ▶ Initial development
  - ▶ Job analysis
  - ▶ Test specifications / exam blueprint / detailed content outline
  - ▶ Item writing and refinement, with references to authority
  - ▶ Form construction
  - ▶ Beta testing and item refinement
  - ▶ Cut-score setting
  - ▶ Localization / translation / equating
- ▶ Item, form, and distractor analysis
- ▶ Ongoing refresh of item bank and exam forms
- ▶ Periodic revalidation

# OPERATIONAL COST IMPACT: ASSESSMENT METHODS

- ▶ Knowledge, application, and synthesis
  - ▶ Multiple choice
  - ▶ Short answer
  - ▶ Essay
  - ▶ Matching
  - ▶ Games
  - ▶ Oral
- ▶ Performance
- ▶ Portfolio



# OPERATIONAL COST IMPACT: ASSESSMENT DELIVERY PLATFORMS

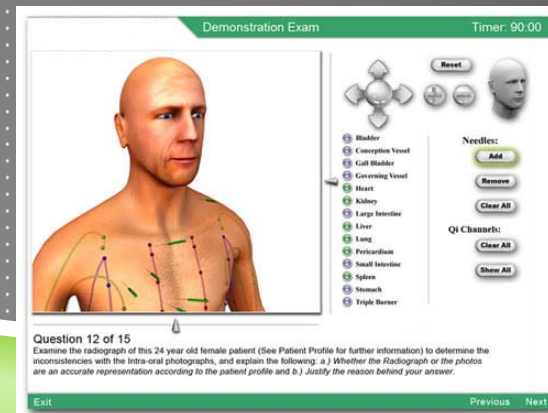
- Computer-Based Knowledge Test



- ▶ Paper-Based Knowledge Test:



- Computer-Based Performance Test



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# COST IMPACT: ASSESSMENT DELIVERY PLATFORMS

## ► Oral Knowledge Test



## ► Objective Structured Clinical Exam



## • Observational Performance Test



# A WORD ABOUT ORAL EXAMS AND OBSERVATIONAL PERFORMANCE TESTING

- ▶ Ensuring consistent and unbiased application of standards by raters
- ▶ Delivery and other costs
- ▶ What is being assessed



# OPERATIONAL COST IMPACT: ASSESSMENT DELIVERY VENUE OPTIONS

- ▶ Association's offices
- ▶ Conference or class
- ▶ Authorized proctors at candidate's office
- ▶ Internet (unproctored)
- ▶ Secure test centers



# ADDITIONAL COST IMPACTS

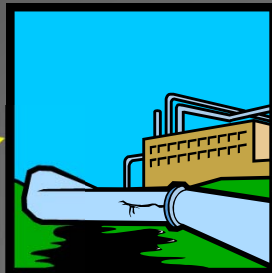
- ▶ Meetings format and venue
- ▶ Marketing
- ▶ AMS / CRM and other technology
- ▶ Self-managed v. AMC / aggregator

# BASIC PRINCIPLES OF LEGAL DEFENSIBILITY

Managing the risk inherent in standard-setting programs.

# WHAT HAPPENS WHEN SOMETHING GOES WRONG

- ▶ High-stakes v. low-stakes
- ▶ Who gets sued
- ▶ Insurance rates



# THREE(+1) BASIC PRINCIPLES TO MINIMIZE RISK

- ✓ Have a rational basis for every decision
  - ✓ Avoid undue influence
- ✓ Do what you say you are going to do
- ✓ (Firewall education from certification)

# WHO WATCHES THE WATCHERS?

- ✓ Certification reassures stakeholders that practitioners meet standards
- ✓ Accreditation enhances the reliability of certification programs

# CROSS-OCCUPATIONAL ACCREDITATION STANDARDS

- ▶ History
- ▶ Purpose
- ▶ Content
- ▶ Use

National Commission for Certifying Agencies

Standards for the  
Accreditation of Certification Programs



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Approved February 2002  
Revised September 2004  
Revised November 2006 (editorial only)  
Revised December 2007 (editorial only)  
Revised January 2010 (editorial only)  
Revised November 2014

INTERNATIONAL  
STANDARD

ISO/IEC  
17024

Second edition  
2012-07-01

Conformity assessment — General  
requirements for bodies operating  
certification of persons

*Évaluation de la conformité — Exigences générales pour les  
organismes de certification procédant à la certification de personnes*



Reference number  
ISO/IEC 17024:2012(E)

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ANSI/NOCA 1100 -

**Standard for  
Assessment-Based  
Certificate Programs**

*An American National Standard*



March 2009 (e)

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# THE GLOBAL MARKET

- ▶ Localization
  - ▶ Scope of practice
  - ▶ Occupational language
- ▶ Delivery footprint
- ▶ Intellectual property
- ▶ Strategic global growth



# SUMMARY

- ▶ To ensure that a credentialing program is financially net positive in addition to advancing the credentialing organization's mission, the organization must:
  - ▶ Align every decision point which impacts the financial aspects of the credentialing activities—especially the definition of the programs' scope—with the organization's strategic plan
  - ▶ Conduct a reasonably accurate market analysis
  - ▶ Set appropriate price points, and understand all potential revenue sources and cost factors
- ▶ When planned and operated properly, credentialing programs can be among the most resilient, profitable contributors to an association's bottom line

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