



Funders of Health Research and Training Respond to Continuing Economic Challenges A Health Research Alliance Report Update March 2010

Health Research Alliance

The Health Research Alliance (HRA) is a national consortium of nonprofit, non-governmental funders of health research and training with the mission of improving communication and collaboration among funders and between funders and other segments of the health research enterprise (see www.healthra.org). The membership of the Alliance is diverse, including private foundations, public charities (including voluntary health agencies), and disease-specific foundations focused on developing treatments and cures by using traditional as well as venture philanthropy approaches. The majority of HRA members that are private foundations obtain their grantmaking budgets from returns on their endowments, while the majority of HRA members that are public charities raise funds in a variety of ways to provide resources for grantmaking in health research and training.

Introduction

HRA has been a resource during recent economic volatility by providing timely, relevant information to its member organizations. In the fall of 2008, HRA organized two conference calls and a webinar that allowed members to share information and strategies informally and confidentially on strategies they were already using to decrease their expenses and preserve their assets. At the HRA Members' Meeting in March, 2009, representatives from member organizations expressed interest in a more formal update on how their peers are coping with the continuing recession. A survey was conducted and a report released in May 2009 that referenced the broader philanthropic context and reported on data from HRA membership. This report in March 2010 is a follow up on the prior survey and continues our activities to empower HRA members with the latest knowledge and strategies for maximizing program resources during challenging economic times. *This report includes some comparisons to responses to the May 2009 survey. Please note that although there is considerable overlap between the respondent pools for both surveys, the two groups are not identical.*

Health Research Alliance Survey Details

To update our 2009 HRA survey data and to determine the degree to which the HRA membership's experience has changed, an online survey was launched in February 2010 under the leadership of Marc Hurlbert, Ph.D., Scientific Director of the Avon Foundation for Women and HRA Board Chair, and Kate Ahlport, Executive Director of the Health Research Alliance.

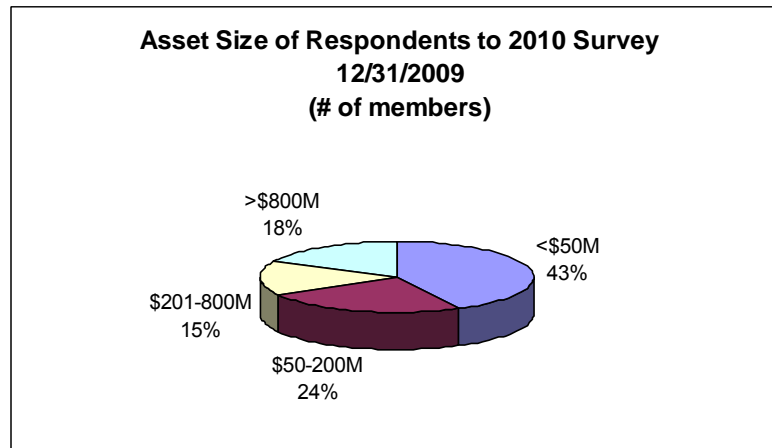
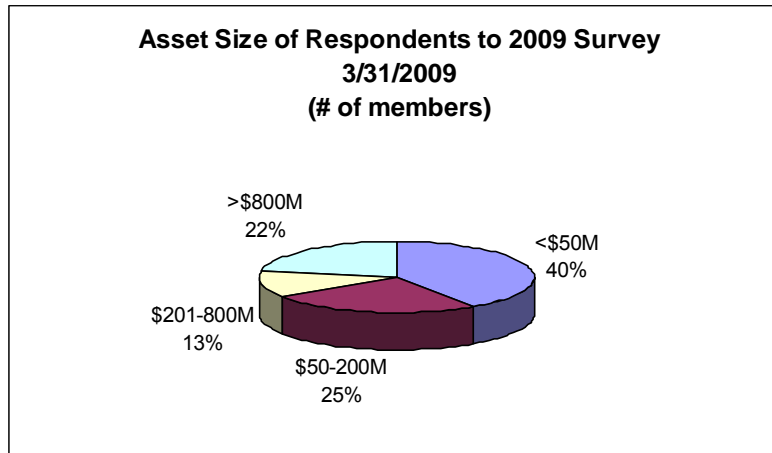
A link to the online survey was sent via email to the designated HRA representative at each of the 40 HRA member organizations on February 8, 2010, asking that the survey be completed online by February 26. By the time the results were analyzed in early March, 33 organizations had submitted answers to the survey, a **response rate of 83%**. Of the 33 responding organizations, 25 (76%) were public charities and 8 (24%) were private foundations. All but two of the public charities raise funds and none of the private foundations raise funds.

Respondent Pool: In the data described below, all percentages are based on the **total pool of 33 responses** unless otherwise noted. Percentages have been rounded to whole numbers and therefore may not total 100% exactly.

Types of awards offered by the responding organizations: The 33 responding organizations in the 2010 follow-up survey reported offering a variety of health research awards:

- 72% offer career grants (fellowship, early faculty, medical student)
- 84% offer research project grants (made to an institution with a named investigator)
- 38% offer consortia grants (inter-institutional and multi-investigator)
- 28% offer center grants (made to the institution, with multiple investigators)
- 44% offer training grants (made to the institution and the institution selects multiple awardees)
- 3% offer grants to industry (a not-for-profit award to a for-profit organization)

Asset size: To obtain a snapshot of the respondent pool by asset size, organizations were asked in both surveys (2009 and 2010) to report their assets as of 3/31/09 and 12/31/09 respectively:

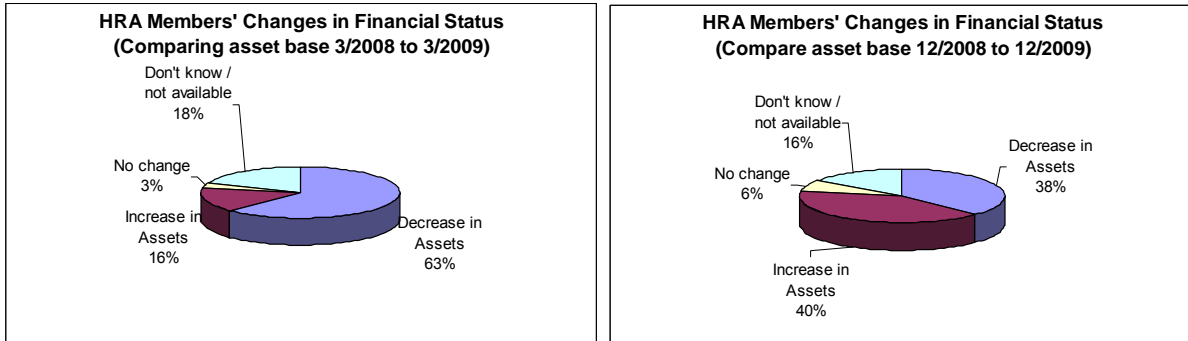


Findings from the 2010 Follow-Up Survey

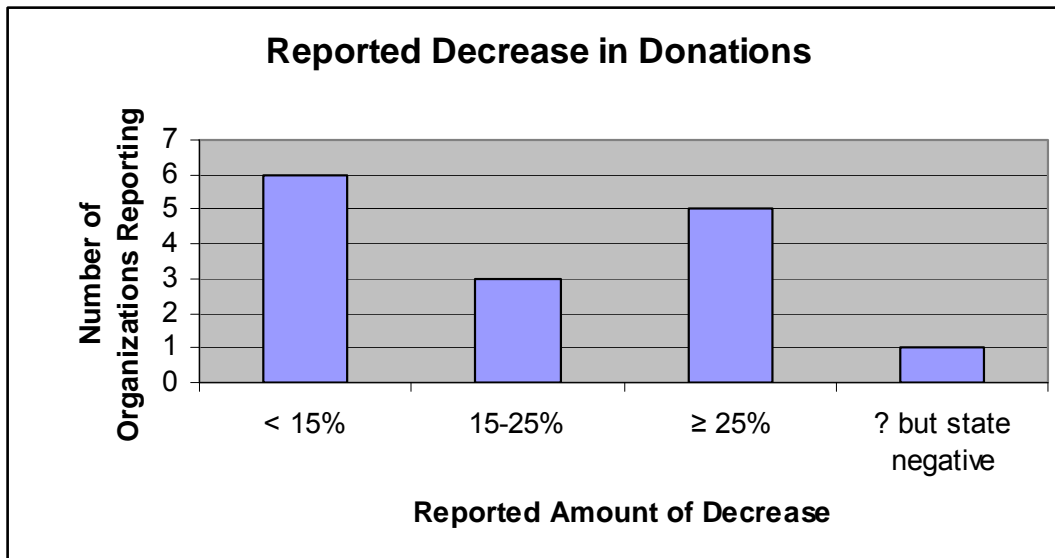
Changes in financial status:

HRA members reported ***mixed changes to their organization's asset base*** from December 2008 to December 2009, with 40% reporting a positive change, 38% reporting a negative change, and 21% reporting no change, "don't know" or "not available". This compares to our 2009 survey in which a

strong majority (**63%**) of organizations reported **a negative change in their organization's asset base** from March 2008 to March 2009. The mixed results and 40% of organizations reporting a positive change in assets (including 7 of the 8 private foundations and six public charities) suggests some HRA members have begun recovering from the 2008-2009 recession.

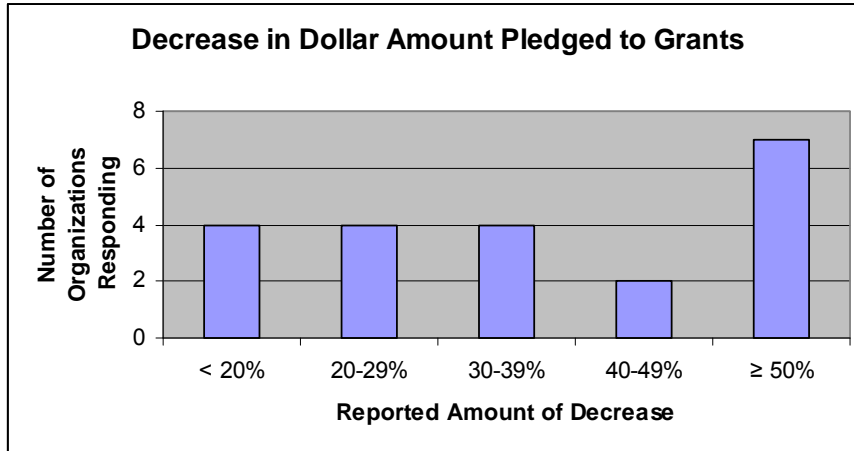


We asked about donations, comparing calendar year 2009 to calendar year 2008. **Fifteen (71% of the 21 responding organizations) reported that donations decreased**, in the following magnitudes:



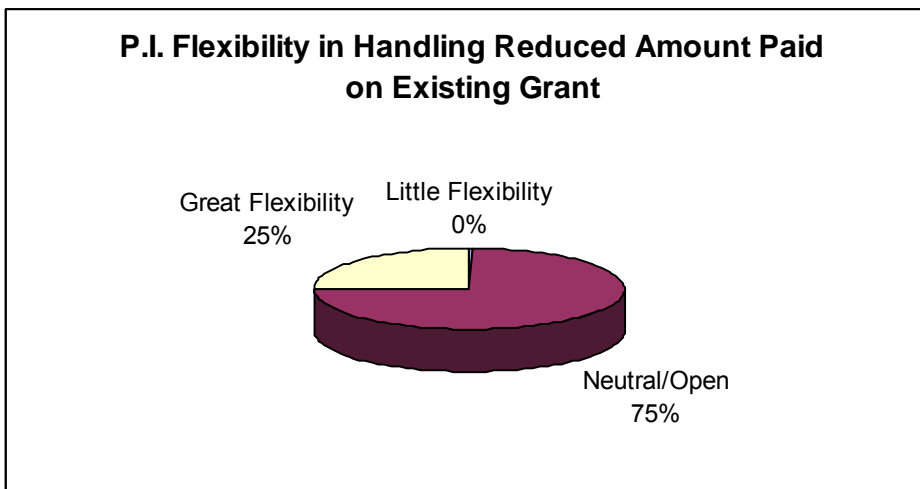
Changes in the number and dollar amount of grants awarded:

We compared the reported number of new awards and the dollar amount of awards pledged in calendar year 2008 and 2009. A strong majority (**64%**) of organizations report a **decrease in the dollar amount granted in 2009 compared to 2008**, while one organization reported no change, and eleven organizations (**33%**) reported an increase in the amount granted.



Of the twenty one organizations that decreased the dollar amount granted in 2009 compared to 2008, **86% decreased the number of awards**, and **71% decreased the dollar amount per award**, and **57% both decreased the number of awards and the dollar amount per award**.

Since the beginning of the economic downturn, **25% of organizations reported reducing the amount paid on existing grants** below the original amount pledged. Of those organizations that reduced amount paid on existing grants, we inquired about the flexibility that the PI was given to reallocate the remaining funds or revise/reduce the project aims. Seventy five percent responded they were neutral and that the funder was open to negotiating changes with the awardee, and twenty five percent reported the PI had great flexibility to reallocate funds as needed but should notify the funder of the changes made.



Strategies for decreasing expenses:

HRA members have introduced a number of strategies to reduce expenses during the current economic downturn in order to maximize funds available to support health research. Many of these strategies are likely valuable for the broader philanthropic community. Because a number of changes made by grantmakers have been in place long enough to ascertain their effectiveness, the follow-up survey included several questions asking for respondents' assessment of the effectiveness of the different changes their organizations have made. **72%** (23 organizations) reported in the follow-up survey that they have reduced their operating and administrative expenses, while **28%** (9 organizations) have not. Among the 23 organizations reporting reductions in operating and administrative expenses, the vast majority (18 of 23) reported 5-20% reduction in administrative costs. Two organizations reported a 25% reduction, and three did not know the percentage reduction. Strategies for containing and/or decreasing expenses are reported in three categories below: approaches to managing the payout of grants, approaches to managing the expense of peer review, and approaches to reducing labor and other administrative expenses.

Approaches to managing payout of grants that member organizations have used and believed to have been particularly effective:

- Several organizations reported decreasing the number of new grants awarded as effective
- Several groups reduced the size/amount of each grant but not the number of grants
- Two organizations reported they reduced payments but extended the term length of grants- thus total dollar amount remains the same, paid out over a longer period

Other strategies reported as effective by at least one organization:

- One group reports they now have the ability to "roll over" money from one fiscal year to the next and that they can provide that flexibility to grantees as well.
- Rigorous management of consulting agreements to ensure control of costs and efficient use of resources
- Postponement of funding by delaying or suspending grant programs (fewer application receipt dates)
- Reducing carry-over from year to year
- Limiting duration and frequency of no-cost extensions
- Increasing the principal investigator's and institution's accountability for funds spent
- Postponing a career development conference for grantees
- Reducing all awards to one-year terms
- Partnering with another funder to share the grant expense

Approaches to managing the expense of peer review included the following seven strategies:

- **34%** of responding organizations reported reducing the traditional number of review cycles and review committees in 2009 compared to 2008
- **38%** reported conducting some or all of the review process online using email
- **25%** reported conducting some or all of the review process online using a specific software application
- **9%** reported use of videoconferencing in place of in person meetings
- **53%** reported use of conference calls in place of in person meetings
- **9%** reported reducing the number of readings/reviewer per application
- **25%** reported increasing the use of staff to triage applications

Other changes in peer review reported by at least one member organization included the following:

- "Normally we have one online stage then the panel - will probably go to two online stages and no panel. Also debating limiting applications through a nomination only process."
- Creation of a scientific advisory council to eliminate need for consultant triage
- Implementing a peer-reviewed pre-application process to limit number of full applications submitted
- Switched to a less expensive grants management system which will require more hands-on work by staff

- Making use of the expertise in existing committees before forming new committees to review new programs
- “We are planning to make our funding priorities clearer and then to screen Letters of Intent with those in mind”
- “Centralized the review process management to reduce cost and to make our review groups more focused scientifically. Doing this on a 2-year pilot basis.”
- Not distributing printed materials for face-to-face meetings

Approaches to reducing labor and other administrative expenses:

- Member organizations reported reducing staffing expenses by:
 - Eliminating open/vacant positions,
 - Assigning staff differently to accomplish more work without increasing the number of staff
 - Implementing flexible hours for staff, and by
 - Capping exempt staff salaries for 2010 at 2009 levels.
- Many member organizations reported reducing travel and meeting expenses, by:
 - Using webinars in the place of site visits
 - Eliminating non-essential travel
 - Reducing staff travel budgets
 - Negotiating advantageous meeting rates with meeting venues
 - Reducing the use of hotel facilities for meetings
 - Reducing the size of board meetings
- Reducing other administrative expenses:
 - Using electronic materials and online resources to market programs , greatly reducing marketing costs especially for print materials

Were these changes necessary?

We asked organizations “With the benefit of hindsight, how would you assess the effectiveness of the reductions in expense your organization made in light of the recession?”. Thirty one **(97%) responded that the reductions made were appropriate and necessary**, zero (0%) responded that cuts were more severe than needed and one (3%) responded that their organization did not make as many reductions as it should have last year.

Looking Ahead

Looking ahead to the remainder of calendar year 2010:

- **With respect to fundraising:** Among the 21 responding organizations that raise funds, seven (33%) estimate **donations will decrease** in 2010 with a 6 to 20% estimated drop in donations; seven (33%) estimate that **donations will increase** in 2010 with a 1 to 50% estimated increase in donations; six (28%) estimate **donations will not change**, and one (5%) responded “**not available.**”
- **With respect to reductions in grant expense or the number of grants:** Seventeen (74%) of **organizations responded they planned to maintain any previously-implemented reductions in grant expense or numbers of grants**, three (13%) responded they were making additional reductions in grant expense or number of grants, while three (13%) **responded they were restoring some or all of the cuts** made in previous grant budgets.
- **With respect to operating expenses:**
 - **58%** of organizations plan to maintain any reductions made in operating/administrative expense at 2009 levels
 - **33% of organizations plan additional reductions in operating/administrative expenses**

- **6% of responding organizations plan to reduce the number of review cycles and review committees in 2010 below 2009 levels** while 88% plan no change and 6% are unsure/undecided. None of the private foundations anticipate additional reductions in review cycles and review committees.
- **8% of organizations are restoring some or all of the cuts** made in previous operating/administrative expense budgets

As a result of the recession, 34% of organizations responded that their organization had made significant changes in grantmaking strategy that will be continued. And 42% of organizations responded that changes in administrative/operations expenses made in response to the recession were permanent.

Closing comments

Discussions sponsored by the Health Research Alliance and a 2010 survey to follow up on our 2009 survey of HRA member organizations demonstrate that the recent global economic recession continues to have a major impact on non-governmental, not-for-profit funders of health research and training, and that a number of cost-savings measures implemented by member organizations will be continued for the foreseeable future. What has emerged from this survey is not by any means a one-size-fits-all approach, with opposite strategies adopted by different groups. The follow-up survey revealed the following developments and observations:

- It is interesting that with the benefit of hindsight, nearly all (97%) of member organizations responding to the follow-up survey expressed that the **cost-cutting measures taken by their organizations were both appropriate and necessary**, and that none (0%) of the respondents thought their organizations took measures that were more severe than warranted by the economic situation.
- Responses to the follow-up survey indicate that **the economic picture is beginning to stabilize for member organizations**, with **40% reporting a positive financial change** from 2009 to 2010, compared to the 63% that reported a negative financial change from 2008 to 2009 in the 2009 survey. **A third of the responding organizations that raise funds expect donations to increase in 2010 compared to 2009**, and an additional 28% forecast no additional decreases. Thirteen percent of organizations that have reduced the number or dollar amount of awards in response to the recession plan in 2010 to restore some or all of the cuts made to previous grants budgets.
- To reduce expense, member organizations have experimented with a myriad of cost-savings measures. Nearly three quarters of the respondents (74%) plan to continue previously-implemented reductions in numbers or dollar amount of awards through calendar year 2010.
- To reduce expense, member organizations have also experimented with a variety of measures to decrease the cost of peer review, while maintaining the traditional peer review process to the degree possible.
- Although many of the changes made have been difficult on the staff of member organizations, the recession created a climate that necessitated change, and member organizations have used this opportunity to experiment with new ways of doing business.

The economic scenario for non-governmental, not-for-profit funders of health research and training appears, at long last, to be improving. HRA members have been able to reflect on recent lessons learned and have made plans for the remainder of 2010 and the foreseeable future. HRA member organizations have recommended that the Alliance continue to assess members' progress and to report this rich data back to the membership, and have also requested that the Alliance work to encourage more strategic alliances and partnerships among funders of health research and training.

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