

# Determining Financial Impact of COVID-19 on Research Programs

The financial impact of COVID-19 on research programs at universities, academic health centers and health systems in the United States has been significant. And while the U.S. government has allowed institutions to continue charging salaries to federal grants and contracts to help mitigate the short-term impact, Congress has not authorized new “relief funding” to 1) cover real losses associated with COVID-19, 2) pay for the extensions necessary to complete projects that were stopped or slowed due to the virus or 3) fund the costs of new measures necessary to ramp up research safely. As the prospect of federal relief funding remains uncertain, we recommend institutions take steps to measure the current and long-term financial impact of COVID-19 on their organizations. Should relief funding become available, this information can be used to support applications for funding. More importantly, if this funding does not materialize, it can be used to help institutions make decisions regarding how to prioritize more limited resources.

## Overview/Issue

The COVID-19 pandemic has caused unprecedented disruption to universities, academic health centers and hospitals across the United States. Understandably, much of the immediate focus was on business continuity and the physical safety and emotional health of the workforce. By mid-March 2020, most research institutions had begun initiating steps to suspend all research except those programs deemed “essential.” These actions helped minimize person-to-person contact but also forced several difficult decisions, including discontinuing experiments in progress that will now need to be restarted, euthanizing a percentage of animal populations and furloughing support personnel. Obviously, the financial impact of these actions is significant. For example, [Johns Hopkins University](#) recently estimated a loss of direct and indirect cost recovery of up to \$25 million for fiscal year 2020 and \$30 million for fiscal year 2021.

Beyond the direct losses in research, losses in other parts of the institution will likely impact the capacity of institutions to invest in research. Hospital and physician practice revenues — a typical source of support for research programs — have been hit hard, as have other common institutional funding sources. A 2014 study conducted jointly by Huron and the Association of American Medical Colleges (AAMC) indicated that institutions invest on average 53 cents in [discretionary intramural dollars](#) for every extramural dollar received to support their research programs.

While it is possible Congress will authorize additional relief funding to help, relying on this outcome seems risky. Therefore, research institutions would be wise to measure the current and potential long-term financial impact of COVID-19 on their research programs to help inform future resource allocation decisions.

## Considerations

The research enterprise at many institutions has been significantly affected by the global pandemic. While these effects are far-reaching, below are the recommended focus areas for measuring the financial impact on your research programs:

**Supplemental Funding for Grants and Contracts:** Many institutions have followed the guidance of federal agencies to continue to charge salaries and fringe benefits as they were being charged at the point of disruption. While this has helped to mitigate the short-term financial burden institutions are facing, many research projects, especially bench research, have not continued at the pace necessary to meet project milestones and produce deliverables. Institutions are rightfully concerned that funding will run out before projects are complete.

**Core Facilities:** By definition, these [facilities are centralized shared research resources](#) that provide access to instruments, technologies and services, as well as expert consultation and other services to scientific and clinical investigators. Core

facilities remain viable through their ability to recover costs by charging extramural funding sources, which the current slowdown has dramatically impacted. Institutions have made significant investments in the establishment of these facilities and often invest in their ongoing operations. Given continued costs and the potential for dramatically reduced volume, institutions may need to consider several options to limit losses that would be borne by the institution. Recalculating rates, if feasible, could limit financial losses, but would in turn affect research project budgets. Careful review and rationalization of cores would allow alignment with institutional priorities.

**Clinical Trials:** Many studies that require a direct physical assessment or intervention were not able to be monitored. This may have required protocol deviation or, in some cases, the recruitment of new patients, which will come at a cost.

**Fellowships:** Numerous graduate students have not been able to complete their degrees due to the pandemic and may need additional support in order to complete their research. Institutions should inventory the individuals affected to determine this potential impact.

**Other Considerations:** In quantifying the financial impact in these areas, institutions should also consider the following:

- While bench research has been dramatically slowed (and in some cases halted), computational and other non-lab-based research will have continued, albeit at a reduced pace in many cases. Impact should be measured in a way that accounts for work being performed during the disruption.
- Core facilities are often subsidized in pre-pandemic times; the historical subsidy level should be considered in the impact calculation.
- Supplies and nonpersonnel expenses may also be affected. Institutions that have donated personal protective equipment (PPE) and other supplies to the COVID-19 response should include these costs as part of the financial impact.
- There may be unexpected ramp-up costs for both direct awards as well as core facilities, which should be included in the calculation. This may include supplies that have passed their expiration dates, as well as warranties and maintenance contracts that may now expire prior to project completion.

Finally, measuring the impact of COVID-19 will also provide justification for relief funding should any funding become available. A recent letter from Sens. Edward Markey, D-M.A., and Thom Tillis, R-N.C., called for such relief funding and outlined three areas for support:

- Cover supplements for research grants and contracts caused by the pandemic, including additional salary support and research-related ramp-up costs.
- Provide emergency relief to sustain research support personnel and base operating costs for core research facilities and user-funded research services until facilities reopen and research activities return to pre-pandemic activity levels.
- Fund additional [graduate student and postdoc fellowships](#), traineeships, and research assistantships for up to two years.

We anticipate that this type of stimulus funding would be distributed through administrative supplements and new awards, as opposed to direct reimbursement for expenses already incurred. However, institutions should be prepared to demonstrate the need for this funding by quantifying the financial impact of this disruption. In addition, this information should be tracked in a way that will allow institutions to be able to easily prepare budgets for administrative supplements and new awards, assuming funding becomes available. We encourage institutions to be prepared to quickly apply for this funding should it become available by determining the financial impact now.

## Summary

The COVID-19 pandemic has significantly affected research enterprises across the world. Institutions should work to determine the financial impact to their organizations to support requests for financial restitution and make prioritization decisions given limited institutional resources. In addition, they should prepare for the economic pressures of a changed research environment.

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