National Cancer Advisory Board (NCAB)
Subcommittee on Planning and Budget

Hyatt Regency Bethesda Hotel
Diplomat/Ambassador Room
1 Bethesda Metro Center
Bethesda, MD
December 10, 2013
7:45 p.m. – 9:15 p.m. EST

FINAL SUMMARY

Subcommittee Members Present:
Mr. William Goodwin, Chair
Dr. Kevin Cullen
Dr. Elizabeth Jaffee
Dr. Olufunmilayo Olopade
Dr. Jennifer Pietenpol
Mr. Patrick McGarey, NCI, Acting Executive Secretary

NCAB Members:
Dr. Marcia Cruz-Correa
Dr. Tyler Jacks
Dr. Beth Karlan
Dr. Kim Lyerly

Other Participants:
Margaret Ames, NCI
Susan Erickson, NCI
Blair Feldman, NCI
Adrienne Hallett, U.S. Senate Appropriations Committee
M.K. Holohan, NCI
Jennifer Lee, Rapporteur, The Scientific Consulting Group, Inc.

Call to Order and Opening Remarks

Mr. William Goodwin, Subcommittee Chair, opened the meeting at 7:45 p.m. He welcomed participants to the inaugural meeting of the Subcommittee and suggested an informal format for the meeting, encouraging participants to ask questions. Dr. Jacks stressed the critical importance of the Subcommittee. He suggested that the participants consider at this meeting both planning for the budget and for the direction of the Subcommittee. Mr. Goodwin indicated that time for discussion of the direction of the Subcommittee would be allocated at the end of the meeting. He introduced the Subcommittee's Acting Executive Secretary, Mr. Patrick McGarey, Director, Office of Budget and Finance.

Budget Perspective From Capitol Hill

Mr. McGarey introduced Ms. Adrienne Hallett, Staff Director, Subcommittee on Labor, Health and Human Services (HHS), and Education of the U.S. Senate Appropriations Committee, who provided a general briefing on the U.S. government spending and budget negotiations, the details of which are changing rapidly. Ms. Hallett said that the U.S. debt is projected to reach 100 percent of the U.S. gross domestic product (GDP) in 2027. As a percent of GDP, the projected increase in the debt is driven by increased spending on Medicare and Medicaid as members of the Baby Boom Generation enter Medicare. Between FY 2010 and FY 2013, efforts to reduce the deficit exclusive of sequestration included $1.7 trillion in reductions to discretionary spending and $700 billion in increased revenue. Sequestration mandates an additional $1.2 trillion in deficit reduction over a 10-year period. The reductions from sequestration are unique in that they represent the first time different caps were imposed on defense and nondefense spending. Also unique is the trend toward increasing levels of mandatory spending.

In current consideration are two budget extremes: the President's budget and Senate budget would replace sequestration, and the House budget would retain the sequester. The President's and Senate budgets mix tax increases and budget reductions, resulting in total discretionary funding of $1.058 trillion, of which the NIH budget would be approximately $31 billion and the NCI $5 billion. The House budget would shift defense reductions to nondefense expenditures, with defense spending remaining at FY 2012, pre-sequester levels. Total discretionary funding would be $967 billion, which would result in a 22 percent reduction in the Labor, HHS, and Education budget. This would effect a significant change in the way in which these agencies would provide services, but Ms. Hallett noted that it is not known how these reductions would be implemented because the House has not been able to draft a viable bill with sufficient support from House Republicans. The two sides are entrenched in their respective positions not to cut Medicare/Medicaid versus not to raise taxes, while each year the sequestration results in $92 billion in budget reductions. Ms. Hallett predicted that the most likely deal will extend for 2 years. The current details of such a deal are a 50 percent fix to sequestration offset with 50 percent in spending reductions combined with a 50 percent revenue increase from user fees (e.g., aviation fees) and spectrum sales. It is unlikely that if Labor, HHS, and Education get a 50 percent fix to sequestration, 100 percent of the NIH's reductions will be restored as this would leave insufficient money for other priority programs. Ms. Hallett pointed out that the Labor, HHS, and Education budget items without strong support already have been cut, leaving only priority programs such as K through 12 education, job training, and Affordable Care Act (ACA) implementation. If no deal is agreed upon by January 15, 2014, the sequester budget reduction will continue, and the government might be funded under another continuing resolution. October 1, 2014, will begin a new fiscal year, and Ms. Hallett predicted that if no deal has been finalized by that date, a 1-year deal would be implemented because of political pressures given the proximity to elections.

The participants discussed the effects in changes in taxes and spending would affect the U.S. debt. Dr. Cullen asked about the amount of tax increases that would be needed to reduce the federal debt. Ms. Hallett responded that the tax rate depended on economic conditions and that both individual and corporate taxes need to be considered. Dr. Olopade asked about the effects of reducing Medicaid and Medicare spending. Ms. Hallett responded that there is little political incentive to make reductions in these programs, but it is possible that some of the pilot programs in the ACA, such as accountable care organizations (ACOs), might result in savings in the Medicare system.

Dr. Jacks asked whether a realistic prediction of the future of the NIH's budget would be a small improvement relative to the sequestration funding reductions but not a complete return to the pre-sequestration budget. Ms. Hallett concurred, indicating that it was unrealistic that the NIH would return to full funding levels at the expense of other discretionary priorities. Dr. Jacks expressed frustration about the ability to conduct long-term planning in the absence of certainty about the budget.
Ms. Hallett noted that the NIH has strong bipartisan support, however, and Congress is likely to restore half of the sequestration reductions imposed on the NIH's budget. In addition, she predicted that the economic recovery from the recession and a desire for new initiatives under the next administration make it likely that in the future, opposition to the Budget Control Act of 2011 will increase. Dr. Jacks stressed the need for the NCI to prepare to advocate for greater funding in the event that the budget situation improves. Ms. Hallett suggested that a comparison to the investments that other nations are making in biomedical research even in difficult economic circumstances might be a compelling argument to present to Congress. Dr. Olopade noted the investments that the NCI's international partners have made in global cancer research programs.

NCI Budget Overview

Mr. McGarey presented an overview of the NCI budget. He compared a summary of the NCI's budget in FY 2013, which reflects budget reductions from the Sequester, to the President's FY 2014 budget. In executing the budget reductions of FY 2013, the NCI sought to protect new and competing research project grants as the best approach to continuing to fulfill its mission. Both sequestration and inflation have contributed to a reduction in the purchasing power of the NIH's total budget. Mr. McGarey described the ways in which the NCI delivers its resources in different scientific program areas, noting that the NCI-designated Cancer Centers are entirely extramural, whereas other areas include a mixture of mechanisms. Mr. McGarey described the details of efforts to limit the impact of budget reductions on competing research project grant (RPG) awards in FY 2013 relative to FY 2012, which in general resulted in modest declines in total funding of particular grant mechanisms and similar numbers of awards. The long-term effects of the Budget Control Act and inflation are projected to be a continued steady decline in RPG competing success rates. Mr. McGarey compared the NCI's actual, proposed, and projected funding—given continued implementation of the Budget Control Act for an additional 8 years and continued inflation—with the same funding expressed in terms of inflation-adjusted dollars, showing a decline in purchasing power for the NCI relative to FY 2000 that will put the NCI at risk for a poor competing success rate.

There was desire expressed among the participants for the NCI to provide greater detail about the NCI's funding of scientific programs by mechanism. Dr. Jacks cited in particular the $600 million allocated to Cancer Centers in FY 2014. Dr. Pietenpol added that the Cancer Centers are involved in many of the other functions shown on the chart, such as cancer biology and cancer causation.
Mr. McGarey explained that the NCI segregates funding for Cancer Centers for historical reasons but agreed that this division merits further consideration. Dr. Cruz-Correa added that the 1 percent of the President's FY 2014 budget dedicated to research training was of concern because of its importance, noting that it was unclear whether training expenditures were embedded in other costs. Mr. McGarey answered that the funding for the infrastructure that supports trainees was much more than the funding for salaries of trainees.

Dr. Cullen asked for clarification about whether for reporting purposes, the Frederick National Laboratory for Cancer Research (FNLCR) was included as part of NCI's intramural research program.

Mr. McGarey and Ms. Blair Feldman, NCI Office of Budget and Finance, responded that the FNLCR was included under NCI's research and development (R&D) contracts. Dr. Jacks noted that the case of contractors in R&D is complicated because some work in intramural laboratories and others do not.

Dr. Olopade sought more information about which funding mechanisms provides the best return on its investments. Mr. McGarey responded that obtaining such information might be difficult but suggested that it would be possible. Mr. Goodwin reminded the Subcommittee members that although analyses of effectiveness might be valuable, they were charged with providing advice about changes in strategic direction.

The participants discussed the interpretation of the data on changes over time in NCI funding, inflation-adjusted funding, and RPG competing success rates. Dr. Cruz-Correa asked whether the decline in competing success rates from 2004 to 2013 was the result of a larger applicant pool. Dr. Cullen responded that the decline might be a result of more investigators applying for funding as well as the same investigators applying multiple times. Dr. Jaffee observed that during that time, the rules for the number of times applicants could re-apply had changed. Dr. Jacks noted that decrease in inflation-adjusted funding for the NCI during that period signified that fewer grants were offered, fewer applicants were funded, awards were smaller, and each award was able to perform less scientific work. Dr. Olopade was concerned that reduced funding might decrease research success, rendering the investment not worthwhile. Dr. Lyerly added that rising indirect costs at academic research institutions are another dimension that influences the effectiveness of research spending. Mr. Goodwin suggested that for clarity, the NCI revise the graph on NCI funding over time to remove the contribution from the American Recovery and Reinvestment Act (ARRA) of 2009, which represented a one-time investment.

Questions, Topics for Future Meetings, and New Business

Ideas for possible topics for future meetings were raised. There was general agreement with Mr. McGarey's suggestion for additional briefings from the U.S. Senate Appropriations Committee's Subcommittee on Labor, HHS, and Education. Dr. Jacks proposed that Dr. Varmus be invited to attend future Subcommittee meetings.

The members discussed the types of advice that the subcommittee might provide to the NCI leadership that would be most valuable. Dr. Olopade expressed the opinion that the Subcommittee was charged with providing general oversight for taxpayers' investment in the NCI and should gather data on the ways in which the NCI is allocating spending and the effectiveness of current initiatives. These data would provide a basis to advise the NCI on how it might allocate funds to maximal effect in the future. The members agreed on the need for a more detailed accounting of the ways in which the NCI allocates funding for discussion at the next Subcommittee meeting. Dr. Pietenpol pointed out that changing the direction of the NCI, however, might prove difficult, and Mr. Goodwin likened it to steering a battleship. Mr. McGarey agreed, providing an example of research grants, which represent a commitment of multiple years.

Mr. Goodwin indicated that Dr. Varmus and the NCI leadership had made great efforts to protect the programs with the greatest impact as budgets were being reduced. Dr. Pietenpol noted that a recent article about Dr. Varmus in *Science* provides a clear depiction of Dr. Varmus' priorities. Dr. Varmus has been redirecting funding to the Cancer Centers and restructuring the FNLCR, but it would be valuable to the Subcommittee to understand these funding changes in greater detail.

Adjournment

Mr. Goodwin thanked attendees and adjourned the Subcommittee meeting at 9:27 p.m. EST.

_____	_____	_____	_____
Mr. William Goodwin Chair	Date	Mr. Patrick McGarey Acting Executive Secretary	Date