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NIH Director Nominee Jay Bhattacharya

Reorganization: Our Take on Short-Term vs. Longer Term Reform

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Jay Bhattacharya, MD, PhD, President elect Trump's NIH director pick, likely aligns with RFK and the administration at large on the need to reform and restructure the NIH. He has particularly been critical of the government's response and around COVID. He also aligns with the administration on increasing focus on chronic disease research. The Department of Government Efficiency (DOGE) will likely target the NIH as a source of federal cuts and limit the extensive research and administrative structure at the NIH. Overall, NIH funding is not likely to increase 25/26 under the incoming administration (more likely to be flat, which is probably OK for life sciences & tools companies, as the sentiment has been quite negative for the space) with the sharpened focus on cutting government spending. We note that NIH has fared historically well under Republican Congresses in the past. We will see a shift to health/wellness, AI. Longer-term reforms may foster innovation and improve productivity. See *below for our take on what NIH reform may look like: DOGE, new leadership, Sen. Cassidy initiative.*

»» Key Points

Jay Bhattacharya, MD, PhD, is a Stanford University professor and a research associate at the National Bureau of Economics Research. He also directs Stanford's Center for Demography and Economics of Health and Aging. Dr. Bhattacharya has spent almost his entire career at Stanford University.

He aligns with RFK and the Trump administration at large through his opposition to the federal response to COVID (specifically the lockdowns). In October 2020, Bhattacharya co-authored an open letter known as the Great Barrington Declaration, calling for an alternative to lockdowns, recommending that the focus be on protecting vulnerable groups.

His research focus areas at Stanford have been wide-ranging. He has studied the impact of aging for future population health and medical spending in developed countries, the measurement of physician performance tied to physician payment by insurers, and the impact of government programs on vulnerable populations.

NIH is a major target for spending cuts and restructuring. Recall that DOGE, led by Vivek Ramaswamy and Elon Musk, also have their target on the back of NIH, a \$50 B organization with about 27 centers & institutes,

including the National Cancer Institute.

- Dr. Bhattacharya will likely play a major role in the restructuring of the NIH. The incoming administration is particularly skeptical of the NIH's work and current organization.
- RFK Jr. has publicly spoken about his aim to stop NIH-funded research on infectious diseases for eight years, fire 600 NIH staff the day he is sworn in, and reorient federal research to understudied areas like prevention of chronic diseases.

The newly named Department of Government Efficiency (DOGE), an advisory commission not a government agency, aims to severely cut down on government spending. The commission wants to cut \$2 T in expenses, from the over \$6 T annual budget. While drastic cuts across the board in discretionary spending are not likely to be implemented, the NIH is one agency the commission will likely strongly target in federal cuts due to the inefficiencies and the shifting focus away from infectious diseases.

In 2024, NIH received \$ 47.3 B in total program funding, the first flat/slight decrease (-0.8%) since FY 2013. The NIH has 27 institutes and centers, including ones focused on cancer, aging, and diabetes. The NIH budget has largely seen growth over the past few decades. Going forward, we expect budgets to be cut or remain flat due to the increased skepticism of the NIH's work and the perceived administrative bloat and inefficiencies at the agency.

What can cuts and/or NIH restructuring look like? We note that short-term changes will be tough. Longer-term goals could be a step in the right direction. Initially we may see new centers & directors created, for instance one on chronic diseases. Some centers may be eliminated, to show that they are "doing something" on waste, admin duplication. Longer term changes could be a mixed bag – some good, some bad – to improve productivity at NIH.

Sen. Cassidy also has NIH reform ideas, so there is an opportunity for thoughtful reform, and we will likely see hearings on the topic 2025+. This could be an opportunity for the Senate HELP Chairman, also a physician from Louisiana, to work with NIH/DOGE on common sense reforms. We note that NIH has fared particularly well under Republican Congresses.

- In 2023, Cassidy initiated an RFI (request for information) on NIH Restructuring.
 - He released a white paper with results in 2024. The paper highlighted organizational issues at the NIH including challenges in balancing the research portfolio (public health interest vs. investigator led research), redundancies (duplicative research and redundant research infrastructure), lack of high-risk project incentives, and addressing public mistrust/restoring research integrity.
 - Recommended policies include reorganizing the intramural program into interdisciplinary programs, using data sharing policies and tech to validate research claims (more transparency), using a risk-based framework to commission randomized audits, evaluating the impact of NIH operations and policies closer to real time, along with grants management best practices.
 - Cassidy also called for NIH to help facilitate biomedical competition with China, focus more on basic research, use artificial intelligence to help prioritize grants, incentivize voluntary sharing of negative results.
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