

DRIVING INNOVATION IN HEALTHCARE: AN ENGINE FOR ECONOMIC GROWTH AND PROSPERITY

Speaking Notes for Pre-Budget Meeting
with Minister of Finance

By: HealthCareCAN
January 13, 2016

Driving Innovation in Healthcare: An engine for economic growth and prosperity

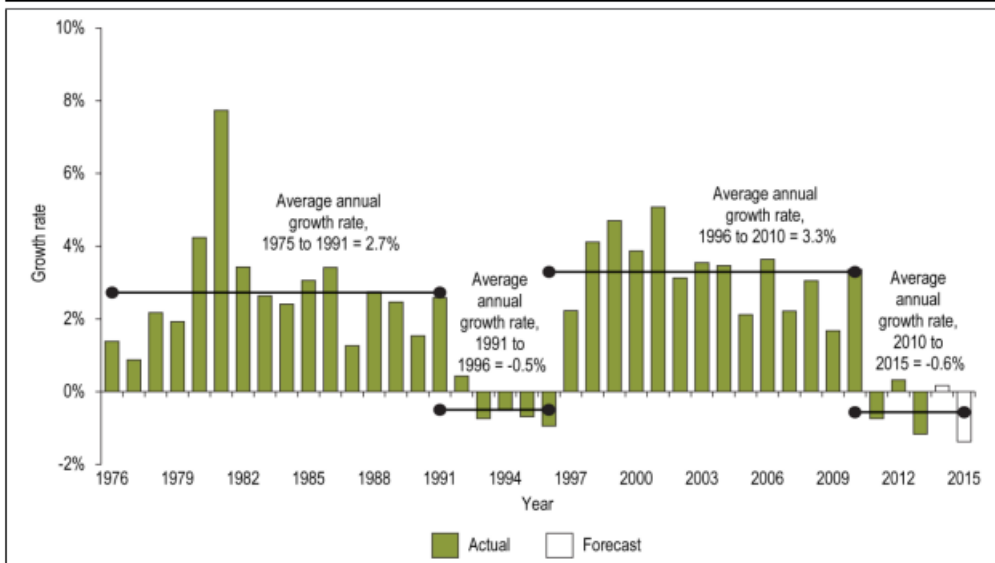
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HealthCareCAN is the national voice of healthcare organizations across Canada. We foster informed and continuous, results-oriented discovery and innovation across the continuum of healthcare. We act with others to enhance the health of the people of Canada; to build the capability for high quality care; and to help ensure value for money in publicly financed, healthcare programs.

1. **HealthCareCAN appreciates the opportunity to provide input as part of the Minister of Finance's consultations to help frame the 2016 federal budget.** This budget requires a concerted effort to balance Canada's need to grow its knowledge-based economy with some of the immediate health and social needs of Canadians.
2. **Healthcare providers are all too often seen as cost centres rather than as value or service centres (as they are seen in the eyes of Canadians). Healthcare providers have been characterized as a problem to be managed or a cost curve to be bent. However, the reality for our members across the country – Canadian hospitals and healthcare organizations - is that we have been through an extended period of extraordinary cost control.** Indeed, for Canada overall, according to most recent CIHI (NHEX, CIHI, 2015) numbers, hospital spending has been flat at about \$60 billion dollars per year. Real per capita healthcare spending has been going down since 2010 (see table below). After accounting for inflation and population growth, total health expenditure in 2015 declined. This signals a new era where health spending has not kept pace with inflation and population growth combined. Growth rates in health spending are now similar to what they were in the 1990s. Between 2011 and 2015, health spending declined by an annual average rate of 0.6% (CIHI, NHEX, 2015, page 8) And, over the past 40 years, hospital spending as a proportion of total healthcare spending has dropped from 40% to 30% (CIHI, 2015).

Figure 2: Total health expenditure per capita, annual growth rates,* Canada, 1976 to 2015



National Health Expenditure Trends, 1975 to 2015, CIHI, October 2015

A. Healthcare sector as an automatic stabilizer.

3. At the same time, we know that over 80% of healthcare spending involves highly skilled people employed in the delivery of needed health services. Hospitals and other healthcare facilities provide an important source of secure employment, especially during times of fiscal restraint, and help Canadians to be productive members of society. In fact, the Finance Minister's November 15th federal economic update showed year-over-year employment increases of over 75,000 for health and social services, representing the largest source of employment growth. HealthCareCAN members alone currently have over 650,000 Canadians on their payrolls. This does not include the physicians and researchers who may not be technically employees of the patient care organization, but who rely on these organizations for their work (Ref: [HealthCareCAN fact sheet](#)).
4. The federal government has had an important role to play in assisting provinces and territories in supporting essential health service delivery by providing over \$34 billion dollars in transfers under the Canada Health Transfers (or CHT) arrangement. CHT contributions are currently increasing at 6% per year until 2017-18, at which time the rate of growth will be reduced to 3% per year. The provinces also receive an addition \$17 billion dollars per year under the Federal Equalization Program.

5. As discussions get under-way with the provinces and territories around developing a new Health Accord, we support a more activist federal leadership role as set out in the government's platform and the Prime Minister's mandate letters. We have developed and presented a detailed briefing for your colleague, the Minister of Health, The Honourable Jane Philpott, on our recommendations for a new Health Accord and the need to fund it strategically and accordingly.

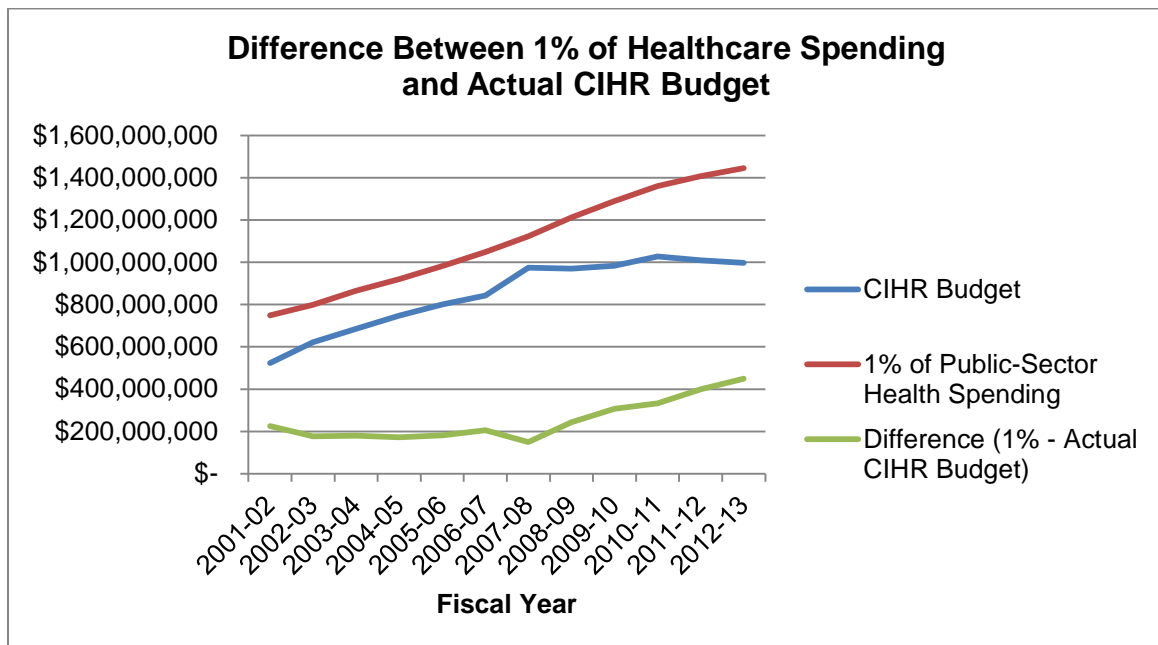
B. Health Research as an engine for economic growth.

6. For purposes of today's discussion, we will focus on the twin opportunities presented by the government's commitment to reinvestments in innovation and infrastructure.
7. Patient care organizations are essential players in the health research ecosystem. It is impossible to bring research and innovation to the bedside without these organizations. Collectively, the country's academic centres have been featured over 6000 times, in reputable print media, for their research and innovation successes. You can find these successes in our Innovation Sensation database at www.healthcarecan.ca.
8. Many are surprised to learn that Canada's research hospitals, in particular, are among Canada's innovation leaders. **It is the only group of innovation leaders that recorded R&D growth in the past year.** The hospital sector is noted in the recent Science, Technology and Innovation Council report as the country's most collaborative research performer "by far". **Academic health centres are estimated to employ 66,000 research staff, students and scientists. Total annual research funding now tops \$2.5 billion dollars.** The research and innovation performed in these organizations generally fall into four categories: new treatments, modernizing the health system, helping to maintain individual health and addressing public health issues.
9. Successive governments have acknowledged that Canada punches well above its weight in terms of the health and life sciences. For the past six years, the health and life sciences have been included as one of Canada's top four areas of research. The Council of Canadian Academies identifies the health and life sciences as one of the four priority areas for Canada's competitiveness.

C. Need for strategic investment in health research.

10. Yet our health research community is now back on its heels. **Federal government funding of research through the Canadian Institutes for Health Research (CIHR) has not kept pace with inflation and it is falling increasingly behind the need to support the growing number of talented new health researchers we have been able to attract to Canada through other capacity building measures. In other words, we can attract but not retain.**

11. Canada currently stands 6th in the world in terms of the total number of influential health researchers. Among the top 15 countries, Canada stands 8th in the world in terms of influential researchers per capita. Influence is usually determined by international networking and international networking means our researchers are mobile (Globe and Mail, 2014).
12. The total CIHR base budget has remained at 2010 levels, losing \$150 million dollars of the base to inflation over the past five years. The CIHR budget has been frozen for the current fiscal year and is due to increase by just \$15 million dollars for the fiscal year of 2016-17. **This falls well short of what is needed to continue to control healthcare costs and advance the future health of Canadians, as well as in terms of the lost opportunity to grow an essential part of our future, knowledge-based economy.**



HealthCareCAN, 2015

13. The CIHR is a tremendous success story, but has been going through a series of dramatic changes that have been especially traumatic for young scientists who have been left “high and dry” by these changes. There is palpable concern among our most senior and accomplished scientists about our ability to attract and retain the brightest and best researchers.

14. We are at a pivotal point in terms of staying internationally competitive in the health research space. We risk losing our brightest and best. We are therefore asking for an immediate \$150 million dollars addition to the base budget of CIHR to make up for the loss to inflation and a one-time \$50 million dollars (over two years) to create a bridge for young and mid-career scientists through the current reforms and to a brighter future in Canada.

15. **This needs to be accompanied by other federal policies and practices that help pave the way for the commercialization of advances in the Canadian and health and life sciences.** Tax policy, for example, in terms of the GST/HST rebate for hospitals and healthcare facilities, needs to reinforce strategic investments in the health and life sciences.

D. From Innovation to action.

16. Turning to the innovation and healthcare agenda, we have some of the basic building blocks in place to scale up and spread more quickly healthcare innovations that will improve overall healthcare system performance and enhance Canada's economic prosperity.
17. **While Canadians remain among the healthiest people in the world, the overall performance of Canada's healthcare system is lagging well behind other industrialized countries. We now rank 10 out of 11 according to the most recent Commonwealth comparisons, just ahead of the United States.**
18. In terms of building blocks for a better future, we have, for example, the tremendous efforts by the Council for the Federation in convening the Health Care Innovation Working Group. **Under the leadership of Premiers Wall and Ghiz, a consensus report entitled "From Innovation to Action" was released by the Premiers in July of 2012 pointing to a series of innovative practices across Canada that could and should be adopted more broadly.** Unfortunately, this initiative lost momentum for a number of reasons including the lack of ongoing secretariat support and the lack of strategic funding at the national level to reinforce the scaling up and spreading of innovations and exemplary practices.
19. HealthCareCAN is confident that, with the concerted efforts of different levels of government and the healthcare provider community working together with patients, Canada could be back among the top five performing healthcare systems in the world in the next five years if we simply applied what we already know in terms of exemplary practices across the country.
20. A second basic building block is the forward-looking work of the Advisory Panel on Health Innovation, chaired by Dr. David Naylor. **The report, entitled "Unleashing Innovation" concludes that our Medicare system is "aging badly".** We believe that this is, at least in part, due to the lack of an active role of the federal government in matters related to health. The report also points to the challenges of an aging society, not as a tsunami but as an iceberg dead ahead. It identifies five broad themes for future-oriented reforms that we commend to the government.

21. Indeed, if we think about R&D spending of any innovative company and/or peer country, R&D spending as a percentage of total health spending, we see that Canada lags behind. In the interest of the best health, best evidence, and most efficient and effective healthcare system, we suggest dedicating a fixed portion of all healthcare spending in Canada to a dedicated R&D budget. Unless we do this, health research and innovation will fall prey to the healthcare needs of the day and deprive us of the opportunity to find new and better ways of dealing with disease and disability. (Fact sheet available at healthcarecan.ca)
22. **From a Finance and economic growth point of view, in supporting the basic findings of the Advisory Panel on Health Innovation, we see an immediate need to look favourably on the proposed demographic top up to the equal per capita cash contributions under the Canada Health Transfers. We also see a need for a segregated Healthcare Innovation Fund to support the scaling up and spread of healthcare innovations across Canada and internationally. The panel recommended up to \$1 billion dollars per year, which may still be a suitable longer-term goal, but given the current economic circumstances, we have scaled down our request to \$1 billion dollars over five years. We also support the concept of a Team Health Canada to market Canadian healthcare innovations.**

E. Creation of a Canadian Health and Life Sciences Roundtable.

23. **Perhaps the greatest need, however, is to marshal our current Canadian research efforts in the public and the private sector in Canada. To date, for the most part, our health research efforts have been siloed.**
24. Current research spending in health is estimated at over \$6 billion dollars from all sources. Of this, 28% comes from hospitals and universities, 21% comes from the federal government, 24% comes from the business enterprise, 13% comes from international sources and 6% comes from provinces.
25. As noted, the health and life sciences have been repeatedly identified by Industry Canada (now Innovation, Science and Economic Development) as one of four or five strategic areas where Canada has a potential comparative advantage with our trading partners.
26. **The health research community sees a leadership role for the federal government in convening the many players to leverage up the Canada health sciences advantage. We need a new, far more strategic approach to taking us from innovation to action and to realizing the full benefits, both in terms of health and the economy, of working together. This is why we are proposing the creation of a Canadian Health and Life Sciences Roundtable that would be advisory to both federal and provincial ministers and bring the different public and private research investors around the same table.**

E. Healthy infrastructure.

27. Turning to the focus on infrastructure, we would encourage the Minister and government to consider two pathways to strategic investments in the health sector.
28. The first is physical infrastructure. HealthCareCAN applauds the government's efforts to double up on infrastructure investments with \$20 billion dollars earmarked over the next decade for investments in "social infrastructure". Many of Canada's hospitals were built with federal funding, initially under the Hospital Construction Grants Program (1948) and later under the Health Resources Fund Act (1966).
29. We appreciate, and strongly support the ongoing investments under the Canada Foundation for Innovation program to support Canada's health research hospitals in new research enterprises.
- 30. That said, all Canadian hospitals are increasingly becoming involved in more geographically distributed teaching and research efforts and they are increasingly falling into disrepair and posing an ever-greater threat to quality of care and patient safety. Aging hospital infrastructure is also inefficient and inappropriate to the needs of a population requiring more out-of-hospital chronic care more than in-patient, acute care services as was the case when many hospitals were first built.**
- 31. Under the current Building Canada Fund, investments in healthcare facilities of the future have been either implicitly, or explicitly in the case of the territories, been precluded from applying. On a go-forward basis, under the new Social Infrastructure Program, we ask that proposals for building patient-centred healthcare facilities of the future be considered on an equal footing to investments in bridges, airports and sewers.**

F. IT in service of health.

32. All recent reports on the future viability of Canada's health and healthcare system point to the need to finish the job in terms of interoperable, patient –oriented electronic health records.
33. As the Advisory Panel on Health Innovation concluded, "digital health and data-driven care hold great potential, but Canada is still lagging most peer OECD nations in standardization and uptake of information technology for healthcare".
34. Specifically, we support tied strategic investments through Canada Health Infoway, on a shared cost basis with the provinces and territories, to encourage the adoption of new digital health technology to improve access, increase efficiency and enhance outcomes for patients.

35. We also support leveraged investments in home health support tools (telehome programs such as home monitoring for therapies, exercise programs, vital statistics, critical responses, crisis support, etc.) and, as part of the overall plan to improve access to needed pharmaceutical therapies, a national e-prescribing program.

G. Conclusion.

36. **To conclude, we support a more activist federal health leadership agenda, beginning with negotiating a multi-year new Health Accord that is appropriately funded and building on a demographic top up to the current equal per capita cash contributions under the Canada Health Transfers. Second, we urgently request that the CIHR base budget be re-established in real terms by adding \$150M to the A-base and that a special early investigator Transition Fund of \$50 million dollars be made available. And third, we believe a Health Innovation Fund of \$1 billion dollars over five years be established to scale up and speed up innovations across the country, including innovations in healthcare technologies.**