

NAVREF WHITE PAPER

What's at Stake: NIH Funding, Indirect Cost Recovery, and Veterans Health Research

How changes in NIH grantmaking are affecting VA-affiliated nonprofit research corporations — and the veterans they serve

Released July 27, 2026

The Bottom Line

- **NIH grant distribution is down across the board, and veteran research is not immune.** Since NIH shifted toward multi-year funding in mid-FY25, total dollars have stayed roughly level while the number of new awards are awarded to fewer organizations nationwide. Research administered by VA-affiliated nonprofit research corporations (NPCs) is caught in the same contraction. Veteran research is down about 57% versus FY23, compared with about 22% for all NIH recipients¹.
- **NIH funding is a cornerstone of veterans' research.** Of the approximately \$358 million in externally funded research administered by VA-affiliated nonprofit corporations (NPCs), nearly 40% (or, \$136M) comes from the National Institutes of Health (NIH), either directly through prime awards or indirectly through subawards. NIH funds drive research on some of the most urgent health challenges facing veterans – from cancer and Alzheimer's disease to PTSD and suicide prevention.
- **NIH's shift to multi-year funding is hitting NPCs harder than other grantees.** Since NIH began issuing multi-year awards in mid-FY25, total dollars have stayed roughly level while the number of new awards and the number of distinct grantees have fallen sharply. Funding for NPCs from new NIH prime awards is down about 57% versus the same point in FY23, compared with about 22% for NIH recipients overall, and NPCs' share of new NIH grant funding has fallen from 0.24% to 0.13%.
- **NPCs already operate lean and are not universities.** VA-affiliated nonprofit research corporations (NPCs) are structurally different: they exist solely to support VA research and education, and they have no tuition, endowment, clinical revenue, or state appropriations to fall back on.
- **The Ask:** Policymakers should protect and strengthen NIH's investment in veterans' research by ensuring that funding policies support VA-affiliated nonprofit research corporations. Without a healthy pipeline of new NIH awards, promising research will be delayed, scientific talent will be lost, and veterans will wait longer for the next generation of treatments and cures.

¹ Data from NIH RePORTER, accessed June 20, 2026; NAVREF's calculations.

Background: What NPCs Are and Why NIH Funding Matters to Them

VA-affiliated nonprofit research and education corporations (NPCs) are congressionally authorized 501(c)(3) organizations, each affiliated with one or more VA medical centers. Congress created the NPC mechanism in 1988 so that VA investigators could receive and administer research funding from sources outside VA — including NIH, other federal agencies, foundations, and industry — that VA itself cannot readily accept. When a VA researcher is awarded an NIH or other federal grant, the affiliated NPC typically serves as the grantee institution: it employs study staff, manages budgets and compliance, and ensures the work meets federal requirements.

Two features of this arrangement warrant particular attention in this current policy debate. First, NPCs are purpose-built for veterans' research. Unlike universities, they have no tuition revenue, no endowments, no clinical operating margins, and no state support. Externally funded research — direct costs plus negotiated indirect cost recovery, whether from federal agencies, industry, or foundations — is their entire revenue base. Compared to our nation's major academic medical centers, NPCs are smaller, independent research institutions. Collectively they administer about \$357 million per year in externally funded VA research; many individual NPCs operate on budgets that significantly less than large academic medical center.

A brief word on indirect costs. Every grant has direct costs (the scientists, supplies, and equipment for a specific project) and indirect costs, also called facilities and administrative (F&A) costs (the shared infrastructure that makes any project possible — grants management, human resources, IT, audit and compliance staff). Each institution negotiates its IDC rate with the federal government based on its actual, documented and audited costs. NAVREF analysis shows that the median negotiated indirect cost rate across NPCs is well below the national average for large research universities. Because they have no other revenue to absorb under-recovery, an IDC cap set below their negotiated rates does not squeeze administrative excess — it forces reductions to the staff and systems that keep research running, or ends participation in the research altogether.

What Changed at NIH: The Shift to Multi-Year Funding

Historically, NIH has funded multi-year research projects one year at a time. So, a five-year grant awarded in 2020 would receive the FY2020 budget for the first year only. “Continuing” funds would be obligated in 2021, 2022, and so on. These multiyear (most typically over four- or five-year periods) allows the NIH the flexibility of funding more scientific studies in a given year. It also allows NIH to fund a relatively predictable number of new grants each year. However, beginning in the third and fourth quarters of FY2025, and continuing through the first half of FY2026, NIH began obligating multiple years of funding up front on some awards — multi-year funding (MYF).

On paper, MYF can look like business as usual: total dollars going out the door remain roughly level. But the mechanics matter. When more of each year’s budget is committed to fewer, larger, front-loaded awards, there are fewer new awards to compete for each year, and fewer organizations receive any award at all. Funding becomes more concentrated. FY26 also started on a lagged timeline, with awards well behind prior-year pace for much of the year before catching up in total dollars allocated— but not in number of distinct awards — by early June 2026.

For large institutions with hundreds of active NIH awards, a thinner year of new awards is a manageable fluctuation. For NPCs — which typically manage far fewer NIH awards than large academic institutions, often only a handful at a time — fewer opportunities per year can mean the difference between sustaining a research program and shutting it down.

What the Data Shows

About the data. The analysis below draws on NIH [RePORTER](#) and is current as of June 20, 2026. It reflects prime awards only (not subawards). Unless otherwise stated, figures include only new awards and competitive renewals — they exclude continuing funding for grants awarded in a prior year, no-cost extensions, and administrative updates. Each chart compares fiscal years 2023 through 2026 on a same-date basis: how much had been awarded by a given date in each fiscal year (“year to date,” or YTD).

At a Glance

Metric (FY26 YTD, as of June 2026)	All NIH grant recipients	VA NPCs
Total grant awards	Even with FY25 YTD; behind FY23 and FY24 YTD.	Below FY23, FY24, and FY25 YTD.
Total grantees (organizations receiving awards)	Significantly below each of the previous three fiscal years YTD.	Significantly below each of the previous three fiscal years YTD.
Total funding, including continuing awards	Slightly above FY25 YTD; slightly behind FY23 and FY24 YTD.	Slightly above FY25 YTD; slightly behind FY23 and FY24 YTD.
New-award funding only	Slightly above FY25 YTD; ~22% below FY23 YTD.	Slightly above FY25 YTD; ~57% below FY23 YTD.

Percentage of Grants Obligated as Multi-Year Funded (as of June 2026)

Total FY26 Grant Awards (as of June 2026)

Bottom line: NIH is making fewer grant awards than it did two and three years ago — and NPCs are faring worse than grantees overall, trailing every one of the past three years.

The charts below show how many total grants had been awarded by a given date in each fiscal year (one award = one project). For NIH awardees overall, FY26 started out behind FY25 but caught up by early June — though both years remain well below FY23 and FY24. For NPCs, FY26 is still behind FY25, which in turn was behind FY23 and FY24.

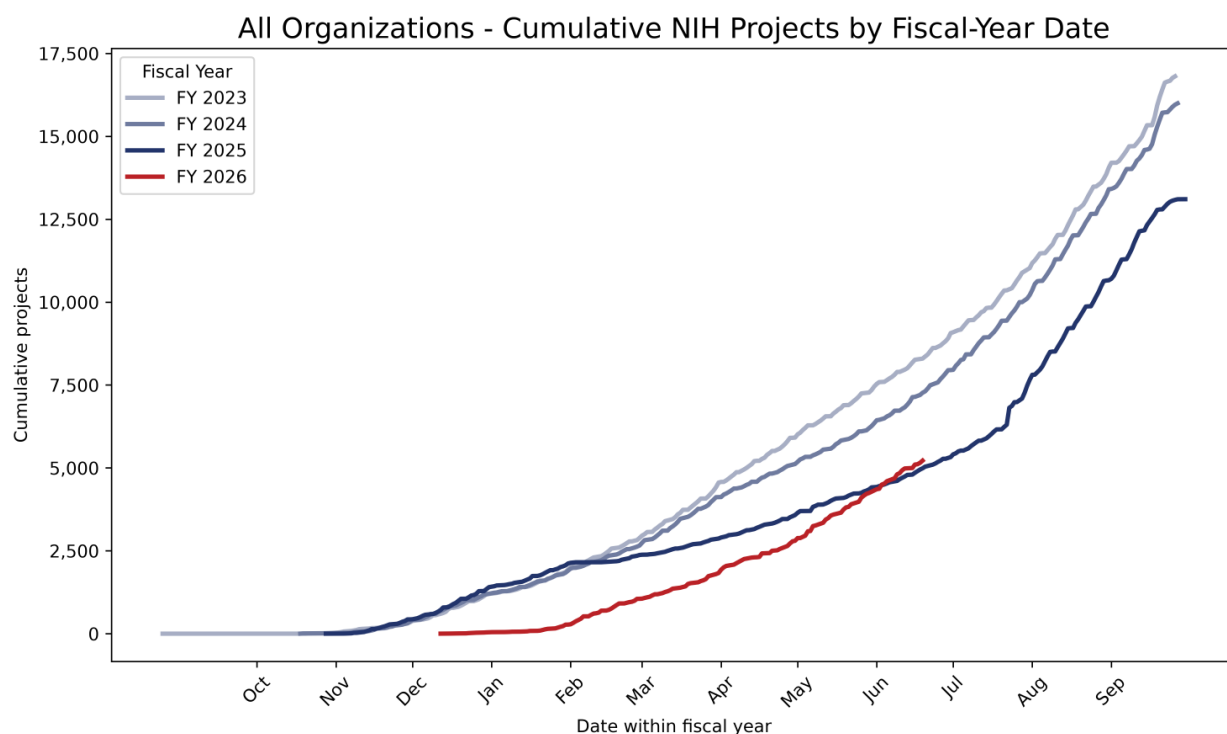


Figure 2. All organizations — cumulative NIH projects awarded, by fiscal-year date (FY23–FY26).

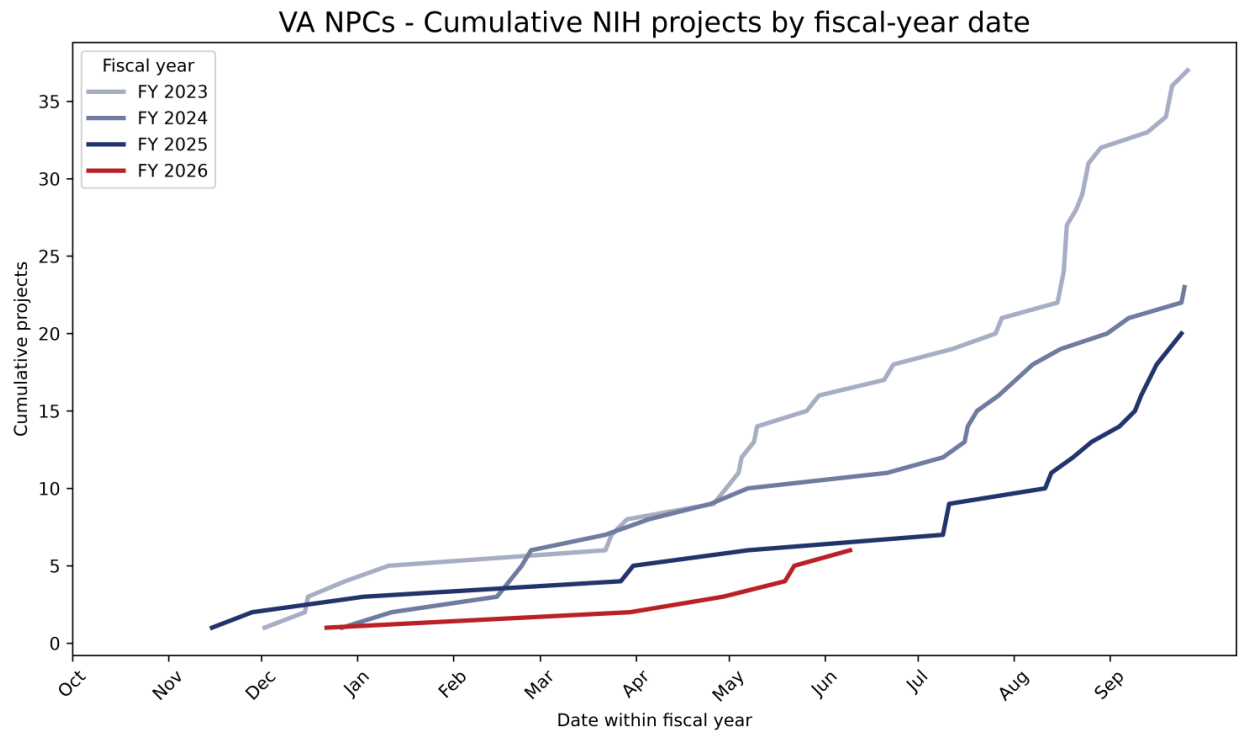


Figure 3. VA NPCs — cumulative NIH projects awarded, by fiscal-year date (FY23–FY26).

Total FY26 Grantees

Bottom line: About 25% fewer organizations have received an NIH award this year than at the same point in FY25 — and less than half as many as in FY23. The pain of fewer awards is being spread across fewer institutions.

These charts show how many distinct grantee organizations had received at least one NIH award by a given date in each fiscal year. For grant recipients in general and for NPCs in particular, the number of grantees at this point in FY26 lags well behind previous years. Both groups have seen roughly 25% fewer organizations receive awards compared with the same point in FY25, and less than half as many compared with the same point in FY23. This is the clearest signature of multi-year funding: even where dollars hold steady, the circle of institutions receiving them is shrinking.

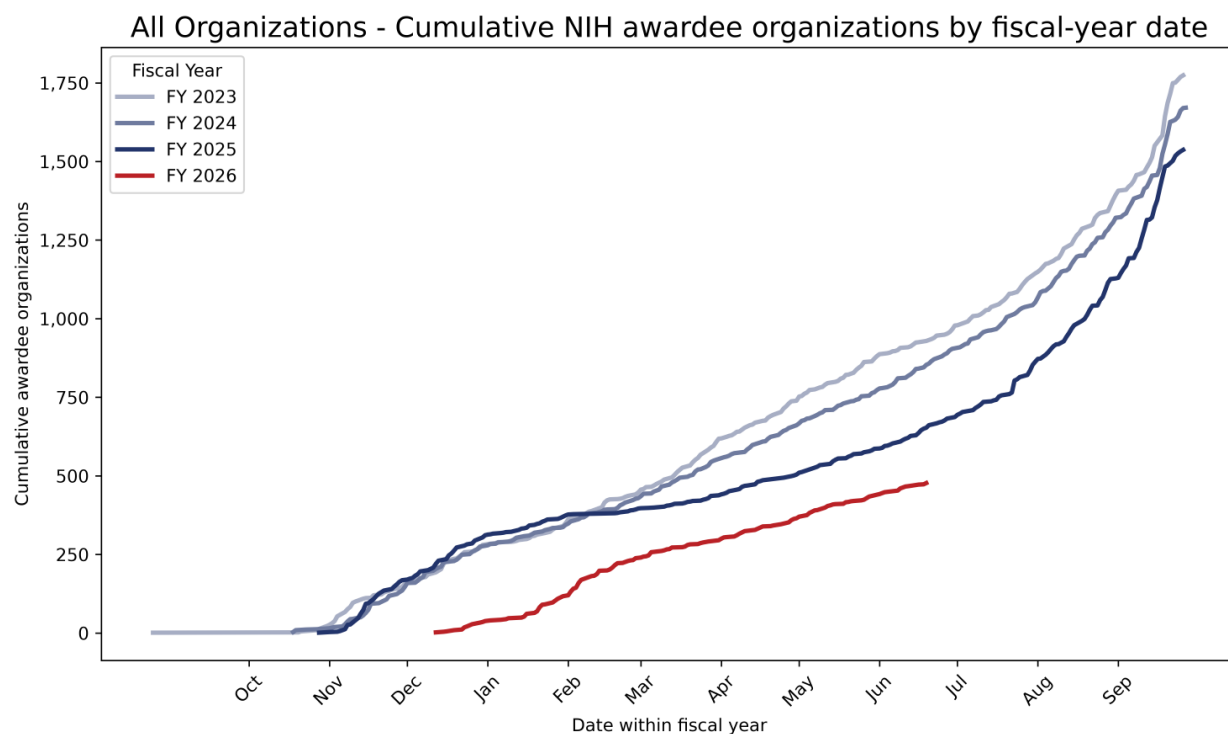


Figure 4. All organizations — cumulative NIH grantees, by fiscal-year date (FY23–FY26).

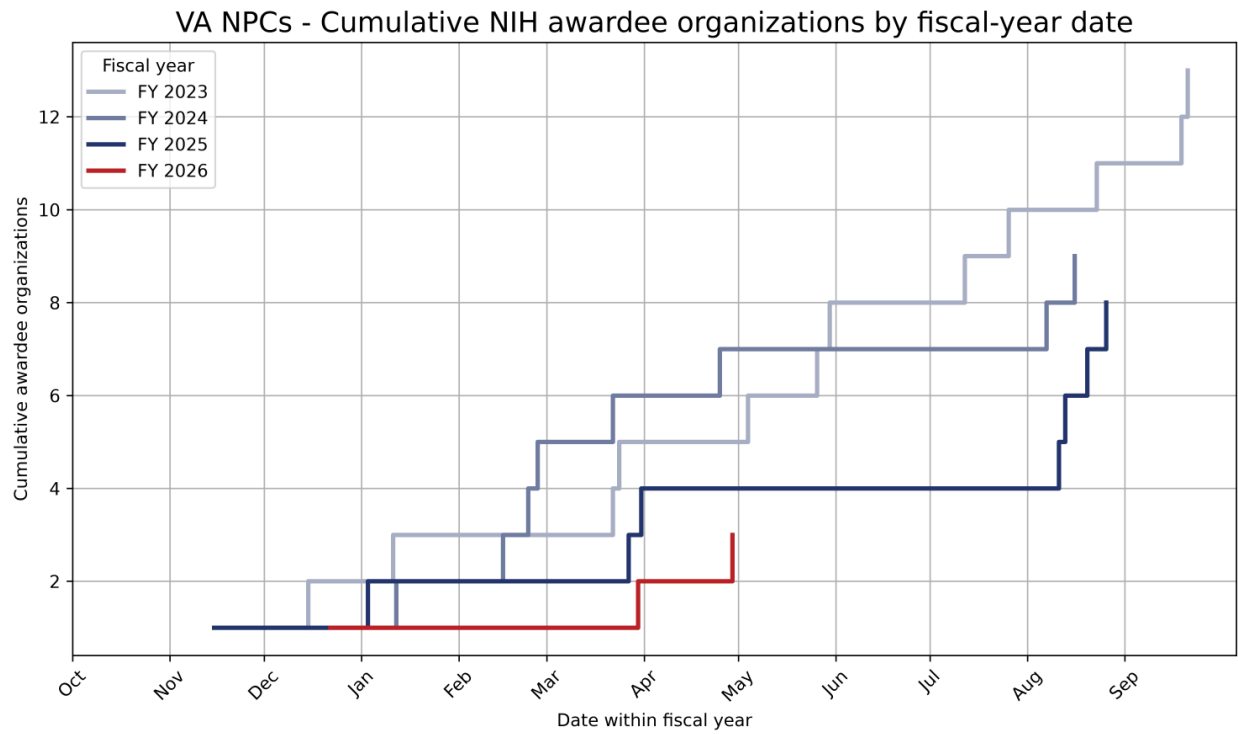


Figure 5. VA NPCs — cumulative NIH grantees, by fiscal-year date (FY23–FY26).

Total FY26 Funding, Including Continuing Awards

Bottom line: Counting all funding — new awards plus continuing funding on existing grants — FY26 has caught up to FY25 after a slow start, but both years remain behind FY23 and FY24.

When continuing funding for prior-year grants is included, overall NIH funding for both NPCs and grant recipients in general is roughly in line with the same point in FY25, having recovered from a lagged start to the fiscal year. Both groups, however, remain measurably behind their year-to-date funding levels in FY23 and FY24.

All Organizations - Cumulative NIH Award Amount by Fiscal-Year Date (New and Continuing Funding)

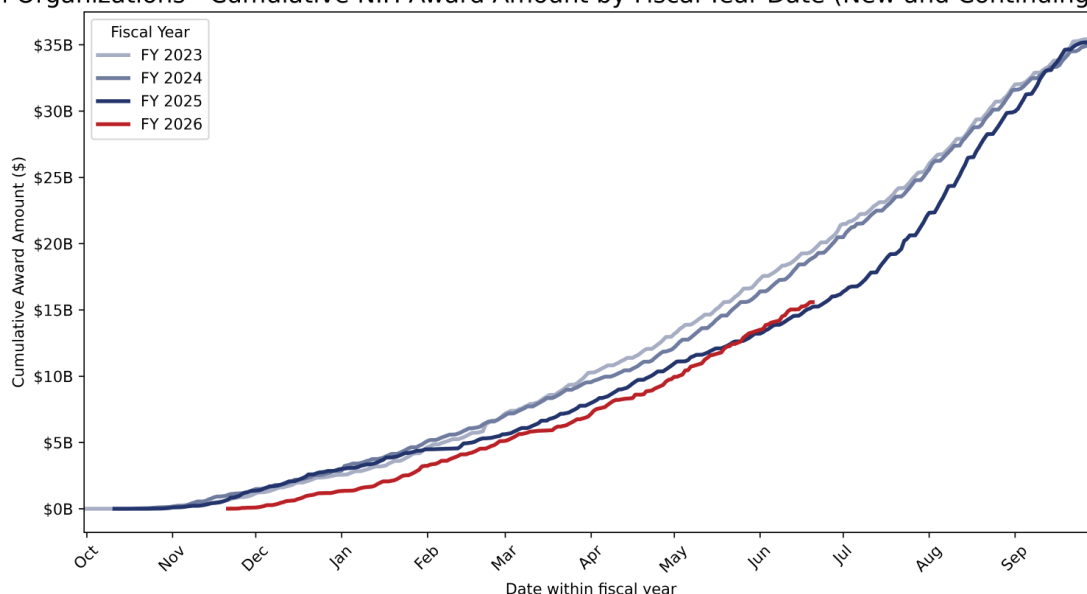


Figure 6. All organizations — cumulative NIH award amount, all funding including continuing awards (FY23–FY26).

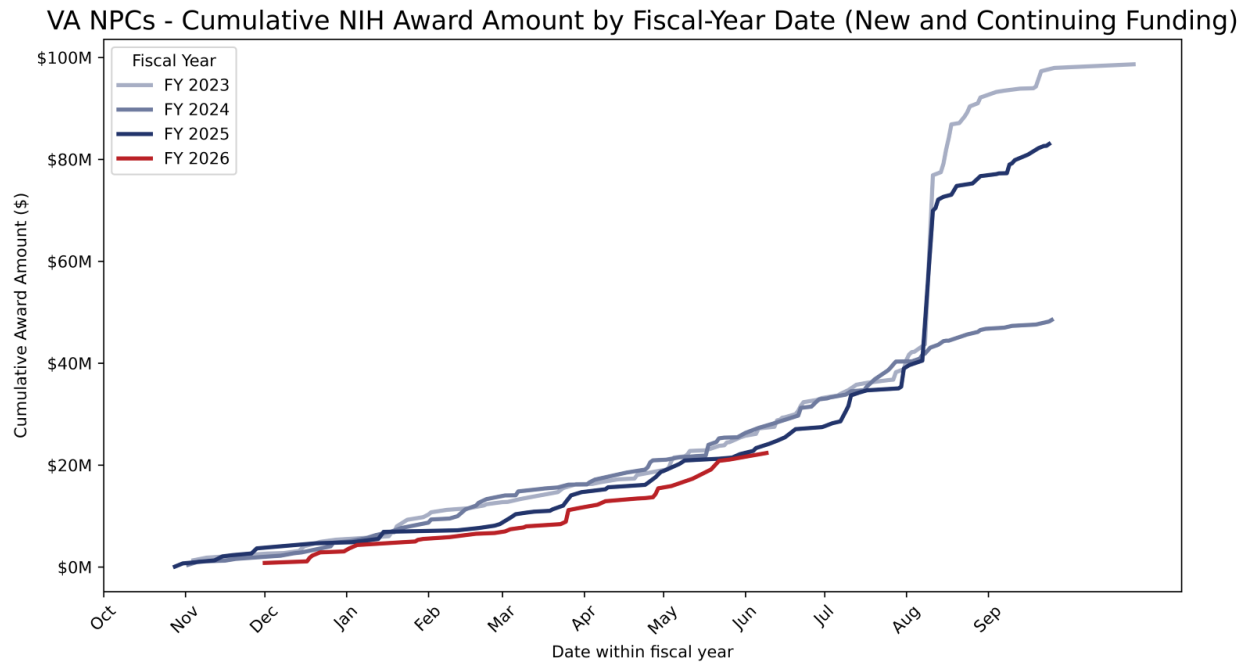


Figure 7. VA NPCs — cumulative NIH award amount, all funding including continuing awards (FY23–FY26).

New-Award Funding Only

Bottom line: New grant funding is down about 22% from FY23 for NIH recipients overall — but down about 57% for NPCs. NPCs' share of new NIH funding has nearly halved, from 0.24% to 0.13%.

Looking only at new awards and competitive renewals, FY26 funding slightly exceeds FY25 for both NPCs and all NIH recipients. But both groups lag far behind FY23 and FY24, and the gap is much more severe for NPCs: new-award funding is down roughly 57% for NPCs versus FY23 year-to-date, compared with roughly 22% for all recipients. Year-to-date in FY23, NPCs collectively accounted for about 0.24% of all new grant funding awarded by NIH; so far in FY26, they account for only 0.13%. NPCs already received very little — now they are receiving proportionally less.

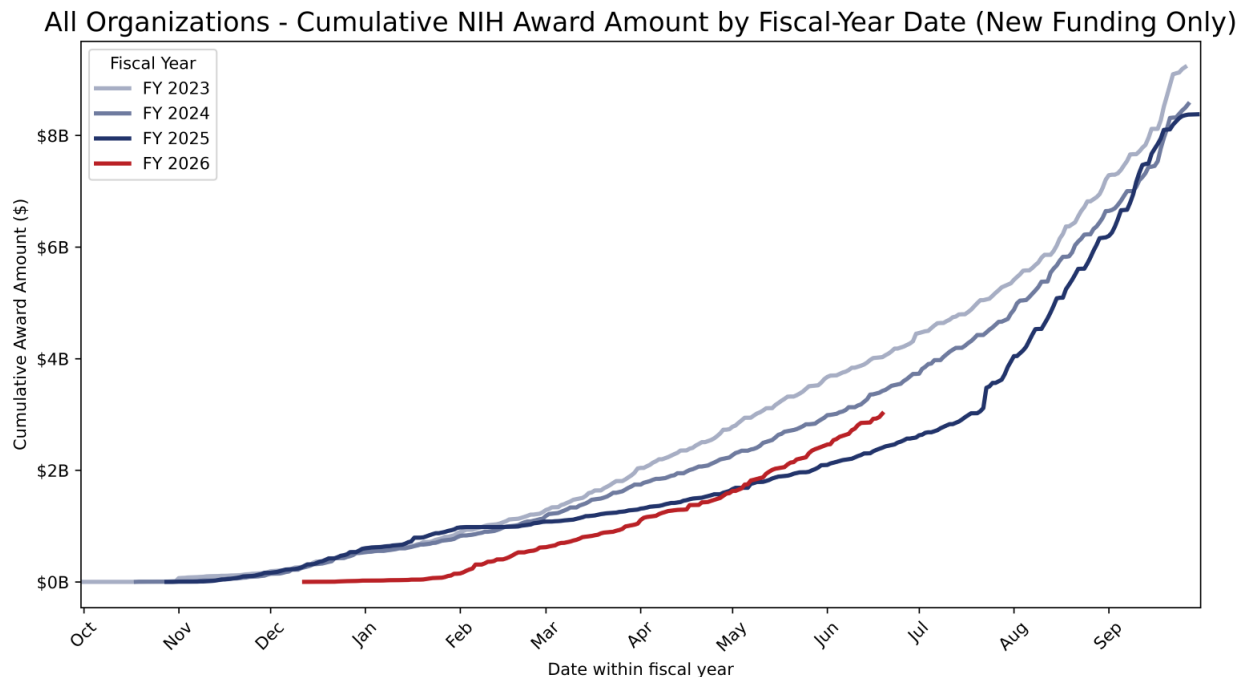


Figure 8. All organizations — cumulative NIH award amount, new awards only (FY23–FY26).

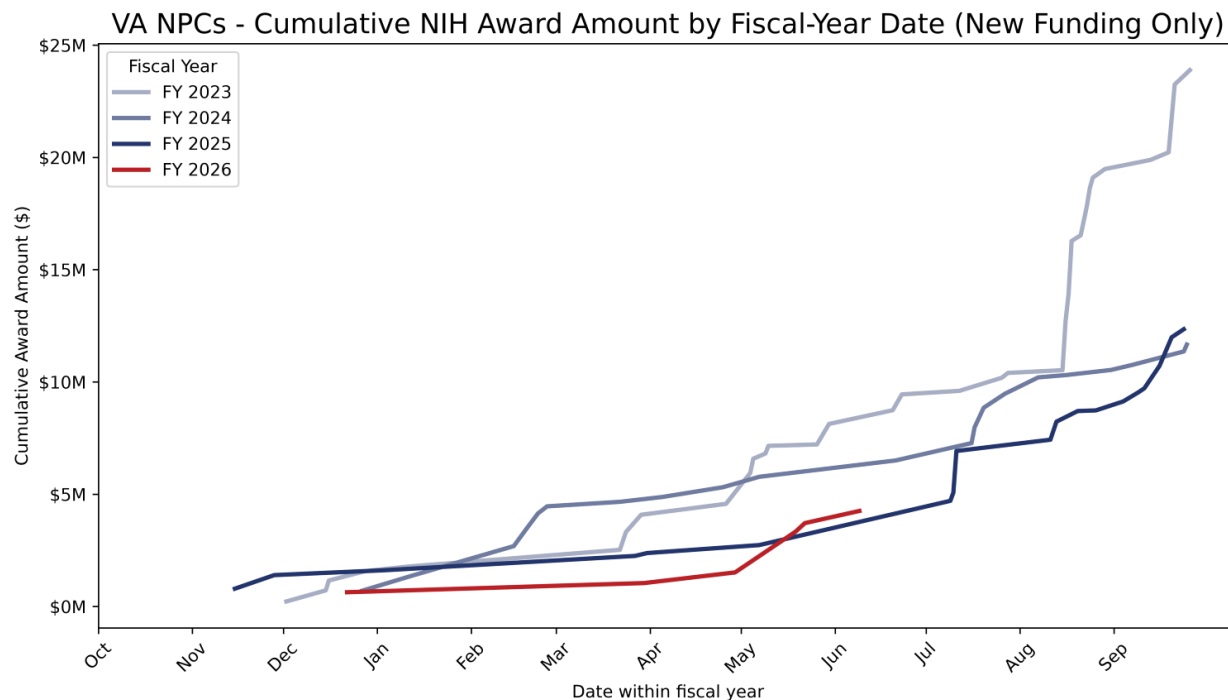


Figure 9. VA NPCs — cumulative NIH award amount, new awards only (FY23–FY26).

Impact on Individual NPCs

Bottom line: Nearly every NPC that has held an NIH prime award since FY23 is receiving less NIH funding today than it did then — only one has avoided a decline.

What This Means for Veteran Health Research

These are not abstract budget lines. NPC-administered NIH funding supports research conducted inside VA medical centers, by VA clinician-investigators, with veteran participants — research that follows the health problems veterans disproportionately face. When that funding contracts, the work does not migrate to a university down the road; it is designed around VA patients and VA data, and much of it simply stops. Three areas illustrate what is at stake.

Cancer. VA treats hundreds of thousands of veterans with cancer, and NPC-administered research helps bring precision oncology — matching treatment to the genetics of a patient's tumor — to veterans wherever they receive care. VA research also has a long record of producing discoveries with impact far beyond the VA system; foundational VA work contributed to the development of today's GLP-1 therapies. Just as important, research funding is often the only way veterans at a given facility can access cutting-edge clinical trials.

Alzheimer's disease and dementia. Veterans face elevated dementia risk linked to traumatic brain injury and PTSD, and the veteran population is aging faster than the country. NPC-supported studies — including work built on the Million Veteran Program, one of the world's largest genomic research cohorts — are central to understanding and treating dementia in this population.

PTSD and suicide prevention. VA researchers have pioneered machine-learning approaches to identifying veterans at elevated risk of suicide and continue to model how military exposures translate into long-term mental health outcomes. This work depends on sustained data-science infrastructure — exactly the kind of capacity that is funded through grants and lost quickly when funding lapses.

Each of these programs depends on the same fragile mechanism: an NPC that can win external funding, recover enough of its actual costs to administer that funding compliantly, and retain the specialized staff who keep studies running. The data above shows every link in that chain under strain at once.

What Can NPCs Do to Prepare

VA affiliated nonprofit corporations (NPCs) should focus on protecting cash flow, preserving research continuity, diversifying funding, and communicating proactively with stakeholders.

Suggested activities might include:

1. Stress-test your NPC's financial position and identify:
 - a. Amounts of unrestricted funding available
 - b. Which staff are supported by federal grants versus other institutional funds
 - c. Review cash-flow assumptions for NIH-funded projects administered primarily through the NPC and identify where delays might disrupt ongoing research
2. If you conclude that your NPC will be significantly impacted by these changes, consider building additional operating reserves (if possible). This may include:
 - a. Delay nonessential capital purchases
 - b. Renegotiate payment schedules with vendors
 - c. Accelerate collection of outstanding invoices
 - d. Consider establishing or expanding a line of credit before it is needed.
3. Diversity funding sources. Organizations heavily depending on NIH funding might consider other funding sources:
 - a. U.S. Department of Defense (particularly CDRMP programs)
 - b. PCORI Grants & Other Philanthropic grants (though noting IDC rates can often be capped). (See: [NAVREF Foundation Directory](#))
 - c. State funding opportunities
 - d. Industry-Sponsored Clinical Trials
 - e. Corporate Philanthropy
4. Protect your NPC's workforce as funding uncertainties can often lead to loss of staff. Consider opportunities to:
 - a. Use bridge funding strategically
 - b. Share personnel across projects
 - c. Identify essential positions that should be protected whenever possible
5. Invest in operational efficiency as periods of slower funding can be an opportunity to improve internal systems)
 - a. Improve financial tracking
 - b. Strengthen compliance documentation
 - c. Enhance clinical trial management systems (and consider NAVREF's ROGUE CTMS)
6. Communicate with key stakeholders
 - a. To maintain confidence and reduce uncertainty, provide principal investigators with regular updates about expected timelines, budget assumptions, institutional planning, and proposal strategies.
 - b. Communicate your NPC's financial status and any projected impacts to your local Board of Directors.
 - c. Create a transparent communication plan for staff who may be impacted.

- d. Read and share Weekly NAVREF Round-Up for key policy developments (e.g., NIH Guide Notices, Congressional appropriations, etc.)
- e. Consider reaching out to local policy makers to talk about the impact of NIH funding delays to your local community! NAVREF can help you get in touch with the right offices.

What NAVREF Is Asking For

- **Federal policymakers** should ensure that NIH funding policies do not inadvertently disadvantage specialized research organizations like NPCs. Sustaining a robust pipeline of new NIH awards is essential to protecting veterans' access to cutting-edge research and accelerating breakthroughs in the conditions that most affect those who served.
- **The National Institutes of Health (NIH)** should monitor the effects of its funding practices and take steps to ensure that veterans' research remains competitive for new awards. Preserving a diverse research ecosystem is critical to advancing discoveries that improve veterans' health.
- As federal grant funding becomes increasingly constrained, **the U.S. Department of Veterans Affairs (VA)** has an opportunity to offset these challenges by modernizing and streamlining regulatory processes that facilitate industry-sponsored clinical trials—bringing innovative therapies to veterans more quickly.
- **Protect the negotiated indirect cost rate process.** IDC rates should continue to be set through negotiation based on each institution's actual, documented costs. A one-size-fits-all cap calibrated to large universities would fall hardest on the leanest institutions in the system — NPCs, whose median rate of 31.5% is already far below the university average and who have no other revenue with which to absorb the loss. That process, however, must actually function: staffing losses in the HHS offices responsible for rate negotiation have left most NPCs unable to negotiate updated rates, forcing them to operate on rates that reflect years-old cost data even as their actual costs rise. Protecting the negotiated-rate system means both preserving it in policy and ensuring the federal capacity to carry it out.
- **Provide strong, sustained NIH funding — measured in awards and grantees, not just dollars.** Congress and NIH should ensure that stable topline funding translates into a stable number of new awards and a broad base of grantee organizations. As multi-year funding is implemented, its effects on small and mid-sized grantees — including NPCs — should be monitored and mitigated, so that a policy meant to provide stability does not quietly concentrate the nation's health research in its largest institutions.

Conclusion

The evidence is clear: changes in NIH funding practices are having a disproportionate impact on veterans research, placing the future of veterans' health at risk. As the pipeline of new NIH awards contracts, VA-affiliated nonprofit research corporations are losing critical opportunities to advance research on cancer, Alzheimer's disease, PTSD, suicide prevention, toxic exposures, and other conditions that disproportionately affect those who served. Because NPCs exist solely to support veteran research²—and lack the financial reserves and alternative revenue streams available to universities, they are uniquely vulnerable to prolonged funding disruptions. Policymakers and NIH leadership should ensure that funding policies preserve a strong pipeline of new awards for the organizations that power veterans' research. Protecting this research ecosystem is not simply an investment in science; it is an investment in the health, care, and future of the millions of veterans who depend on the next generation of medical discoveries.

² See the authorizing statute for the VA-NPCs, 38 U.S.C. §§7361-7366.