



Association of Canadian Academic Healthcare Organizations
Association Canadienne des Institutions de Santé Universitaires

INVESTING IN HEALTH, GENERATING WEALTH...

**MAXIMIZING OUR PERFORMANCE,
PRODUCTIVITY AND PROSPERITY**

**A SUBMISSION TO
THE HOUSE OF COMMONS
STANDING COMMITTEE ON FINANCE
SEPTEMBER 6, 2005**

THE ASSOCIATION OF CANADIAN ACADEMIC HEALTHCARE ORGANIZATIONS (ACAHO)

The Association of Canadian Academic Healthcare Organizations (ACAHO) is a member-based association that represents more than 40 teaching centres - which are a combination of Teaching Hospitals, and Regional Health Authorities and their Research Institutes who have jurisdictional responsibilities for teaching institutions. Members range from single hospital organizations to multi-site, multi-dimensional regional facilities.

The distinguishing characteristic of the members of ACAHO is that they have overall responsibility for the following integrated activities:

- Providing Canadians with timely access to quality specialized and some primary health care services.
- They represent all of the principal teaching sites for Canada's health care professionals. This includes all sixteen faculties of medicine (physicians), and other faculties of health (nursing, pharmacy and dentistry), and many colleges with technical and professionals in health including rehabilitation therapists, laboratory technicians, respiratory therapists, and speech therapists.
- They provide the large majority of infrastructure to support and conduct health research in its dimensions - medical discovery, knowledge creation, innovation and commercialization.

The mission of ACAHO is to provide national leadership and effective policy representation in the three separate but inter-connected areas of: (1) the funding, organization, management and delivery of highly specialized, as well a primary health care services; (2) the education and training of the next generation of Canada's health care professionals; and (3) providing the necessary infrastructure to support and conduct basic and applied health research, medical discovery, knowledge creation and innovation.

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EXECUTIVE SUMMARY

INTRODUCTION

As the national voice of teaching centres/hospitals in Canada, the Association of Canadian Academic Healthcare Organizations (ACAHO) once again appreciates the opportunity to participate in the public consultation process established by the House of Commons Standing Committee on Finance.

ACAHO believes that there are a number of convergent public policy opportunities where the federal government can invest and look forward to a series of “dividends”- be they health, social and/or economic - that will pay many returns to Canada. More specifically, the Association is of the view that there is a need to build on the federal government’s recent track record and continue to improve the strategic alignment between investing in the health of Canadians, and the future wealth that can flow from such investments. In short, it’s about strengthening the relationships between investing in *health* and generating *wealth*.

To move the health and wealth agenda forward, it is essential that the federal government focus on a series of connected public policy measures that not only encourage and reward discovery and the innovation process, but at the same time, continue to improve the quality of our lives. In our view, it is about addressing two closely aligned public policy objectives: (1) investing in the health of Canadians so that we remain vibrant and productive citizens; and (2) harnessing the full economic and social benefits that can accrue through the research, innovation and commercialization process.

CANADA’S HEALTH SYSTEM AND THE FEDERAL ROLE

If Canadians are to be re-assured that the system will be there for them in times of need over the short-, medium- and long-term, they need (in part) to see that both levels of government are committed to working together in partnership – representing their best interests when it comes to accessing quality health services on a timely basis.

Although a multi-year federal fiscal framework for the health system has been agreed to, there still remain significant policy questions about how “The Ten-Year Plan” will be implemented. In specific terms, how can we ensure that Canadians receive full value for the public investment in the health system by the federal government? More clearly, how can we ensure that Canadians will have timely access to a range of quality health services?

In the view of ACAHO, there are a number of related policy recommendations that the Standing Committee should give careful consideration to. They should be viewed as being complementary to the First Ministers’ Agreement and would strengthen the overall strategic direction of the federal government in health and health care.

If the health system is to thrive and not simply survive, we must ensure continued investment in our most prized assets - health care professionals. ACAHO, in principle, supports a Pan-Canadian health human resources strategy to make certain Canada is self sufficient in health human resources.

In order to increase the number of health care trainees, it will be necessary to invest resources to expand the physical infrastructure of teaching centres. ACAHO supports the establishment of a \$1 billion National Health Human Resource and Infrastructure Reinvestment Fund to build capacity to educate and train Canada’s health care professionals (see *Recommendation #1*).

Today, the national policy discussion about the future of the health system is largely concerned with the “operational” resources that are needed to provide Canadians with access to a range of quality health care services. As vitally important as this is, it is equally essential that we consider the state of the system’s physical

capacity, and what is required for the future knowing that much of our acute care institutional capacity was built around the turn of the century.

In the view of ACAHO, the current stock of institutions remains under funded and depreciation is not fully recognized by the federal or provincial governments from a funding perspective. As a result, hospitals do not have the resources to either upgrade their facilities, or if required expand capacity. It is therefore timely and appropriate for the federal government to establish a mechanism to assist the health community in replenishing and adding to the system's physical capacity; to help rebuild many of the institutions that were originally funded through the *Hospital and Construction Grants Program* (see *Recommendation #2*).

An important element in the renewal of the system, beyond physical rebuilding efforts, is having a state-of-the-art information technology system. A recent study has estimated that the investment in Canada Health Infoway (CHI) has the potential to generate an annual savings of \$6.1 billion *annually* to the health system. This cost-benefit analysis supports the completion of the CHI mandate as expeditiously as possible (see *Recommendation #3*).

With respect to public health infrastructure and capacity building, ACAHO commends the federal government for their role in naming a Minister of State, Public Health and further, the creation of a Public Health Agency and a Chief Public Health Officer. While the initial investment was warmly welcomed, the Association views it as a starting rather than an end point. As a member of the Canadian Coalition for Public Health in the 21st Century, ACAHO is supportive of the recommendations that are outlined in the Brief to the Standing Committee.

Lastly, ACAHO looks forward to reviewing the "Blueprint" designed to put a framework in place to improve the health status and health services for Canada's Aboriginal peoples. The Blueprint comes as a result of the 2004 First Ministers' meeting where Premiers and Aboriginal Leaders agreed to adopt measures designed to improve health outcomes and address the disparity in the health status of Canada's Aboriginal population (see *Recommendation #4*).

INVESTING IN RESEARCH, INNOVATION AND COMMERCIALIZATION

In the view of ACAHO, research is the oxygen of an evidence-based health system. It is the basis on which many sound public policy decisions are based; it is the backbone of a health system upon which cost-effective clinical and/or administrative decisions are taken. Research is the foundational building block that facilitates innovation in at least three dimensions, it: (1) contributes to improving the individual and collective health status of Canadians; (2) impacts on the architecture of the health system and the manner in which we deliver cost-effective health services; and (3) produces leading-edge, world class discoveries that provide opportunities to leverage major economic benefit as well as health gains.

The Canadian Institutes of Health Research (CIHR) is the country's premiere funding Agency for health research. While there have been significant increases in CIHR's budget over the past few years, ACAHO is strongly supportive of a multi-year fiscal framework that will increase its base (see *Recommendation #5*).

In its 2003 budget, the federal government responded to the concerns expressed by ACAHO and others by creating a permanent fund to address the indirect costs associated with universities, colleges and research hospitals. ACAHO strongly applauds the federal government for its annual investment and would encourage the federal government to increase the value of the program so that it is funded at an appropriate international competitive level, and that this component of innovation is not a rate limiting step to achieving excellence (see *Recommendation #6*).

While increases in funding for basic and applied health research are essential, we must also be mindful that teaching centres/hospitals and their research institutes must also have access to resources that will allow for an expanded physical capacity and infrastructure, and its maintenance. From the perspective of ACAHO, the Canada Foundation for Innovation (CFI) has played a vital role in rejuvenating the country's health research infrastructure. While CFI's mandate is several years away, ACAHO recommends that the federal government take the appropriate steps now to renew its investment in funding research infrastructure (see *Recommendation #7*).

There is one last essential dimension of the health research and innovation equation that demands our close attention, and that has to do with the important economic development benefits that can accrue to Canadians - both at the individual and societal level. Investments in health research are investments in health, health care and sustained economic prosperity (i.e. nation-building). They should be viewed as mutually reinforcing public policy objectives that can add significant value to our overall quality of life. ACAHO is supportive of initiatives to commercialize research that recognize the unique potential and environment that resides within teaching centres/hospitals and their research institutes.

In more concrete terms, ACAHO is supportive of initiatives to commercialize research that recognize the unique potential and environment that resides within teaching centres/hospitals and their research institutes. These initiatives should embrace the many dimensions of innovation that stem from health research and move through the stages of development, testing, production, financing and marketing. Importantly, initiatives must play an important role in developing a coordinated and integrated strategic plan that would nurture specific areas where Canada has a comparative advantage in health research and development (see *Recommendation #8*).

Combined, ACAHO strongly believes that these five recommendations present the Standing Committee with a strategic and integrated approach to nurturing health research, its infrastructure, and economic development in Canada.

IN CLOSING...

If Canada is to achieve its full potential, we must ensure that we have a healthy and vibrant workforce that is well educated, and has the tools to successfully innovate. In the context of the health, the Brief focuses on how we can simultaneously meet the public policy objectives of: (1) improving the health status of Canadians and allowing them to be productive citizens; (2) developing the required human capital to provide quality health services; and (3) extracting maximum social and economic value from the research, innovation and commercialization process.

In closing, ACAHO believes that it has offered to the Standing Committee a series of cohesive and targeted policy measures that are consistent with the potential of Canadians, the value that is placed on our health system, and the mandate of the federal government.

ACAHO looks forward to remaining an active and constructive partner in the national dialogue about the symbiotic relationship between investing in the health of Canadians, and the multiple dividends that can accrue to society.

SUMMARY OF RECOMMENDATIONS
(IN ORDER OF PRIORITY, WITH ESTIMATED COST)

Recommendation #1

That the federal government establish a five-year \$1 billion National Health Human Resource Fund to build capacity to educate and train Canada's health care professionals.

Cost: \$1.0 Billion over 5 years.

Recommendation #2

That the federal government create a one-time Health Delivery Infrastructure Fund to assist teaching centres/hospitals (re) build their capacity to provide timely care to Canadians.

Cost: \$4.0 Billion over 10 years.

Recommendation #7

That the federal government renew its investment in the Canada Foundation for Innovation (CFI) by 2006.

Recommendation #3

That the federal government invest an additional \$1.8 billion (\$600 million over the next three years) to accelerate the work of Canada Health Infoway. Cost: \$1.8 Billion over 3 years.

Recommendation #5

That the federal government increase the base budget of the Canadian Institutes of Health Research (CIHR) by \$300 million over the next 3 years. Cost: \$300 Million over 3 years.

Recommendation #6

That the federal government increase funding available for the indirect costs associated with research funded by the three federal Granting Agencies from \$260 million (29.4%) in 2005/06 to \$450 million (40%), effective 2006/07. Cost: \$190 Million for 2006.

Recommendation #8

That the federal government – as it continues to support initiatives that accelerate the commercialization of (health) research - must take into account the unique characteristics of Canada's teaching centres/hospitals and their research institutes, and the role they play in the commercialization process.

Recommendation #4

That following approval of the Aboriginal "Blueprint" process, the federal government consider accelerated investments in two specific areas: (a) the development of additional health human resources capacity and the necessary infrastructure; and (b) develop an "infostructure" to better collect Aboriginal health information.

1. INTRODUCTION...

As the national voice of teaching centres/hospitals in Canada, the Association of Canadian Academic Healthcare Organizations (ACAHO) once again appreciates the opportunity to participate in the public consultation process established by the House of Commons Standing Committee on Finance.

The Association looks forward to contributing to the national policy dialogue that is increasingly focusing on the mutually reinforcing relationships between investing in the health of Canadians, and our collective ability to continue to build a dynamic and vibrant society that will compete and prosper on a sustained economic basis.

2. SETTING THE CONTEXT...

There is no question that we live in a remarkable country. Our civil society and quality of life, the strength of our public and private institutions, a well educated and motivated workforce, our culture and traditions, and our recent economic performance all point to an extremely bright collective future. However, in a world that is constantly changing, there are few guarantees. Countries that stand still or show limited progress will be hard pressed to fulfill their potential and will be restricted in their ability to take full advantage of the opportunities that present. In a world that is increasingly interdependent, inter-connected, and competitive, complacency is not an option.

While Canada has implemented a number of wise public policy options, it is clear that we are not in a position to rest on our laurels and look the other way when the opportunity comes to “seize the moment”. Implementing timely, appropriate and effective public policies will place Canada at a competitive advantage compared to other forward-looking and innovative societies.

As we contemplate our collective future, ACAHO believes that there are a number of convergent public policy opportunities where the federal government can invest and look forward to a series of “dividends” – be they health, social and/or economic – that will pay many returns to Canada. More specifically, the Association is of the view that there is a need to build on the federal government’s recent track record and continue to improve the strategic alignment between investing in the health of Canadians, and the future wealth that can flow from such investments. In short, it’s about strengthening the relationships between investing in *health* and generating *wealth*.

To move the health and wealth agenda forward, it is essential that the federal government focus on a series of connected public policy measures that not only encourage and reward discovery and the innovation process, but at the same time continue to improve the quality of our lives. In our view, it is about addressing two closely aligned public policy objectives: (1) investing in the health of Canadians so that we remain vibrant and productive citizens; and (2) harnessing the full economic and social benefits that can accrue through the research, innovation and commercialization process.

Traditionally, investments in health are thought to improve our individual and collective health status, and improve the manner in which we deliver increasingly cost-effective health services. While this is true, it is also about how we can generate new knowledge and integrate it into the health system while seeking to extract maximum economic value from the discovery process that underpins health research. Taken together, the recommendations that we are offering to the Standing Committee are focused on supporting and embracing the three inter-locking components of health, health care, and nation-building.

The recommendations that are offered by ACAHO build on the 2004 First Ministers Agreement, “*A 10-Year Plan to Strengthen Health Care*” and the series of investments by the federal government that support Canada’s health research enterprise.

Without exception, we live in challenging times that require the federal government, above all, to demonstrate effective leadership by charting a course for the future, and implement creative, flexible and nimble policies so that Canada continues to excel as a country of choice. This is particularly important given that we live in a world that is increasingly interdependent, competitive, and global in nature.

Given the mission and mandate of Canada's teaching hospitals/centres (which are focused on the synergistic relationships between providing timely access to a range of quality health care services, training the next generation of health care professionals, and supporting and conducting health research), it is our view that members of ACAHO have a unique perspective and fundamental role – not to mention contribution – to bring to the deliberations of the Standing Committee on Finance.

3. CANADA'S HEALTH SYSTEM AND THE FEDERAL ROLE...

Much of the intense national policy dialogue concerning the future of Canada's health system culminated in a First Ministers Agreement in September 2004 ("*A Ten-Year Plan to Strengthen Health Care*"). This agreement – which some would view as historic in nature – identifies a number of important steps forward in terms of meeting the national objectives of our health system, and provides sufficient flexibility for the provinces and territories to address their pressing health policy priorities. For this, ACAHO congratulates both levels of government for finding common policy ground and seeking to establish a more mature and progressive relationship that has been absent since the early to mid-1990s.

If Canadians are to be re-assured that the system will be there for them in times of need over the short-, medium- and long-term, they need (in part) to see that both levels of government are committed to working together in partnership – representing their best interests when it comes to accessing quality health services on a timely basis.

Although a multi-year federal fiscal framework for the health system has been agreed to, there still remain significant policy questions about how "The Ten-Year Plan" will be implemented. In specific terms, how can we ensure that Canadians receive full value for the public investment in the health system by the federal government? More clearly, how can we ensure that Canadians will have timely access to a range of quality health services?

In the view of ACAHO, there are a number of related policy recommendations that the Standing Committee should give careful consideration to. They should be viewed as being complementary to the First Ministers' Agreement and would strengthen the overall strategic direction of the federal government in health and health care.

Notwithstanding the need to continue to identify cost-effective efficiencies were they exist, ACAHO's recommendations focus on the health system's most pressing issues related to the *capacity* of the system to provide timely access, these include: (1) investing in our health human resource capacity; (2) ensuring that we have accessible pools of capital to develop needed physical (i.e., delivery) capacity in the system; (3) accelerate our investments in information technologies; (4) continue to invest in our public health infrastructure, and (5) focus on the health needs of Canada's aboriginal peoples.

1. EDUCATING TOMORROW'S HEALTH CARE PROFESSIONALS

If the health system is to thrive and not simply survive, then we must ensure continued investment in our most prized assets – health care professionals. While it is unlikely that anyone would disagree with this over-arching policy statement, the question remains what specific role the federal government can play in this area.

If the prime objective of the health system is to ensure that Canadians have timely access to quality health care services, there are growing concerns that the current and future supply of health care professionals (be it physicians, pharmacists, nurses, technicians or others) is not able, now or into the future, to meet the demand for health services.

For example, there is broad consensus among medical groups that the number of undergraduate medical school positions should be increased from 2,250 to 2,500 per year. The Canadian Medical Association (CMA) has indicated that a target of 3,000 undergraduate medical school positions may be reasonable given the increasing demand for health care and the changes in the medical workforce. According to the Canadian Nurses Association (CNA), the number of nursing seats needs to increase to 15,600 annually; Canada currently graduates approximately 5,000 nurses per year.

ACAHO, in principle, supports a Pan-Canadian health human resources strategy to make Canada self-sufficient in producing an adequate supply of health human resources. This would include the creation of a national coordinating office (i.e., national institute) for health human resources.

The First Ministers Agreement states that both levels of government are committed to facilitating better planning and management of health human resources – with one likely outcome being an increase in the training slots and future supply of needed health care professionals – ACAHO sees a very legitimate role for the federal government in making this happen.

ACAHO recognizes and supports the commitments by the federal government that are outlined in the 2004 First Ministers Agreement,¹ as well as announcements by the Federal Minister of Health including \$75 million to bring more internationally educated professionals into the health system, \$5.5 million for projects to strengthen the nursing workforce and \$153,000 to help increase the number of rural physicians. These are important initial investments that signal the federal government's determination to find solutions. That said, more can and should be done.

Notwithstanding the policy issues related to accessing health care providers on a timely basis - which is essential to the mission/mandate of teaching hospitals, ACAHO is also concerned about the system's capacity to train an adequate number of health care professionals. Keep in mind that health care professionals' hands-on experience is largely within teaching centres/hospitals. This latter point underscores one essential role of teaching centres/hospitals in Canada – which provides virtually all post-graduate health care professional training infrastructure.

In order to increase the number of health care trainees coming through the system, it will be necessary to invest resources to expand the physical infrastructure of teaching centres/hospitals. In so doing, it will facilitate our collective ability to increase the supply of health care professionals to meet the future health care needs of Canadians.

Thus, while there is a growing consensus that Canada's health system will have to increase the range of training slots for health care professionals, teaching centres will have to absorb a significant increase in operational and infrastructure costs to train new recruits. Overhead costs include the requisite costs to support education which includes funding for instructors, space, overhead and supplies.

As a national resource in the system, members of ACAHO believe that there is a legitimate role for the federal government in terms of financially assisting teaching centres/hospitals in expending their capacity to train a growing cohort of health care professionals in their institutions. By our calculations, an investment of \$425 million over 5 years to address infrastructure costs is needed.² This issue was specifically acknowledged by the Senate Standing Committee on Social Affairs, Science and Technology's final report on "The Health of Canadians – The Federal Role".³

ACAHO respectfully recommends:

Recommendation #1

That the federal government establish a five-year \$1 billion National Health Human Resource Fund to build capacity to educate and train Canada's health care professionals.

2. (RE)BUILDING PHYSICAL CAPACITY

In 1948, the federal government established the *Hospital Construction Grants Program*. The purpose of this program was to make available grants to the provinces and territories that would cover the cost of building new hospitals. This initiative – designed to build physical capacity in the system to provide timely care - was seen as a vital precursor to the development of first-dollar coverage for hospital-based services through the *Hospital Insurance and Diagnostic Services Act*, and what we now know as Medicare.

Today, the national policy discussion about the future of the health system is largely concerned with the “operational” resources that are needed to provide Canadians with access to a range of quality health care services. As vitally important as this is, it is equally essential that we consider the state of the system’s physical capacity, and what is required for the future knowing that much of our acute care institutional capacity was built around the turn of the century.⁴

In the view of ACAHO, the current stock of institutions remains under funded and depreciation is not fully recognized by the federal or provincial governments from a funding perspective. As a result, hospitals do not have the resources to either upgrade their facilities, or if required expand capacity (for example, hospital capital investment modernization and capacity expansion requirements have been conservatively estimated to be between \$7.0 and \$9.0 billion).⁵

Consequently, many capital investment decisions appear to be based on short-term needs rather than a long-term planning horizon. In some cases, additions or renovations are made to old structures, when full reconstruction might have been a more appropriate policy decision.

In this context, ACAHO strongly supports federal resources that would be targeted to assist teaching centres/hospitals in renewing their physical infrastructure and enhance their capacity and ability to meet their mission and mandate as a national resource in the system.

Such a time-limited program would be complementary to the federal government’s current Infrastructure Program (for roads, highways, bridges, etc.), as well as funding for health research infrastructure (via the Canada Foundation for Innovation). Given that many institutions are beyond their life expectancy, we believe it is timely and appropriate for the federal government to establish a mechanism that would assist the health community in replenishing and adding to the system’s physical capacity – and help (re)build many of the institutions that were originally funded through the *Hospital and Construction Grants Program* – and to ensure that Canadians have access to world-class facilities in times of need.

ACAHO recommends:

Recommendation #2

That the federal government create a one-time Health Delivery Infrastructure Fund to assist teaching centres/hospitals (re) build their capacity to provide timely care to Canadians.

This recommendation was supported by the findings of the Senate Standing Committee on Social Affairs, Science and Technology – which recommended that “*The federal government contribute \$4.0 billion over the next 10 years (or \$400 million annually) to Academic Health Sciences Centres for the purpose of capital investment.*”

3. INFORMATION TECHNOLOGIES AND THE ELECTRONIC HEALTH RECORD

While there is a consensus about the need to accelerate the pace of reforming the health system, much is contingent on how we manage and integrate information more effectively (e.g., from more cost-effective clinical decisions to better wait time management processes). Thus, an important element in the renewal of the system is having state-of-the-art information technologies. In recognition of this need, the federal government created Canada Health Infoway (CHI) – which is tasked with creating a pan-Canadian inter-operable electronic health record to support a safer and more efficient health system across 50% of Canada population by 2009.

To date, CHI has received an investment of \$1.2 billion. By the end of 2005/06, CHI will have approved \$639 million or 53% of its funding. However, it is estimated that it will cost CHI \$4.1 billion to fulfill their mandate. With CHI assuming 75% of the eligible costs, this means that it will require a total public investment of approximately \$3.0 billion, or an incremental \$1.8 billion.

It is also important to understand that a recent study has estimated that the investment in CHI has the potential to generate an annual savings of \$6.1 billion *annually* to the health system. This is the kind of cost-benefit analysis that supports the completion of CHI mandate as expeditiously as possible.

ACAHO therefore recommends:

Recommendation #3

That the federal government invest an additional \$1.8 billion (\$600 million over the next three years) to accelerate the work of Canada Health Infoway.

4. PUBLIC HEALTH INFRASTRUCTURE AND CAPACITY BUILDING

ACAHO commends the federal government for naming a Minister of State, Public Health. This position ensures a continued focus on public health issues across the country. ACAHO further applauds the government for creating a Public Health Agency and a Chief Public Health Officer, and the subsequent funding of \$700 million per year to national public health functions in addition to the existing \$300 million in core funding for Health Canada.

This recognition underscores the importance that ACAHO and others place on investments in health promotion and prevention, and increasingly healthy lifestyles choices. At the same time, these “upstream” investments should not be viewed as displacing needed resources when it comes to accessing needed health services. In our view a balance between both is required; a strong public health system is vital to a well functioning health care system.

While the initial investment was warmly welcomed, the Association views it as a starting rather than an end point. As a member of the Canadian Coalition for Public Health in the 21st Century,⁶ ACAHO is supportive of the recommendations that are outlined in the Brief to the Standing Committee.

5. CANADA'S ABORIGINAL PEOPLES

In September 2004, the First Ministers and Aboriginal Leaders adopted measures designed to improve health outcomes and address the disparity in the health status of the Aboriginal population.⁷ It was agreed that the leaders would work together to develop a “Blueprint” designed to put a framework in place to improve the health status and health services to Canada’s Aboriginal peoples. It is our understanding that The “Blueprint” is to be ready for the First Ministers’ meeting in November 2005.

ACAHO and its members look forward to reviewing the results of the Blueprint process and to assist the community in developing more effective ways to adapt health services to better meet the needs of the Aboriginal Peoples. ACAHO is of the view that collectively we can ensure the Blueprint meets with timely implementation and positive results.

The federal government has already invested considerable funds in specific measures to improve the health status and services to Aboriginal peoples. While this is positive and welcome by all Canadians, and not to pre-judge the conclusions of the Blueprint process, ACAHO would support further discussion regarding any additional investment that is required to accelerate the development of a critical mass of healthcare professionals, as well as, the physical capacity or infrastructure required to support their education, training and employment.

At the same time, while the Federal government has invested funds for the purpose of better information collection and research, ACAHO would support an enhanced investment in the development of information technologies and management systems (i.e., an infostructure) that will enable all to collect a more robust health information dataset. Proper and timely collection of health information will ensure that real progress can be achieved. In the long run such an investment will prove to be a cost saving measure to the health system.

Recommendation #4

That following approval of the Aboriginal “Blueprint” process, the federal government consider accelerated investments in two specific areas: (a) the development of additional health human resources capacity and the necessary infrastructure; and (b) develop an “infostructure” to better collect Aboriginal health information.

4. A BALANCED APPROACH TO INVESTING IN CANADA’S RESEARCH, INNOVATION AND COMMERCIALIZATION ENTERPRISE...

In the 2004 First Ministers Agreement, ACAHO was very supportive of the following text: “A strong, modern health care system is a cornerstone of a healthy economy. Investments in health system innovation through science, technology and research help to strengthen health care as well as our competitiveness and productivity. Investments in science, technology and research are necessary to develop new, more cost-effective approaches and to facilitate and accelerate the adoption and evaluation of new models of health protection and chronic disease management. Recognizing the progress that has been made, the federal government commits to continued investments to sustain activities in support of health innovation.”⁸

The key policy question is how to identify and execute an effective strategic approach that fully leverages our public and private investments in the health research enterprise. Since the fruits of research are not borne overnight, it is important for the federal government to appreciate that a sustained long-term approach to investing in health research is necessary.

In the view of ACAHO, research is the oxygen of an evidence-based health system. It is the basis on which many sound public policy decisions are based. It is the backbone of a health system upon which cost-effective clinical and/or administrative decisions are taken. Research is the foundational building block that facilitates innovation in at least three dimensions, it: (1) contributes to improving the individual and collective health status of Canadians; (2) impacts on the architecture of the health system and the manner in which we deliver a range of cost-effective health services; and (3) produces leading-edge, world class discoveries that provide opportunities to leverage major economic benefit as well as health gains.⁹

From the perspective of ACAHO, the research, innovation and commercialization process is an essential component, and a distinguishing feature of our members' mission and mandate. Members play an essential role in the advancement of health research, medical discovery, knowledge creation and innovation in Canada. In fact, teaching hospitals/centres and their research institutes account for a large proportion of the physical infrastructure that supports Canada's health research community.¹⁰

Since 1997, the federal government has introduced a series of significant policy measures designed to rejuvenate Canada's health research enterprise (see Appendix 1). It is important to note that the government has not just invested in one piece of the health research enterprise – but across the spectrum of inter-related pillars (i.e., ideas, human capital, infrastructure, and knowledge translation/commercialization).

If we are to continue to move the yardsticks forward, investments in all components of the research equation are needed. Furthermore, investments in one area should not be viewed as a zero-sum game where less funding is subsequently available for other inter-locking elements of the research enterprise. What is required is a balanced and strategic approach to advancing Canada's health innovation agenda.

Given the breadth and depth of health and research investments by the federal government, one might be tempted to say that the time has come to address other important national priorities. ACAHO maintains that while the "tide has turned" through enhanced investments in Canada's health research enterprise, we must continue to sustain the momentum that we have created so that we can continue participate in the benefits that come from future world class research findings. Understanding that the research and discovery process can take time, we must continue to "till the soil" if we are to fully harvest the fruits of our labour – and remain as a world leader.

Given that we are on the threshold of a biotechnology revolution, in addition to other advances in health research (e.g., nanotechnology, population and public health, health services), ACAHO is concerned that any retrenchment in funding the health research enterprise would have serious consequences on our ability to attract and retain world class researchers – not to mention our ability to advance the process of discovery and innovation.

At the same time, a move away from commitments to funding research, innovation and commercialization, we result in Canada falling out of step with those countries that place tremendous value on the linkages between creating knowledge and its spin-off effects – particularly in a global economy that relies on the advancement and translation of knowledge.

Importantly, each of the impacts of health research noted above are mutually reinforcing and are built on the publicly funded and administered platform of our health system. This alone presents Canada with a very unique opportunity to continue to harness the multiple benefits that flow from health research and innovation.

Given the linkages that have been noted above, ACAHO would identify three specific areas where the federal government can continue to make an important difference, and accelerate its role in advancing the health, social as well as economic benefits of health research: (1) basic and applied health research; (2) health research infrastructure; and (3) maximizing the full economic potential of innovative health research. Furthermore, any future investments must be done within a strategic, balanced and accountable framework.

1. BASIC AND APPLIED HEALTH RESEARCH

Canadian Institutes of Health Research (CIHR)

The Canadian Institutes of Health Research (CIHR) is the country's premiere funding Agency for health research. While there have been significant increases in CIHR's budget over the past few years, ACAHO is strongly supportive of a multi-year fiscal framework that will increase its base by \$300 million over the next 3 years to \$1.0 billion by 2008/09. It should be noted that this figure is consistent with what has been recommended by the Romanow Royal Commission as well as the Kirby Committee.

Recommendation #5

That the federal government increase the base budget of the Canadian Institutes of Health Research (CIHR) by \$300 million over the next 3 years.

It is our expectation that CIHR would invest these funds into the following strategic areas: (a) maximize the health and economic benefits of Canadians; (b) develop national research platforms and initiatives; (c) support people, talent and tools that contribute to a more productive and cost-effective health system, and productivity and economic growth; (d) and strengthen Canada's research core. Combined, these investments will support a Canadian research community that is a world leader in health research and one that is strategic, responsive, and focused, and is ready to deliver leading edge outcomes that matter to Canadians (i.e., improved health status and outcomes; a stronger and sustainable health system, and contributing to a vibrant and prosperous knowledge-based economy in the 21st Century).

2. HEALTH RESEARCH INFRASTRUCTURE

While increases in funding for basic and applied health research are essential, we must also be mindful that teaching centres/hospitals and their research institutes must have access to resources that will allow for expanded physical capacity and infrastructure, and its maintenance. In this regard, the Canada Foundation for Innovation (CFI) has played a crucial role in developing world-class research facilities and providing the necessary physical infrastructure to take full advantage of our collective potential.

ACAHO strongly concurs with the recent sentiments expressed by the Prime Minister: *"Looking ahead we are going to keep investing aggressively in Canada's research infrastructure – both basic and applied. Why? Because ingenuity and specialization are crucial if Canada, a nation of only 32 million, is to prosper among the titans of tomorrow."*¹¹

Indirect Costs of Research

In its 2003 budget, the federal government responded to the concerns expressed by ACAHO and others by creating a permanent fund to address the indirect costs associated with universities, colleges and research hospitals (subject to a three-year review). In Budget 2005, this fund is to be increased from \$245 million in 2004/05 to \$260 million in 2005/06 – subject to approval in the supplementary estimates process this Fall.

ACAHO strongly applauds the federal government for its annual investment and would encourage the federal government to increase the value of the program so that it is funded at an appropriate international competitive level, and that this component of innovation is not a rate limiting step to achieving excellence. If the additional \$15 million in indirect costs funding is approved this Fall, the rate of indirect costs reimbursement for 2005/06 will stand at be 24.9%.¹² ACAHO has been consistently of the view that it supports a proportion of 40% - which

is intended to reflect the operating costs associated with federal funded research, and is consistent with the Standing Committee's recommendation contained in its report to the House of Commons in 2002.¹³

ACAHO respectfully recommends:

Recommendation #6

That the federal government increase funding available for the indirect costs associated with research funded by the three federal Granting Agencies from \$260 million (29.4%) in 2005/06 to \$450 million (40%), effective 2006/07.

Canada Foundation for Innovation

From the perspective of ACAHO, the Canada Foundation for Innovation (CFI) has played a critical role in rejuvenating the country's health research infrastructure. Since its creation in 1997 with an endowment of \$3.65 billion, the Foundation, on average, invests \$400 million a year in building world class research facilities. Given the funds that have been allocated by CFI to date, it will award only \$200 million per year until the end of its mandate – which is scheduled to wind down in 2010.

The reality, however, is that the remaining CFI funds (with the exception of the Research Hospital Fund) will have been effectively awarded by mid-2006. Without a commitment by the federal government for additional funding for CFI, institutions will not be in a position to undertake the planning for any additional infrastructure projects given the timelines required for these complex applications and the design, building and commissioning of the facilities.

In order to continue the significant momentum that has been created by CFI, it is the view of ACAHO that there needs to be a clear indication from the federal government regarding its future intentions for CFI by 2006.

Recommendation #7

That the federal government renew its investment in the Canada Foundation for Innovation (CFI) by 2006.

At the same time, ACAHO is very pleased with the collaborative efforts of CFI and the Canadian Institutes of Health Research (CIHR) to launch a joint initiative on clinical research. Members of the Association look forward to participating in this forward-looking program that will go along way to building infrastructure and research capacity at the clinical level.

In addition, ACAHO has worked closely with CFI to ensure that the recently established \$500 million Research Hospital Fund (RHF) is designed to support innovative research and training projects - with a particular focus on large-scale infrastructure projects that take a more integrated and multidisciplinary approach (i.e., bench to bedside) to health research.

Given the infrastructure requirements across the country, ACAHO would strongly encourage the federal government to view the \$500 million as a substantial down payment on future investments of much needed capital to reinvigorate Canada's research infrastructure – particularly when it comes to supporting leading-edge health research.

At the time of writing, ACAHO is sensitive to the concerns that have been raised by the provinces and territories with regard to the 40% matching requirement of the Research Hospital Fund. Given that a significant sum of resources are at stake and play a critical role in supporting innovative research, ACAHO would strongly encourage the federal government to work closely with the Canada Foundation for Innovation, and the provinces and territories to find common ground in order to implement a long-term solution to this issue.

3. MAXIMIZING THE FULL ECONOMIC POTENTIAL OF INNOVATIVE HEALTH RESEARCH

In the 2004 Speech from the Throne, the federal government recognized the relationship between innovation and economic development: “*Canada must now elevate its economic performance to the next level. Advancing technology and pervasive global competition demand of Canada a commitment to excellence, the pursuit of greater productivity, and a vision directed outward to the challenges and opportunities the world presents... The next challenge is to turn more of Canadians’ bright ideas into dynamic businesses, great jobs and growing export earnings.*”¹⁴

Furthermore, the Speech From the Throne goes on to state: “*The Government will develop policies to foster Canadian capabilities in key enabling technologies – such as biotechnology, information and communications, and advanced materials – which will be drivers of innovation and productivity in the 21st Century economy.*” In principle, ACAHO would strongly endorse this direction and looks forward to working with the federal government in making this a reality.

As we consider the future of Canada’s health care system, the role of health research has largely been framed in the context of how it contributes to improving our individual and collective health status, identifies new and more cost-effective ways of delivering/administering health care services, and is a key driver behind our desire to continue to develop and implement a quality-focused, evidence-based culture.

In its broadest form, these innovative approaches include the design and introduction of new: diagnostic and therapeutic technologies and medical devices; management techniques and processes; modified construction engineering techniques; financing for improved management practices (e.g., supply chain purchasing); and health and bio-informatics systems.

At the same time, however, there is another essential dimension of the health research and innovation equation that demands our close attention, and that has to do with the important economic development benefits that can accrue to Canadians – both at the individual and societal level. Thus, are their mechanisms that we can invest in that allow Canadians to increasingly own the factors of production (i.e., land, labour, capital and entrepreneurship) such that we can reap the economic rent that accrues from world class, leading edge innovations, while improving our quality of life, as expressed by Tom Courchene.¹⁵ Keep in mind that over the next decade, we will invest roughly \$1.0 trillion dollars in our publicly funded health system.

In this context, investments in health research are investments in health, health care and sustained economic prosperity (i.e., nation-building). They should be viewed as mutually reinforcing public policy objectives that can add significant value to our overall quality of life.

In more concrete terms, ACAHO is supportive of initiatives to commercialize research that recognize the unique potential and environment that resides within teaching centres/hospitals and their research institutes. These initiatives should embrace the many dimensions of innovation that stem from health research and move through the stages of development, testing, production, financing and marketing. Importantly, initiatives must play an important role in developing a coordinated and integrated strategic plan that would nurture specific areas where Canada has a comparative advantage in health research and development.

In this light, it will also be critical that we have the necessary human capital, physical infrastructure and linkages to the private sector to take full advantage of our opportunities.

Given where the large majority of Canada's health research and commercialization capacity rests, teaching centres/hospitals have a vital role to play when it comes to harnessing the full value of health research and development. More particularly, when it comes to technology transfer and economic development opportunities, many teaching centres/hospitals have increasingly developed effective relationships with industry and venture capitalists.

Understanding that work in this area is already underway in teaching centres/hospitals across the country, ACAHO strongly supports the development of a number of health research networks focused on commercialization – with a focus on human capital development and receptor capacity-building - that would be anchored in Canada's teaching centres/hospitals and research institutes.

At this stage, the \$50 million announcement in the 2004 federal budget to seed pilot projects for commercialization is welcomed by ACAHO. As we move forward to invest in a number of pilot projects it will be important to support the unique characteristics that Canada's teaching centres/ hospitals bring to the process of commercialization. In addition, ACAHO looks forward to the findings that will be released by the Expert Panel on Commercialization later this year.

ACAHO therefore recommends:

Recommendation #8

That the federal government – as it continues to support initiatives that accelerate the commercialization of (health) research - must take into account the unique characteristics of Canada's teaching centres/ hospitals and their research institutes, and the role they play in the commercialization process.

Combined, ACAHO strongly believes that these four recommendations present the Standing Committee with a strategic and integrated approach to nurturing health research, its infrastructure, and economic development in Canada. Given the shared ownership of developing policies that focus on "health and wealth", ACAHO would encourage deeper and more effective relationships between Health Canada and Industry Canada on these files.

5. IN CLOSING...

To govern is to choose. It is about making some difficult policy choices that will have a profound impact on the future direction of the country. The view of ACAHO is that we need not only to continue to invest in specific elements related to the health of Canadians, but also how we can extract maximum social and economic value from the process of research, innovation and commercialization. This is not about choosing one road over the other; it is about how investing in the health of Canadians can produce important long-term economic benefits to the country as a whole.

If Canada is to achieve its full potential, we must ensure that we have a healthy and vibrant workforce that is well educated, and has the tools to successfully innovate. In the context of health, the Brief focuses on how we can simultaneously meet the public policy objectives of: (1) improving the health status of Canadians and allowing them to be productive citizens; (2) developing the required human capital to provide quality health services; and (3) extracting maximum social and economic value from the research, innovation and commercialization process.

In closing, ACAHO believes that it has offered to the Standing Committee on Finance a series of cohesive and targeted policy measures that are consistent with the potential of Canadians, the value that is placed on our health system, and the mandate of the federal government.

As the process continues, ACAHO looks forward to remaining an active and constructive partner in the national dialogue about the symbiotic relationship between investing in the health of Canadians, and the multiple dividends that can accrue to society.

- APPENDIX 1 -
RECENT FEDERAL INVESTMENTS IN
CANADA'S HEALTH RESEARCH ENTERPRISE

- Annual funding for the Canadian Institutes of Health Research (CIHR) was established with annual funding at approximately \$700 million in 2005.
- Genome Canada, created in 2000, has received \$375 million from the federal government and an additional \$225 million has been committed in the last two budgets.
- The Networks Centres of Excellence (NCEs) was established as a permanent program in 1997 and has total funding of \$77.4 million.
- The Canada Research Chairs (CRC) provides \$900 million for 2,000 research professorships.
- The Canada Foundation for Innovation (CFI) was established with an endowment of \$3.65 billion in 1997. In 2003, CFI also received funding for a \$500 million Research Hospital Fund.
- The Medical and Related Sciences Project (MaRS) received \$20 million, designed to fuel the commercialization of health research.
- The Indirect Costs (IC) program in support of federal research was created in 2002. Funding for the program now stands at \$245 million and will increase to \$320 million by 2009.
- In **2003(?)**, \$50 million (over five years) has been set aside in a commercialization funds initiative designed to fund pilot projects and strengthen the commercialization activity of research hospitals and universities.
- In **2003(?)**, the Business Development Bank of Canada received \$250 million, with \$100 million earmarked for pre-seed and seed investment to nurture the development of embryonic technologies in the areas including life sciences, biotechnology, medical technologies, environmental technologies and information/telecommunication technologies.

MEMBERS OF ACAHO

[As of August 1, 2005]

Newfoundland

Mr. George Tilley
President and CEO
Eastern Regional Integrated Health Authority
Waterford Bridge Road
St. John's, Newfoundland

Nova Scotia

Ms. Anne McGuire
President and CEO
IWK Health Centre
Halifax, Nova Scotia

Mr. Don Ford
President and CEO
Capital District Health Authority
Halifax, Nova Scotia

New Brunswick

Ms. Dora Nicinski
President and CEO
Atlantic Health Sciences Corporation
Saint John, New Brunswick

Québec

Monsieur Daniel Bergeron
Directeur Général
Institut Universitaire de Gériatrie de Sherbrooke
Sherbrooke, Québec

Monsieur Robert Busilacchi
Directeur Général
Institut de cardiologie de Montréal
Montréal, Québec

Monsieur Khiem Dao
Directeur Général
Hôpital Sainte-Justine
Montréal, Québec

Madame Carole Deschambault
Directeur Général
Hôpital Maisonneuve-Rosemont
Montréal, Québec

Mr. Henri Elbaz
Directeur Général
Sir Mortimer B. Davis
Jewish General Hospital
Montreal, Quebec

Madame Patricia Gauthier
Directeur Général
Centre Hospitalier Universitaire de Sherbrooke
Sherbrooke, Québec

Dr. Gilles Lagacé
Directeur Général
Hopital Laval, Institut universitaire de
cardiologie et de pneumologie
Sainte-Foy, Québec

Monsieur Michel Larrivière
Directeur Général
Hôpital du Sacré-Coeur de Montréal
Montréal, Québec

Dr. Arthur Porter
Executive Director
McGill University Health Centre
Montreal, Quebec

Monsieur Rene Rouleau
Directeur Général
Centre Hospitalier Universitaire de Quebec
(CHUQ)
Québec, Québec

Dr. Denis-Richard Roy
Directeur Général
Centre hospitalier de L'Université de Montréal
(C.H.U.M.)
Montréal, Québec

Ms. Celine Crowe
Directeur Général
Institut universitaire de geriatrie
de Montréal
Montréal, Québec

Ontario

Monsieur Jean Bartkowiak
President and CEO
SCO Health Services
Ottawa, Ontario

Dr. Robert Bell
President and CEO
University Health Network
Toronto, Ontario

Mr. Gary Cardiff
President and CEO
Children's Hospital of Eastern Ontario
Ottawa, Ontario

Mr. Tony Dagnone
President and CEO
London Health Sciences Centre
London, Ontario

Mr. Joe de Mora
President and CEO
Kingston General Hospital
Kingston, Ontario

Dr. Paul Garfinkel
President and CEO
Centre for Addiction and Mental Health
Toronto, Ontario

Mr. Hugh Graham
Executive Director
Hotel Dieu Hospital
Kingston, Ontario

Ms. Mary Jo Haddad
Interim President and CEO
The Hospital for Sick Children
Toronto, Ontario

Mr. Steve Herbert
President and CEO
Baycrest Centre for Geriatric Care
Toronto, Ontario

Dr. Jack Kitts
President and CEO
The Ottawa Hospital
Ottawa, Ontario

Mr. Jeffrey Lozon
President and CEO
St. Michael's Hospital
Toronto, Ontario

Mr. Joseph Mapa
President and CEO
Mount Sinai Hospital
Toronto, Ontario

Mr. Murray Martin
President and CEO
Hamilton Health Sciences
Hamilton, Ontario

Mr. Cliff Nordal
President and CEO
St. Joseph's Health Care
London, Ontario

Mr. Mark Rochon
Chief Executive Officer
Toronto Rehabilitation Institute
University Centre
Toronto, Ontario

Dr. Kevin Smith
President and CEO
St. Joseph's Healthcare
Hamilton, Ontario

Mr. Leo Steven
President and CEO
Sunnybrook Health Sciences Corp.
Toronto, Ontario

Manitoba

Dr. Brian Postl
President and CEO
Winnipeg Regional Health Authority
Winnipeg, Manitoba

Dr. Michel Tetreault
President and CEO
St. Boniface General Hospital
Winnipeg, Manitoba

Dr. Brock Wright
Chief Operating Officer
Health Sciences Centre
Winnipeg, Manitoba

Saskatchewan

Ms. Maura Davies
President and CEO
Saskatoon Health Region
Saskatoon, Saskatchewan

Mr. Dwight Nelson
President and CEO
Regina Qu'Appelle Health Region
Regina, Saskatchewan

Alberta

Mr. Jack Davis
President and CEO
Calgary Health Authority
Calgary, Alberta

Ms. Beverly Rachwalski
President
The Caritas Health Group
Edmonton, Alberta

Ms. Sheila Weatherill
President and CEO
Capital Health Authority
Edmonton, Alberta

British Columbia

Ms. Lynda Cranston
President and CEO
Provincial Health Services Authority
Vancouver, British Columbia

Ms. Ida Goudreau
President and CEO
Vancouver Coastal Health Authority
Vancouver British Columbia

Mr. Carl Roy
President and CEO
St. Paul's Hospital
Vancouver, British Columbia

ENDNOTES

- ¹ The Agreement states “*The federal government commits to: (1) accelerate and expand the assessment and integration of internationally trained health care graduates for participating governments; (2) targeted efforts in support of Aboriginal communities and Official Languages Minority Communities to increase the supply of health care professionals for these communities; (3) measures to reduce the financial burden on students in specific health education programs; and (4) participate in health human resource planning with interested jurisdictions.*”
- ² Assuming that we need to increase the number of new physicians by a range of 640 to 1,140 (as recommended by the Association of Canadian Medical Colleges), and the need to address current and looming shortages in nursing, pharmacy and the other health care professions, ACAHO has estimated that the additional costs associated with increases in health care training positions over the course of their training cycle is in the \$300 million to \$550 million range. Taking a mid-point of \$425 million, this would require an annual investment of \$85 million over the next five years.
- ³ The recommendation is worded as follows: “*The federal government devote \$75 million per year of the new money the Committee recommends be raised to assisting Academic Health Sciences Centres to pay the costs associated with expanding the number of training slots for the full range of health care professionals.*” *The Health of Canadians – The Federal Role. Volume Six: Recommendations for Reform*, Page 198.
- ⁴ The challenges associated with this issue are underscored by the following: (a) Between 1982 and 1998 real public per capita expenditures on new hospital construction decreased from \$50 to \$2, or 5.3 per cent annually, and (b) From 1998 real public per capita expenditures on new hospital machinery and equipment has fallen by 1.8 per cent annually. *Specialty Care in Canada – Issue Identification and Policy Challenges*. Canadian Medical Association, September, 2001, page 15.
- ⁵ Ontario Hospital Association. *Capital Planning and Investment in Ontario’s Hospitals*. November 2003.
- ⁶ CCPH21C is a partnership of 37 national non-government, professional, health and research organizations and coalitions committed to making Canadians the healthiest people in the world by advocating for an effective integrated public health system.
- ⁷ On September 13, 2004, following a special meeting between First Ministers and Aboriginal leaders, the federal government announced total funding in the amount of \$700 million to address three areas: (1) \$200 million for an Aboriginal Health Transition Fund; (2) \$100 million for an Aboriginal Health Human Resources Initiative; and (3) \$400 million for health promotion and disease prevention programs.
- ⁸ *A 10-Year Plan to Strengthen Health Care*, First Ministers, September 14, 2004.
- ⁹ Brimacombe GG. *Health, Healthcare and Nation-Building: A Three-Dimensional Approach to Innovation in Canada*. *Healthcare Quarterly*, Vol. 8, No. 3, 2005.
- ¹⁰ Members of ACAHO account for 25% of the funding Canada’s health research enterprise (in addition to government funds). Furthermore, approximately 80% of public monies invested in the health research enterprise occur in our members’ institutions and research institutes. As a result, it is estimated that 70%-80% of all health research is conducted in teaching hospitals/centres. Source: *Strengthening the Foundation of Canada’s Health Research Enterprise: A Backgrounder*. Prepared by the Leaders’ Forum on Health Research in Canada Steering Committee, September 8, 2004.
- ¹¹ Address by the Prime Minister to the Empire Club and Toronto Board of Trade. May 26, 2005.
- ¹² Unless new funding is announced by the federal government in its next Budget, indirect costs support in 2006/07 and subsequent years will remain at \$260 million. However, the overall reimbursement rate will fall below the 24.9% level – given the likely increases that the three federal Granting Agencies will receive over the same time period.
- ¹³ Specifically, the Standing Committee recommended “(15) *The federal government, in the next budget, provide a permanent program for financing the indirect costs of federally funded research...*(16) *A permanent program financing 40% of the indirect costs of federally funded research be implemented in the next budget.*” *Canada: People, Places and Priorities*. Report of the Standing Committee on Finance. November, 2002.
- ¹⁴ *Speech from the Throne*, October 5, 2004.
- ¹⁵ *Among the many promising industrial subsectors subsumed within healthcare are information technology; biotechnology; health care diagnostic, treatment and delivery services; health care management; knowledge/information management systems (including data collection and software development); and imaging systems. These are also leading-edge sectors for employing our high-level human capital and talent, an essential requisite if we wish to become a knowledge-based economy and society. However, there is much more at stake here than merely missing out on a major export platform in the information era: Failure to be in the forefront of these remarkable diagnostic, treatment and service-delivery innovations will mean that we will assuredly fail in our objective to ensure that Canadians will have access to state-of-the-art health care.* Courchene TJ. *Medicare as a Moral Enterprise: The Romanow and Kirby Perspectives*. Institute for Research on Public Policy, page 12, 2003.