



**Funders of Health Research and Training Respond to Continuing Economic Challenges  
*A Health Research Alliance Report*  
May 2009**

**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 to improve communication and collaboration among funders and between funders and other segments of the health research enterprise (see [www.healthra.org](http://www.healthra.org) for additional information). 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**

The current economic recession continues to present numerous challenges for non-governmental funders of health research and training. Funding scientific research is inherently expensive, and requires rigorous peer review that comes with its own cost (honoraria, travel expenses, meeting costs). Because research is a long-term effort, awards usually are committed for several years in advance, hampering funders' ability to bring future committed expenses in line with declining resources.

In the fall of 2008, as the recession picked up steam, HRA organized a series of three events for its member organizations on the economic situation. The first of these was a conference call in late October 2008 designed to allow member organizations the opportunity to share information and strategies informally and confidentially. On the basis of the participation in that call, it was clear that the deepening recession was having an immediate and severe impact on private foundations, but the public charities had not yet observed a significant decline in contributions.

For the second event, a conference call in November, representatives from several private foundations that are members of the Alliance described strategies they were already using to decrease their expenses and preserve their assets. Also as part of that call, the chief executive of the Association for Medical Research Charities in the United Kingdom, an organization similar to the Health Research Alliance, described the effect to date of the global recession on British medical research charities and some of the strategies AMRC and its member organizations were considering to manage the situation.

The third event was a webinar held in early December 2008 that focused on cost-savings strategies for peer review.

At the HRA Members' Meeting in March, 2009, representatives from member organizations expressed interest in an update on how their peers are coping with the continuing recession. This report will first reference the broader philanthropic context and then will report on data from a survey of the HRA membership that was conducted in May 2009.

### The broad philanthropic context

At least three organizations have recently conducted surveys to ascertain the impact of the financial crisis on private philanthropy, and those surveys are described briefly below. Comparisons to findings from the HRA survey are noted throughout the remainder of this report. Although these surveys are not restricted to funders of health research and training, some of the findings are remarkably similar.

The earliest of the three surveys was conducted by the membership organization Grantmakers in Health during the period November 25, 2008 – January 5, 2009, achieving a response rate of 50% (127 of 255 possible responses). The results were reported in a February 2009 white paper, “Effects of the Economic Crisis on Health Foundations: Results of a Survey of GIH Funding Partners,” revised in April, 2009.<sup>1</sup> It should be noted that few GIH member organizations fund health research, with the majority funding programs and services in the areas of health improvement and health care. An attempt was made in the HRA survey to structure questions similarly to the GIH survey to facilitate comparisons. Unlike HRA, GIH membership does not include voluntary health agencies.

The next survey was undertaken by the Foundation Center, a national nonprofit that connects nonprofit organizations and grantmakers. The response period was January through April, 2009. Approximately 5,000 foundations, funding in an array of areas (not limited to health research) were surveyed. The 1,243 respondents (25%) included 961 independent foundations, 172 community foundations and 110 corporate foundations, and did not include voluntary health agencies. As fundraising was not mentioned in the report, it is possible that none of the responding organizations raise funds. The results were reported in the April 2009 Foundation Center Research Advisory, “Foundations Address the Impact of the Economic Crisis.”<sup>2</sup>

The third survey, conducted by the *Chronicle of Philanthropy*, was reported in the April 9, 2009 edition of the *Chronicle*, “Tightening Their Belts: Foundations expect to make grantmaking cuts after a sharp drop in assets.”<sup>3</sup> Private foundations (N=104) provided data for fiscal years 2007 and 2008 as part of this survey. The proportion of the 104 foundations that raise funds was not addressed in the *Chronicle*’s report.

### Health Research Alliance Survey details

To determine the degree to which the HRA membership’s experience was consistent with the broader philanthropic context, an online survey was launched in May 2009 under the leadership of Marc Hurlbert, Ph.D., Scientific Director of the Avon Foundation, and Concepcion (Marie) Nierras, Ph.D., Director of Research, Partnerships & Consortia for the Juvenile Diabetes Research Foundation International.

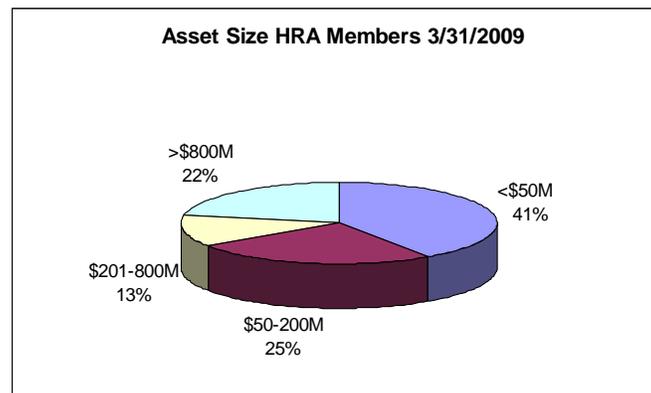
An email message containing a link to the online survey was sent to the designated HRA representative at each of the 39 HRA member organizations on May 4, 2009, asking that the survey be completed online by May 12. By the time the results were analyzed in late May, 32 organizations had submitted answers to the survey, a **response rate of 82%**. Of the 32 responding organizations, 23 (72%) were public charities that raise funds and 9 (28%) were private foundations. All nine of the private foundations reported that their organizations do not raise funds.

In the data described below, all percentages are based on the **total pool of 32 responses** unless otherwise noted. Percentages have been rounded to whole numbers and therefore may not total 100% exactly.

The 32 responding organizations reported offering a variety of health research awards:

- 75% offer career grants (fellowship, early faculty, medical student)
- 75% offer research project grants (made to an institution with a named investigator)
- 56% offer consortia grants (inter-institutional and multi-investigator)
- 34% offer center grants (made to the institution, with multiple investigators)
- 25% offer training grants (made to the institution and the institution selects multiple awardees)
- 19% offer grants to industry (a not-for-profit award to a for-profit organization)

To obtain a snapshot of the respondent pool by asset size, organizations were asked to report their assets as of March 31, 2009:



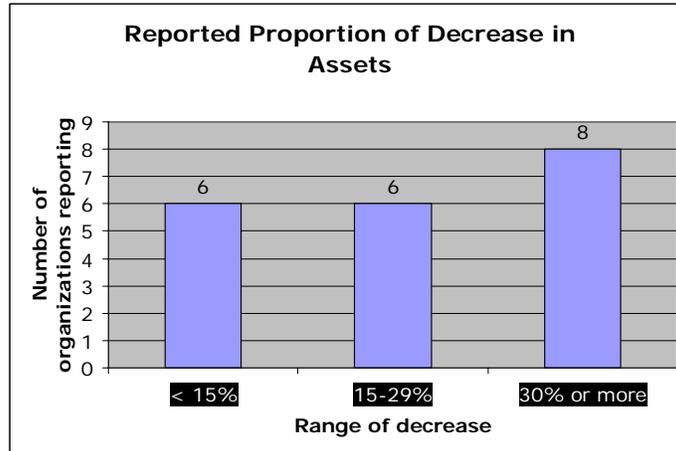
Fully half (50%) of the 32 responding organizations determine their annual grants budget on the basis of fundraising and donation levels. Nearly one-third (31%) determine their annual grants budget on the basis of the organization's annual asset level. Nine percent (9%) base their grants budget on a rolling average of asset levels over the past 3-5 years; and an additional 9% employ other methods to determine the annual grants budget.

The Foundation Center survey report noted that some foundations smooth out the impact of fluctuations in the value of their assets by determining the grants budget based on an average of their asset values over several prior years. In the Foundation Center survey, 40% of respondents base their grantmaking budgets on the asset value in the prior year, 22% use a rolling average of the asset value over the prior two to five years, 17% base their grantmaking budgets on some other formula related to asset value, and 21% base their grantmaking budgets on something other than assets. To isolate the portion of respondents to the HRA survey that are most comparable to the Foundation Center survey respondents, the data were examined for the nine private foundation HRA survey respondents only. Among those nine private foundations, none of which raise funds, seven (78% of the nine respondents) use the annual asset level as a basis for determining their grants budget, and two (22%) use a rolling average of asset levels over the past 3-5 years.

Additional comments offered by respondents to the HRA survey indicated the difficulty that fundraising organizations are having in predicting contributions this fiscal year, making planning difficult. Some boards are contemplating dipping into reserves.

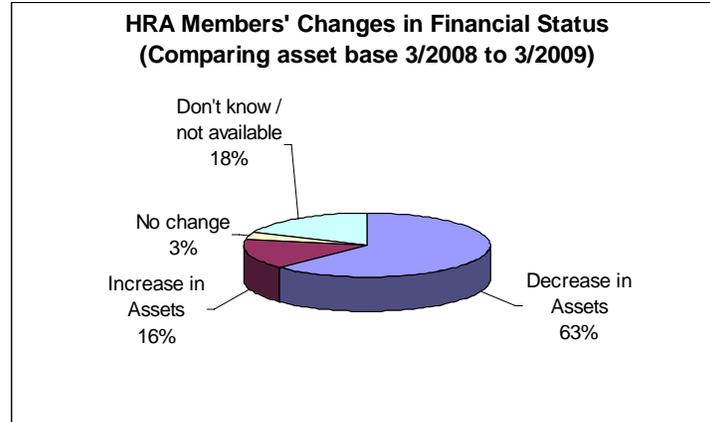
### **Changes in financial status**

A strong majority (**63%**) of organizations reported **a negative change in asset base** from March 2008 to March 2009. Among the 20 funders reporting a negative percentage change, the magnitude of the decrease was:

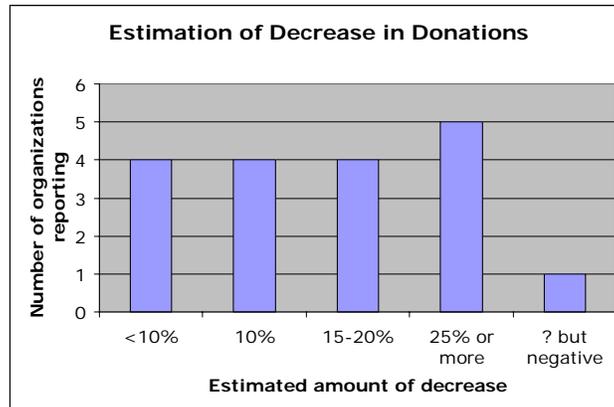


This is similar to the finding of a 28% drop in assets reported in the recent *Chronicle of Philanthropy* survey; however, the *Chronicle's* 28% figure compared assets in FY 2008 to assets in FY 2007.

In the HRA survey, five funders (16%) reported an **increase in assets** during the one-year period; one (3%) reported **no change**, and 6 (18%) replied “**don’t know**” or “**not available.**”



The 22 organizations that raise funds were asked to estimate anticipated changes in donations, comparing this fiscal year to the organization's most recently completed fiscal year. Eighteen (18, or **82% of the 22 organizations**) **estimated that donations will decrease**, in the following magnitudes:



Among those 22 organizations, one (1, representing 4%) estimated that **donations will increase** this fiscal year, 2 (10%) estimated that **donations will not change**, and one (1, representing 4%) responded “**don’t know.**”

### **Grantmaking plans and realities in 2009**

When asked to indicate the **strategies they were employing for grantmaking** for calendar year 2009, the top five responses (of 19 choices) were as follows:

- **63%** are decreasing the number of awards, either by decreasing the number of awards granted per funding cycle for a given grant program and/or placing entire grant programs on hiatus for one or more funding cycles (The Foundation Center also found that 63% of their survey respondents expected to decrease the number and/or size of grants in 2009, while GIH reported just 43%.)
- **31%** are delaying consideration of new initiatives or multiyear obligations for at least a year (this compares to a finding of 44% from the Foundation Center survey and 34% from the GIH survey )
- **25%** are reducing meeting sponsorships from CY 2008 levels
- **22%** are decreasing the average amount of new awards
- **22%** are making percentage reductions to the payment of existing grants (in the range of 5-25%; some are also reducing expense by lengthening the payout period by a year or more)

Organizations were asked **which types of awards they are planning to alter in calendar year 2009 in response to economic challenges**. Responses indicated that **career grants (fellowship, early faculty, medical student) and training grants (made to institutions, with the institution selecting multiple awardees) are the most likely to be preserved**, while center grants (multi-investigator grants made to institutions) and research project grants (grants made to an institution with a named investigator) are the most likely to be altered.

The survey also asked **whether organizations are engaging in other forms of support for issues related to health research and training**. Among the 32 responding organizations:

- **22** (69%) reported they are seeking new collaborations or partnerships with other funding organizations (this compares to a finding of 61% in the GIH survey and 67% in the Foundation Center survey)
- **19** reported they are consulting with other funders regarding strategies for coping with the economy
- **14** reported that they are increasing advocacy efforts; and

- **8** reported that they are encouraging their staff to become more actively involved in field-building efforts
- Among the other responses:
  - **4** reported making field-building/catalytic grants
  - **2** reported convening grantees to share strategies for managing in this economic environment (The Foundation Center found that 36% of the respondents to that survey anticipated increased convening activity.)
  - **2** reported providing technical assistance to grantees on managing in an era of increased budget constraints

To help **contain the cost of administering award programs:**

- **22%** are changing their peer review processes to reduce expense (examples: by conducting peer review meetings by teleconference, using online systems for peer review, and/or using a combination of online systems and teleconferences)
- Other strategies that were reported by one organization each included:
  - Investing in software to help automate pre-award and post-award management to save staff time
  - Moving to an all-electronic application system
  - Consideration of charging an application fee to apply for grants

### **Strategies for decreasing other administrative expenses**

HRA members have introduced a number of strategies to reduce administrative 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.

The following seven strategies for decreasing other administrative expenses were cited most often from a list of 14 potential strategies:

- **63%** of responding organizations reported a hiring freeze for unfilled positions
- **59%** reported decreasing departmental budgets
- **56%** reported reducing staff travel budgets (an additional 6.3% reported eliminating staff travel budgets, while 15.6% reported holding staff travel budgets to 2008 levels)
- **38%** reported reducing staff (staff layoffs; reductions in force)
- **38%** reported reducing the use of consultants and temporary employees
- **34%** reported reducing hosted meetings (board, awardees, etc.)

Salary changes were also reported by a large proportion of respondents; specifically:

- **28%** reported that staff salaries were being held to 2008 levels
- **22%** reported reducing staff salary increase levels below those of recent years
- **6%** reported reducing staff salaries below 2008 levels.

### **Communications about coping in this economy**

Although 78% of survey respondents reported that they have communicated with their constituents (donors, institutions, awardees, potential applicants) about the challenges presented by the current economic situation, 75% have not surveyed or sought feedback from awardees about their most critical needs in this economic crisis. In the GIH survey, over 85% of respondents reported having communicated with their boards and staff, and 50% reported communicating with their awardees about the challenges presented by the economic situation. Similar to HRA results, 74% of respondents to the GIH survey had not surveyed or sought feedback from grantees about their most critical needs in this economic crisis.

### **Comparisons to earlier economic downturns**

When asked how their organization's response to this economic downturn compares to the organization's response to earlier economic downturns (such as in 2001-2004):

- **22%** (of 32 respondents) answered it was the same type of response, only more intense
- **3%** answered it was the same type of response, but less intense
- **13%** answered it was about the same as previous responses
- **31%** indicated that their organization's response in this downturn was different than in previous downturns.

Several organizations indicated that the nature and extent of this recession has *required* a different response from funders, compared to earlier downturns. One organization noted, "We did not have much of a challenge in 2001-2004; our income from donations steadily rose during those years." Another stated "2001-2004 was more of a plateau than an actual downturn. The current economic climate is a downturn and has required an active response." On the basis of their experiences in prior downturns, some organizations are experimenting with more creative responses this time around, such as re-negotiating grant payout schedules to decrease cash requirements and in order to avoid having to make percentage cuts in awarded grants.

### **Closing comments**

Discussions sponsored by the Health Research Alliance and a 2009 survey of HRA member organizations demonstrate that the current global economic recession has had a major impact on non-governmental, not-for-profit funders of health research and training. Having learned lessons by managing through earlier downturns, these HRA member organizations are demonstrating their resilience by:

- Being deliberate and thoughtful about how best to manage their grants budgets:
  - Temporarily suspending programs rather than encouraging applicants to apply for a reduced number of awards (thereby avoiding the costs of peer review as well)
  - Paying out grants over a longer period of time to increase cash flow and to avoid having to make a percentage decrease in the payment of existing awards
  - Focusing on making catalytic, field-building grants
  - Decreasing or delaying multi-year commitments until the economy improves and the future can be more clearly envisioned
- Being creative in exploring new ways of doing business:
  - Changing methods of conducting peer review to decrease costs
  - Exploring collaborations with other funders
- Using this time in which fewer grants are being made to prepare strategically for the future, by:
  - Engaging in field-building activities
  - Making changes in award programs

Further complicating the uncertain economic scenario for non-governmental, not-for-profit funders of health research and training is the American Recovery and Reinvestment Act (ARRA), which is providing significant additional and greatly needed funds to the National Institutes of Health. Because HRA member organizations seek to complement rather than duplicate NIH funding, HRA and its members are closely following the plans for expending these funds so that private resources for health research and training can be put to their most effective use.

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Marc Hurlbert, Ph.D., Scientific Director, Avon Foundation, and Vice Chair, HRA Board of Directors  
Concepcion (Marie) Nierras, Ph.D., Director of Research, Partnerships & Consortia, Juvenile Diabetes  
Research Foundation International  
Nancy S. Sung, Ph.D., Senior Program Officer, Burroughs Wellcome Fund and Chair, HRA Board of  
Directors

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<sup>1</sup> Grantmakers in Health (February and April, 2009). "Effects of the Economic Crisis on Health Foundations: Results of a Survey of GIH Funding Partners"  
([http://www.gih.org/usr\\_doc/Effects\\_of\\_Economic\\_Crisis\\_on\\_Health\\_Philanthropy\\_Report\\_Revised\\_April\\_2009.pdf](http://www.gih.org/usr_doc/Effects_of_Economic_Crisis_on_Health_Philanthropy_Report_Revised_April_2009.pdf) )

<sup>2</sup> Lawrence, S (April, 2009). "Research Advisory: Foundations Address the Impact of the Economic Crisis." The Foundation Center.  
[http://foundationcenter.org/gainknowledge/research/pdf/researchadvisory\\_economy\\_200904.pdf](http://foundationcenter.org/gainknowledge/research/pdf/researchadvisory_economy_200904.pdf)

<sup>3</sup> Barton N and Wilhelm I (April 9, 2009). "Tightening Their Belts: Foundations expect to make grant-making cuts after a sharp drop in assets, Chronicle survey finds." **Chronicle of Philanthropy**  
<http://philanthropy.com/premium/articles/v21/i12/12000601.htm>