

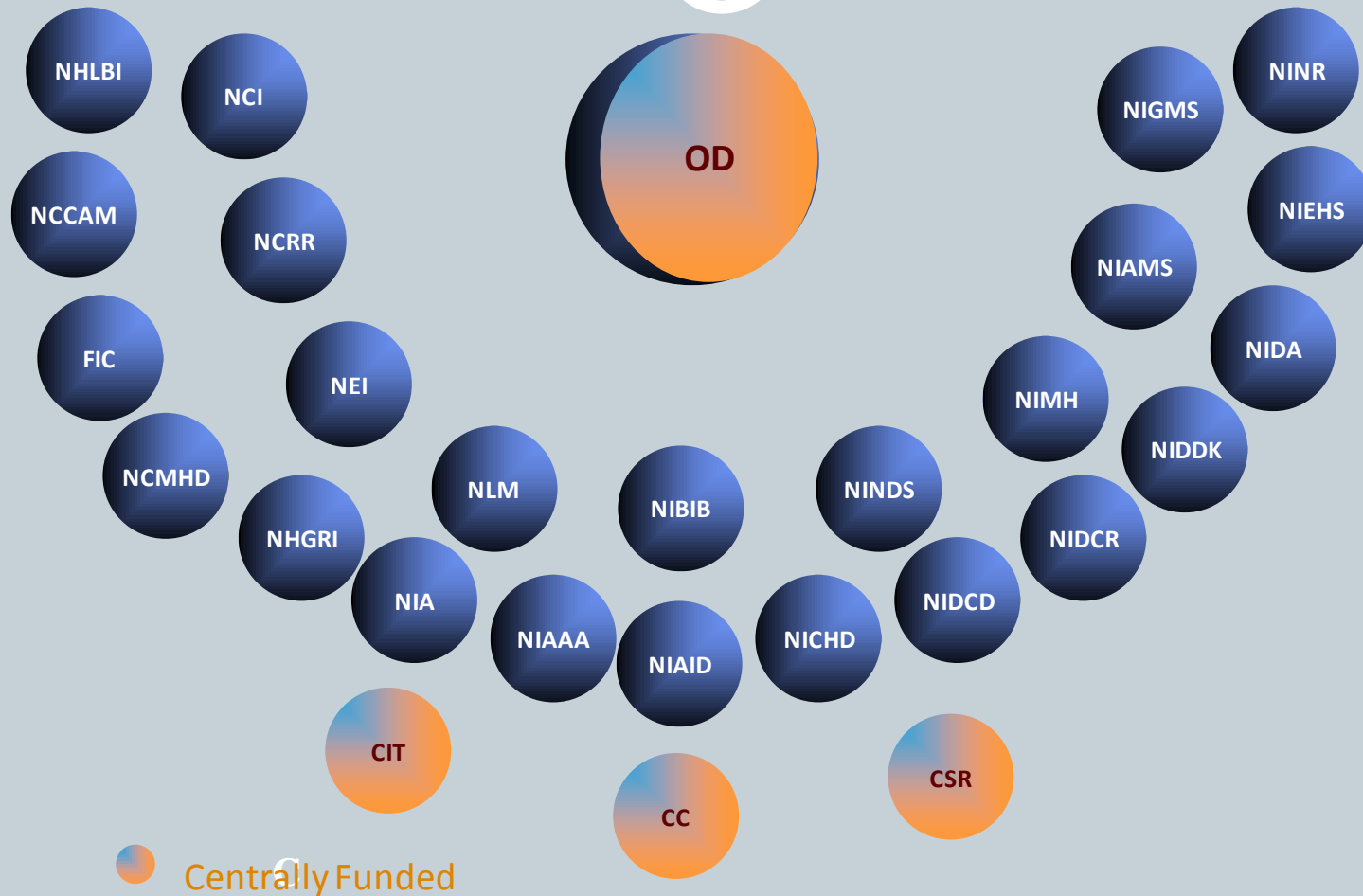
NIH Central Services, Cost Drivers and the Role of the Clinical Center

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**PRESENTATION TO THE SMRB
APRIL 27, 2009**

NIH – 27 Institutes and Centers

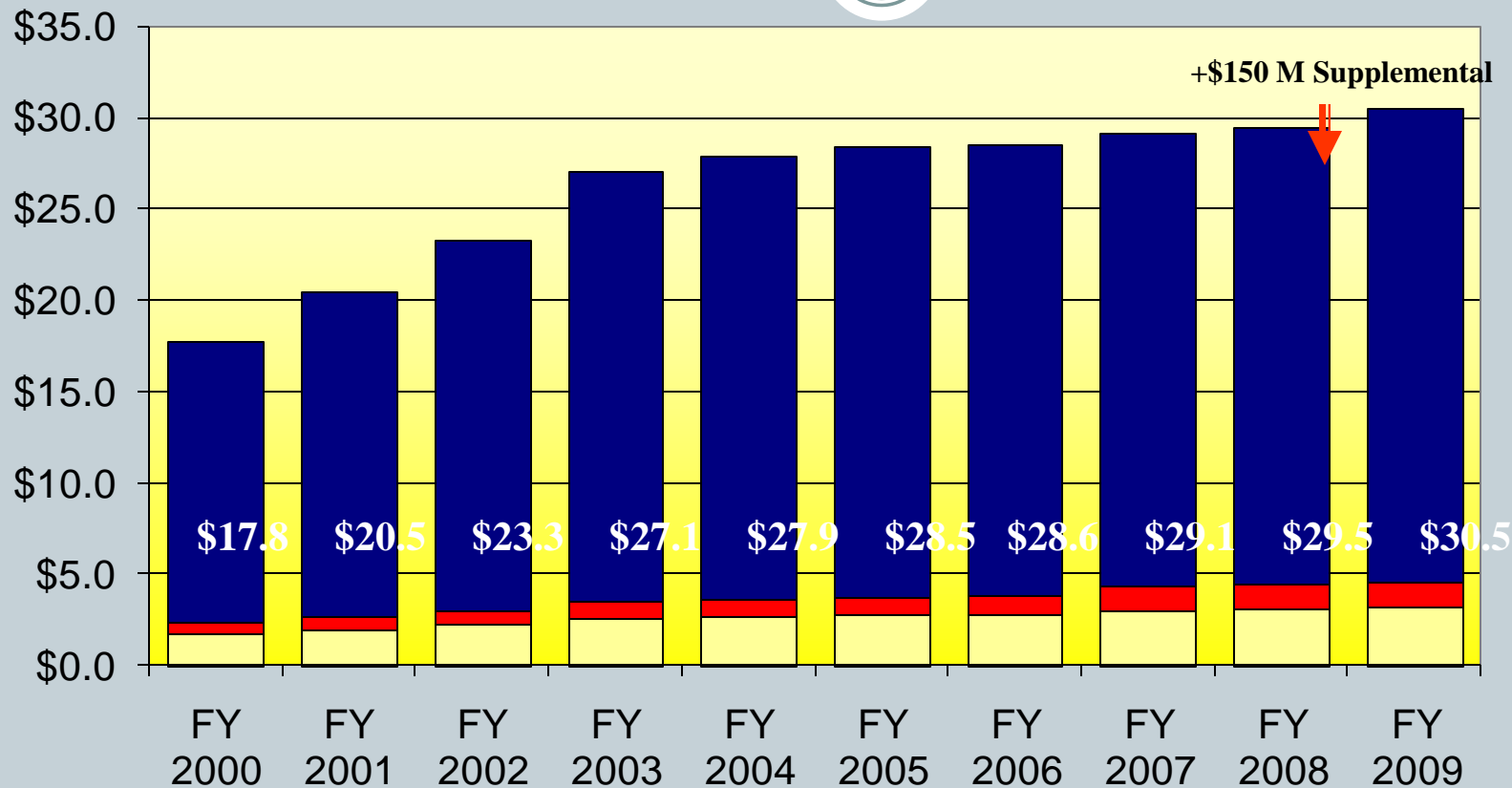
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NIH Appropriations, FY2000- FY2009

(Dollars in Billions)

3



Does not include \$10.4 billion appropriated to NIH in FY 2009 for the American Reinvestment and Recovery Act of 2009.

NIH Appropriations by IC, FY 2008-2009

(Dollars in Thousands)

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	FY 2008 Enacted with Supplemental	FY 2009 Conference	Difference
IC	Amount	Amount	Amount
NCI	\$4,830,647	\$4,968,973	\$138,326
NHLBI	2,937,654	3,015,689	78,035
NIDCR	392,233	402,652	10,419
NIDDK (excludes Type 1perm)	1,715,761	1,761,338	45,577
NINDS	1,552,113	1,593,344	41,231
NIAID	4,583,344	4,702,572	119,228
<i>NIAID less Global HIV/AIDS Transfer (non-add)</i>	<i>4,288,585</i>	<i>4,402,572</i>	<i>113,987</i>
NIGMS	1,946,104	1,997,801	51,697
NICHD	1,261,381	1,294,894	33,513
NEI	670,664	688,480	17,816
NIEHS	645,669	662,820	17,151
NIA	1,052,830	1,080,796	27,966
NIAMS	511,291	524,872	13,581
NIDCD	396,234	407,259	11,025
NIMH	1,412,951	1,450,491	37,540
NIDA	1,006,022	1,032,759	26,737
NIAAA	438,579	450,230	11,651
NINR	138,207	141,879	3,672
NHGRI	489,368	502,367	12,999
NIBIB	300,233	308,208	7,975
NCRR	1,155,560	1,226,263	70,703
NCCAM	122,224	125,471	3,247
NCMHD	200,630	205,959	5,329
FIC	66,912	68,691	1,779
NLM	322,212	330,771	8,559
OD	1,111,735	1,246,864	135,129
<i>Common Fund Included in OD (non-add)</i>	<i>498,244</i>	<i>541,133</i>	<i>42,889</i>
B&F	118,966	125,581	6,615
Total Labor/HHS	\$ 29,379,524	\$ 30,317,024	\$ 937,500
Interior-Superfund	\$ 77,546	\$ 78,074	\$ 528
Total Discretionary B.A.	\$ 29,457,070	\$ 30,395,098	\$ 938,028

Funding of Central Services

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\$30.5B



24 ICs/OD

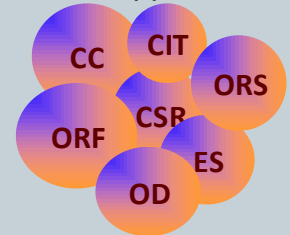
Grants and
Contracts-
\$25.9B

RMS-\$1.4B

IRP-\$3.2B



Steering
Committee
Approval



\$1.7B

Governance Structure – Working Groups

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- The NIH Steering Committee has governance purview for all corporate functions, resources, or policies other than the setting of corporate scientific direction and priorities.
- Individual Steering Committee Working Groups and the OD Central Services Advisory Committee provide oversight for Central Service Organizations and make annual budget recommendations.
- Each Working Group is co-chaired by a Steering Committee Member and the senior OD functional head.
 - Extramural – Provides oversight for the Center for Scientific Review.
 - Intramural – Provides oversight for the Clinical Center and the Office of Research Services.
 - Facilities – Provides oversight for the Office of Research Facilities.
 - Information Technology – Provides oversight for the Center for Information Technology and NIH's Enterprise Systems.
 - Management and Budget – Provides an integrated set of recommendations for Central Services organizations to the Steering Committee.
- Central Services costs have been increasing faster than the growth of RMS/IR between FY 2005-2009 – 15.3% vs. 9.3%.

Partial Listing of Centrally Funded Services

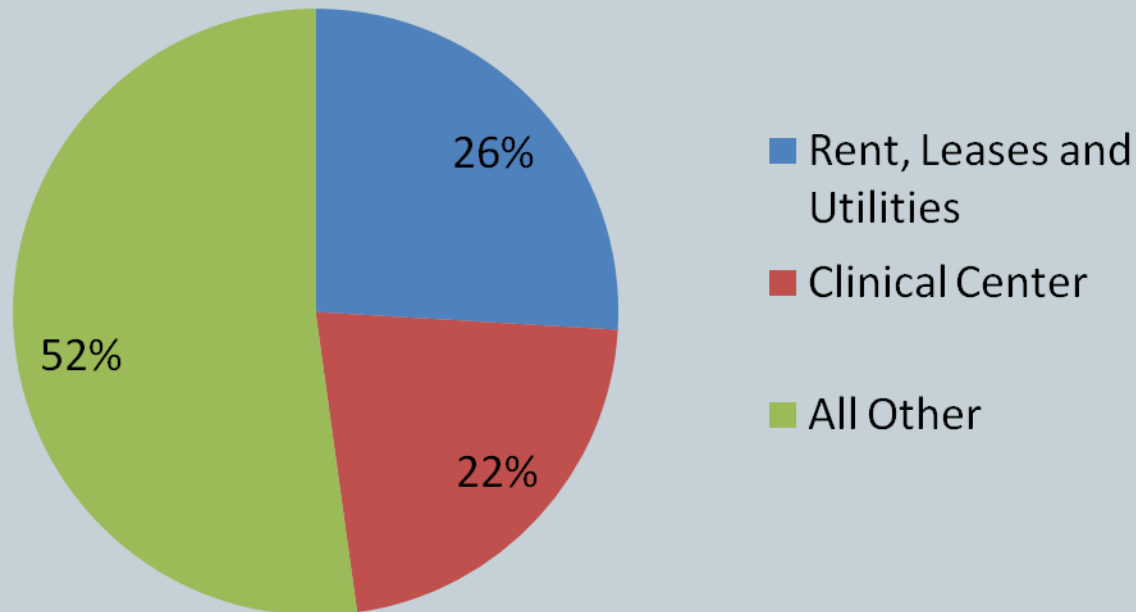
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- Scientific Review
- Clinical Center
- Enterprise IT Systems
- Help Desk Services
- Networking and Telecommunications Services
- Computing Services
- IT Procurement Policy
- IT Applications Development
- Bioengineering Services
- Veterinary Resources
- Travel Management
- Cafeteria Services
- Trans-Share Program
- Relocation Services
- Scientific Equipment Fabrication and Rental
- Radiation Safety
- Postal Services
- Personnel Security
- Campus Security
- Police
- Fire Prevention
- Emergency Preparedness
- Parking Services
- Occupational Health
- Laboratory Safety
- Radiation Safety
- Medical Arts and Printing
- Library Services
- International Services
- Conference Services
- Courier Services
- Space Management
- Child Care
- Shuttle Services
- Fitness Centers
- Pest Management
- Printing and CD production
- Interpreting Services
- CPR Training
- Immunizations
- Capital Projects Management
- Building Maintenance
- Custodial Services
- Loading Dock Management
- Leasing Program
- Utilities Management
- Environmental Management
- Grounds Maintenance
- Property Management
- Acquisitions Services
- Warehouse
- Motor Pool
- Loan Repayment Program
- Technology Transfer Services
- NIH Intern Programs
- NIH Training Center
- NIH Transition Center
- NIH Academy
- Financial Services
- HR Services
- EEO Services
- Ethics Services
- Conflict Resolution
- A-76 analyses
- OGC Services
- Graduate Program Partnership
- NRSA
- Extramural Research Reports and Analyses
- Records Management
- Extramural Administrative Support

Major Components of Central Services Budget

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FY 2009 Central Services Funding



- Almost half of Central Service costs are for space (rent, leases and utilities) and the Clinical Center.

Space Costs

(Dollars in Millions)

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	Amount	% Increase
FY 2005	\$298.8	N/A
FY 2006	334.9	12.1%
FY 2007	363.3	8.5%
FY 2008	422.8	13.4%
FY 2009	429.5	1.6%

- Until this year, space costs (rent, leases, and utilities) have been the principal driver of Central Service costs.
- Cost increases in FY 2005-2008 driven by increasing prices and consumption of utilities and growth of off-campus rental space.
- Lower cost growth in FY 2009 is the result of stable square footage, lower energy unit costs and implementation of numerous conservation measures, and other program and administrative efficiencies.
- For the future, increases predicted in the 3% range:
 - Lease costs will continue to be actively managed (lease consolidations, relocating functions to owned space, assigning lower space/person).
 - However, predicting energy prices is uncertain.

Clinical Center Costs

(Dollars in Millions)

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CC Central Services Budget

	Amount	% Increase
FY 2005	\$333.7	N/A
FY 2006	335.9	0.7%
FY 2007	344.8	2.7%
FY 2008	351.9	2.1%
FY 2009	362.3	2.9%

CC Budget with Cost Shifts

	Amount	% Increase
FY 2005	\$333.7	N/A
FY 2006	338.3	1.4%
FY 2007	350.8	3.7%
FY 2008	366.8	4.6%
FY 2009	378.8	3.3%

- Clinical Center costs are assessed to ICs in proportion to the size of their intramural program regardless of their utilization of the CC (“school tax”).
- Historically the CC budget increases have been a concern but are low by hospital standards.
- To date, rate of growth constrained by administrative efficiencies and cost shifting of specific services to ICs where a direct charge is more appropriate, e.g., research nurses.
- It is unclear if opportunities to continue this strategy can extend into the future.

Clinical Center – Long Range Implications

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	IRP Budget	CC @ +3.2%/yr.	% of IRP Budget		CC @ +6%/yr.	% of IRP Budget
FY 2009	\$3,171.3	\$378.8	11.9%		\$378.8	11.9%
FY 2010	3,218.9	390.9	12.1%		401.5	12.5%
FY 2011	3,267.2	403.4	12.3%		425.6	13.0%
FY 2012	3,316.2	416.3	12.6%		451.1	13.6%
FY 2013	3,365.9	429.6	12.8%		478.2	14.2%
FY 2014	3,416.4	443.4	13.0%		506.9	14.8%

- Assumptions :
 - IRP grows at 1.5% per year (FY 2005/9 Ave.).
 - CC grows at 3.2%/year (FY 2005/9 Ave.) or 6%/yr. (closer to hospital rate of inflation).
- By FY 2014, costs as percentage of IRP increase to 13.0% and 14.8% respectively.
- In the absence of fundamental change, costs will outpace resources available to finance it – costs will continue to increase even if utilization is stable or declines.

FY 2008 Report on Financing of the Clinical Center

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- Director, NIH convened a committee of senior NIH officials to provide a recommendation on how best to finance the Clinical Center in the context of the current budget environment and its current role.
- Recommendations endorsed by the Management and Budget and Intramural Working Group co-chairs and presented to the NIH Steering Committee.
- Options examined were a separate appropriation, the current “school tax” methodology, or a hybrid model assessing some portion by utilization and the remainder by the current methodology.
- Recommendations:
 - Continue current methodology for the short term.
 - For the longer term, undertake a fundamental review of the mission of, and opportunities for, the NIH Clinical Center and its role in NIH’s overall program of Clinical Research.