ASSOCIATION OF CANADIAN ACADEMIC HEALTHCARE ORGANIZATIONS

OUR FIRST WEALTH IS HEALTH...

STRATEGIC INVESTMENTS THAT CREATE JOBS AND SUSTAIN A HEALTHY POPULATION & ECONOMY

A SUBMISSION TO THE
HOUSE OF COMMONS STANDING COMMITTEE ON FINANCE
AUGUST 12, 2011

OUR MISSION & VISION…

Vision: To advance patient care and the health & well-being of Canadians through research discovery and innovation.

Mission: To create an environment in which research discovery, innovation and learning benefit patients, populations, health systems and the economy.

WHO WE ARE...

- ACAHO is the national voice of Research Hospitals, academic Regional Health Authorities and their Research Institutes. The Association represents more than 40 organizations, with members ranging from single hospitals to multi-site regional facilities.
- Members of ACAHO are the leaders of innovative and transformational organizations who have overall responsibility for: (1) provision of timely access to a range of specialized and some primary health care services; (2) training the next generation of health providers; and (3) are leaders in research discovery and the early adoption of innovation in the health system.
- There are no other organizations in the health system which provide the unique integration of patient care, teaching, and research & innovation that our members do. Our members are vital "hubs" in the health system - in addition to being a national resource.
- The mandate of ACAHO is provide national *leadership*, *advocacy* and *policy representation* when it comes to the role of the federal government improving the performance of the health system; and advancing the impacts of health research and innovation in the delivery of health care to all Canadians.

ACAHO BY THE NUMBERS....

- Total operating budgets of ACAHO members was over $24 Billion (2008/09)
- Received close to 15 million outpatient visits (2010)
- Treated 5.5 million visits to their emergency departments (2010)
- Had 1.4 million hospital admissions (2010)
- Trained more than 55,000 health providers (2007)
- Employ more than 350,000 Canadians (2008/09)
- Enjoy the support of more than 53,00 volunteers (2008/09)
- Total research budgets stood at $1.8 Billion (2009)
- Are the primary affiliation for more than 2,700 scientists (2007/08)
- More than 11,000 peer-reviewed publications (2007/08)
- $5 million in license income from research discoveries was generated (2003/06)
- 312 patents were issued (2007/08)
- 65 spin-off companies were created (2007/08)
- Over 200 licenses were issued (2007/08)
- 415 disclosures were made (2007/08)

Importantly, ACAHO members are the organizations that provide a range of procedures that are exceptionally complex & rare – such as organ transplants, care for trauma patients, and life-saving surgery for neonatal infants. Members also care for a greater proportion of patients who have complex and severe illnesses.

For more information on the activities of the Association, please visit our website at *www.acaho.org*.

EXECUTIVE SUMMARY

At this tenuous juncture in the world economy, ACAHO members believe that we need to leverage every opportunity to create economic and financial benefit while achieving human and social goals. For Budget 2012, we are asking the federal government to consider three recommendations that leverage the mission of Canada's academic healthcare organizations to achieve benefits for both the economy and the health of Canadians.

1. Investing in Innovative Health Delivery Infrastructure – ACAHO believes that as much as we need to ensure that we accelerate the application of new knowledge from research into practice, we also must have the appropriate delivery infrastructure to provide such care and optimize patient outcomes. Through the creation of a *National Health Delivery Infrastructure Fund* we ask the federal government to tap into our organizations as ready internal markets for green and digital Canadian technologies while helping to modernize physical plant infrastructure. Health infrastructure investments create short-term jobs that build "legacy institutions" that fully acknowledge the role and contribution of the federal government for residents at the community level and will allow facilities to meet new safety, efficiency, environmental and patient care standards. It also instills a deep sense of community pride and promotes social cohesion; and accelerates the transformation of the health system delivery structure to meet tomorrow's needs.

Recommendation #1 - ***"That the federal government, working in close collaboration with the provinces and territories, create a one-time National Health Delivery Infrastructure Fund to incent academic healthcare organizations (i.e., academic Regional Health Authorities, Research Hospitals) (re)build their capacity to provide Canadians with timely access to care, in a way that leverages green and digital technology markets in Canada."***

2. Accelerating the Adoption of Health Innovation – In Budget 2011, the federal government invested $15 million in the Canadian Institutes of Health Research (CIHR) Strategy on Patient-Oriented Research (SPOR) – and we strongly applaud them for this announcement. We ask the federal government to continue to support the acceleration and early adoption of cost-effective innovations that align with national objectives and have the capacity to achieve transformative health system change and economic benefits from coast-to-coast-to-coast. Canada has an outstanding track record in the generation of health-related research and innovation. These are in the public domain and are celebrated by foundation donors, organizations and communities. They also hold incredible commercial and transformative potential for the health of Canadians and the economy. By continuing to invest in SPOR will facilitate the identification of a number of innovations that would benefit the entire country, and enable an implementation pathway that would bring health and economic benefit in a number of clinical and population health areas.

Recommendation #2 - ***"That the federal government support the acceleration of leading-edge research and innovations into the health system through the Canadian Institutes of Health Research Strategy on Patient-Oriented Research."***

3. Aligning Tax Policy with Health Care and Science & Technology Policies – In keeping with the federal government's approach to supporting science and technology, and maintaining and promoting the health of Canadians, ACAHO believes that the application of the Goods and Services Tax (GST) – now the HST in certain jurisdictions – needs to be re-aligned with the government's intentions in these areas. The range of rebates hinder the overall efficiency of the tax and its administration at the local level and penalizes those institutions who invest in research and innovation, running directly counter to the stated objectives of the federal government's Science & Technology Strategy. In all circumstances, we need to ensure that effective tax policy supports health care and research & innovation policies at the federal level.

Recommendation #3 - ***The federal government increase the GST rebate on all eligible purchases made by publicly funded, not-for-profit institutions in the health sector (this includes hospitals, long-term care facilities, and home community care services) to 100%.***

INTRODUCTION

Being sensitive to the economic circumstances that are facing Canada and the global community, ACAHO has identified three recommendations for the consideration of the House of Commons Standing Committee on Finance that seek to not only improve the health of Canadians and the performance of the health system, but leverage research and innovation in a way that contributes to sustained economic prosperity and improves our quality of life.

In each area that we have identified, we believe there is a strong leadership role for the federal government to play when it comes to nurturing and accelerating research and innovation, and how can improve the cost-effective delivery of health services in Canada.

Our recommendations also seek to align incentives by implementing accountability measures that focus on a commitment to achieve impact from the proposed targeted investments. Finally, our recommendations seek to identify intelligent and efficient investments that achieve short-term wins for today, while building towards a shared vision for the future.

Finally, our three recommendations offer a leadership and legacy role for the federal government, and involve the intersection of economic and innovation policy with health and health system sustainability; they are national in scope; they draw on lessons learned from the 2004 Health Accord; and they may also serve as pilots or building blocks as we move towards its renewal in 2014.

1. INVESTING IN INNOVATIVE HEALTH DELIVERY INFRASTRUCTURE

ACAHO believes that as much as we need to ensure that we accelerate the application of new knowledge from research into practice, we also must have the appropriate delivery infrastructure to provide such care and optimize patient outcomes.

Members of ACAHO provide Canadians with the most complex and specialized health services; conduct research that impacts health, health systems and the economy in Canada and abroad; and train health providers who, in turn, may practice anywhere in the country.[1] However, these prized missions and mandates are largely taking place in buildings that need to be retrofitted, repaired or re-built in order to meet current safety, efficiency, patient care and environmental standards.[2] [3]

Based on a recent survey of ACAHO members, over 300 shovel-ready infrastructure projects over the next 12-36 months have been identified as a priority at a cost of over $20.0 billion. Of note, 30% of the projects are new buildings and 70% qualify as repairs, renovations/expansions.[4]

While members of ACAHO were <u>not</u> included as an eligible group to receive infrastructure funding in Budget 2009, 2010 or 2011, ACAHO strongly concurs with the federal government's logic of stimulating the economy through infrastructure investments as part of its economic plan. Infrastructure investments are a way to meet short-term economic goals while making important investments in our collective safety and future.[5]

Health infrastructure investments create short-term jobs that build "legacy institutions" that fully acknowledge the role and contribution of the federal government for residents at the community level and will allow facilities to meet new safety, efficiency, environmental and patient care standards.[6] [7] [8] [9] [10] [11] [12] [13] It also instills a deep sense of community pride and promotes social cohesion; and accelerates the transformation of the health system delivery structure to meet tomorrow's needs.

Furthermore, investments in physical plant infrastructure generate human, economic, and social benefits that stimulate the economy, improve system performance, health outcomes and strengthen the capacity for innovation and translation of research findings.[14] It also brings real opportunities to create jobs, while building Canadian market power for new green and digital technology companies and reducing our environmental footprint. It will contribute to more effectively managing infection control and safety issues while modernizing the health system and providing Canadians with comfortable places to cope physically and emotionally in their most vulnerable moments. Revitalized delivery infrastructure also attracts leading clinicians who want to practice in the most hopeful, helpful, and modern spaces for their patients, and reflects the design principles consistent with new models of healthy aging, mental health, community reintegration, birthing, and other care models.

Given that the impact of ACAHO members extends beyond local, regional and provincial borders to national and international communities, the Association calls on the federal government to create a one-time, strategically-targeted *National Health Delivery Infrastructure Fund*. Such a Fund could be structured to achieve multiple simultaneous benefits; for example, a competitive bidding process could incent physical plant infrastructure proposals to include partnerships with green or digital technology companies in Canada that could multiply the financial and human benefits of these projects.

Recommendation #1

"That the federal government, working in close collaboration with the provinces and territories, create a one-time National Health Delivery Infrastructure Fund to incent academic healthcare organizations (i.e., academic Regional Health Authorities, Teaching/Research Hospitals) (re)build their capacity to provide Canadians with timely access to care, in a way that leverages green and digital technology markets in Canada."

The last time that the federal government undertook a deliberate large scale investment in delivery infrastructure was in 1948 through the *Hospitals and Construction Grants Program.* Given the natural lifespan of health institutions and facilities is approximately 30 years, there is a strategic and historic opportunity for the government to assist in modernizing these facilities to fulfill their mission and mandate.[15] This recommendation is also consistent with the findings of the Standing Committee on Social Affairs, Science and Technology.[16]

2. ACCELERATING THE ADOPTION OF HEALTH INNOVATION

Between January and June of 2011, the Canada Health Reference Guide and the Globe & Mail ran close to 160 success stories featuring the impact of health research and innovation from ACAHO's 42 member organizations. These successes informed the public of health risks, identified public health issues, provided prevention strategies, described trends in the health system, and offered information on more effective health practices or novel ways to diagnose and/or treat disease. In some cases, they identified a breakthrough product, service, or spin-off company; discussed a human interest story; or showed major philanthropic support for a research endeavour. In all cases, they made an important contribution to Canada and the health system as we celebrate their successes.[17]

Considering the economic opportunities we are creating through health research and innovation, and the need to transform our health system so that it can sustain future generations, we need to better leverage the capacity of academic healthcare organizations for *transformative* and *measurable* change across the country.

In Budget 2011, the federal government invested $15 million in the Canadian Institutes of Health Research (CIHR) Strategy on Patient-Oriented Research (SPOR) – and we strongly applaud them for this announcement. SPOR has the potential to accelerate the early adoption of cost-effective innovations that align with national

objectives and have the capacity to achieve transformative health system change and economic benefits from coast-to-coast-to-coast, especially in the areas of clinical research and multisite clinical trials.

At the same time, ACAHO believes that SPOR brings a unique opportunity for national leadership, coordination, and acceleration to this initiative. While the provinces and territories may have different priorities, all Canadians can benefit from health research and innovation undertaken in one jurisdiction. Furthermore, where a commercialized product is successful, we can use the full force of a national market to help Canadian innovations succeed both domestically and internationally.

It would be no exaggeration to suggest that selecting a number of innovations for national focus and support from the federal government would only be a challenge in so far as it is difficult to select among too many riches. Consider, for example, that in one story within the 160 successes reported between January and June of this year, a researcher proposed a national screening program for early intervention of hearing problems in children which demonstrated a potential cost savings of $19 million dollars, while another on fall prevention for the elderly could reduce Canada's $2.8 billion dollars in costs resulting form these falls, not to mention the ethical obligation of preventing harm and protecting health where and when we know we can.[18] [19] These are just two examples within the 160 and there are others ranging from potential drugs to new medical technologies.

We believe that through the deliberate linkage of health research and applied innovation to human health and health system performance that is the driving force of SPOR, we can accelerate the adoption of transformative innovations across the country. What is required is the national leadership, coordinating mechanisms, infrastructure support and resources to initiate and leverage a pathway through which innovations can either be integrated into the delivery system or to market – not just locally and provincially, but right across the country[20]. This national effort will mean real changes in the health of Canadians, and cost savings for funders.

Recommendation #2

"That the federal government support the acceleration of leading-edge research and innovations into the health system through the Canadian Institutes of Health Research Strategy on Patient-Oriented Research."

3. ALIGNING TAX POLICY WITH HEALTH CARE & SCIENCE &TECHNOLOGY POLICIES

In keeping with the federal government's approach to supporting science and technology, and maintaining and promoting the health of Canadians, ACAHO believes that the application of the Goods and Services Tax (GST) – now the HST in certain jurisdictions – needs to be re-aligned with the government's intentions in these areas.

As it stands, hospitals (the "H" in the MUSH Formula) are entitled to an 83% rebate on the GST paid for all eligible inputs. Health research, publicly-funded long-term care facilities and home community care services receive a 50% GST rebate. The range of rebates hinder the overall efficiency of the tax and its administration at the local level. To simplify this process and to better align with the integrated nature of governance structures (e.g., Provincial/Regional Health Authorities), ACAHO is strongly supportive of a more cohesive approach to how the GST should be administered in this area.

To complicate matters, the federal government is proposing to draw a line where only some of the GST paid for health research will be eligible for 83%, and the remaining GST will only receive a 50% rebate. This policy decision will penalize those institutions who invest a significant amount of resources in support research and innovation, and runs directly counter to the stated policy objectives of federal government's Science & Technology Strategy. In all circumstances, we need to ensure that effective tax policy supports health care and research & innovation policies at the federal level.

It is also important to note that the provinces of Alberta and New Brunswick – given the manner in which their health system is configured – do not effectively pay any GST on their health inputs.[21]

Given the fundamental unfairness of how the HST impacts on the rest of the health system across the country, the federal government has a unique opportunity to create a level playing field for all provinces. ACAHO believes that the federal government should amend the MUSH Formula to treat Hospitals in the same manner as the Municipalities (the "M" in the MUSH Formula) – who receive a 100% GST rebate. The federal government should also increase the GST rebate for publicly funded "health care related services" to 100%.

This avoids the situation where the federal government gives with one financial hand and takes with the other. It also will keep federal dollars where they were intended – in the organizations dedicated to providing Canadians with timely access to quality services and generating world-class research and innovation to solve the health problems of the future. [22] [23] It also ensures that the tax system is efficient and effective for those academic healthcare organizations that play a significant role in discovering innovations that can have commercial application and economic impact in terms of creating jobs, capital formation and generating wealth for the country.

Recommendation #3

The federal government increase the GST rebate on all eligible purchases made by publicly funded, not-for-profit institutions in the health sector (this includes hospitals, long-term care facilities, and home community care services) to 100%.

CONCLUSION

In this brief, we have asked the federal government to support three policy challenges that would allow meet a series of policy objectives simultaneously; improving the health of populations and health system performance, while providing benefit to Canadians. These recommendations are offered in the spirit that we must not allow ourselves to choose between health and prosperity; that correctly aligned incentives can yield exponential returns; and that we have the capacity to achieve short-term gains that can build a legacy of health and prosperity for future generations.

ENDNOTES

[1] National Task Force on the Future of Academic Health Sciences Centres in Canada. 2010. *Three Missions...One Future - Optimizing the Performance of Canada's Academic Health Sciences Centres.* Available: http://www.ahsc-ntf.org/?reports

[2] Farrow, T.S., Black, S.M. 2009. Infection Prevention and Control in the design of Healthcare Facilities (commentary) in Healthcare Associated Infections as Patient Safety Indicators. In Healthcare Papers. 3(9).

[3] Saryeddine, T. 2011. Building the Future: Physical plant needs across Canada's Academic Healthcare Organizations. Hospital News, February 2011 Edition. Available: http://www.acaho.org/?document&id=228

[4] ACAHO, forthcoming. "Built for the Future – A Review of ACAHO Member Physical Infrastructure Requirements", a forthcoming report from ACAHO.

[5] Government of Canada, 2011. The Next Phase of Canada's Economic Action Plan. Available: http://www.actionplan.gc.ca/eng/feature.asp?featureId=4

[6] ACAHO and CHA, 2009. *Innovative Health Infrastructure.* Available: http://acaho.org/docs_new/Health%20Infrastructure%20Ad%20January%202009/InfrastructureBackgrounderFinalJan1509.pdf

[7] Anjali, J. Mahbub, R. The Architecture of Safety: Hospital Design. Current Opinions in Critical Care. 13(6), December 2007, p. 714-719.

[8] Wolf, E.J. 2004. Promoting patient safety through facility design. Healthcare Executive. Vol. 18, Issue 4; page 16.

[9] Health Council of Canada. Healthcare Renewal in Canada: Accelerating Change. January 2005.

[10] Stichler, J.F. Is your hospital hospitable? How Environment Influences Patient Safety. Nursing for Women's Health. October/November 2007. pp 506-511.

[11] Price Waterhouse Coopers/CABE. The role of hospital design in the recruitment, retention, and performance of NHS nurses in England. Executive Summary Available: http://www.cabe.org.uk/AssetLibrary/2289.pdf.

[12] American Society of Healthcare Engineering. Green Healthcare Construction Guidance Statement. Available: www. http://www.ashe.org/ashe/products/pdfs/ashe_guidance_sustainconst_

[13] Wolf, E.J. 2004.

[14] HDR Architecture Inc. 2011, Bringing Research to Life. Interim Report of the Translational Health Sciences Initiative.

[15] Health Facilities Management, Executive Dialogues. 2009. Designing the Replacement Facility. Available: www.healthfacilitiesmanagement.com

[16] In his remarks to the Toronto Club, in 2002, Senator Kirby, Chair of the Standing Committee on Social Affairs, Science and Technology, is quoted as follows: "First, the federal government should invest in the renewal of physical plant and equipment urgently needed in Canada's teaching hospitals. Two facts, out of many I could give you, illustrate the urgency of this need: Between 1982 and 1998, real public per capita spending on new hospital construction declined by 5.3% annually; in dollar terms investment dropped from $50 to $2 per person over those 16 years. Since 1998, real public per capita expenditures on new hospital machinery and equipment has also fallen by 1.8% annually. In addition to being the primary site of training for Canada's health care professionals, teaching hospitals offer the newest and most highly sophisticated services and treat the most difficult, complex cases. They are truly a national resource, and as such must be supported by the federal government. It is only by providing adequate funding to our teaching hospitals that it will be possible for Canada to develop genuine centres of excellence, and to be at the forefront of the scientific advances that are continually transforming the practice of medicine". Available: http://www.parl.gc.ca/37/2/parlbus/commbus/senate/com-e/SOCI-E/press-e/01dec02-e.pdf

[17] ACAHO is working with its member organizations to develop a consolidated access point for the research successes that run in the Globe & Mail and in the Canada Health Reference Guide. It will be made available to the public upon completion. It currently contains close to 160 stories from January to June 2011. The page will be updated quarterly.

[18] Globe & Mail. 2011. Preventable problem a huge health burden.

[19] Globe & Mail. 2011. Doctors orders for developing minds.

[20] A possible example of this type of approach is illustrated by the Council of Academic Hospitals of Ontario through their ARTIC project in which they have chosen a few projects intended to induce positive health system changes. More details are available here: http://www.chrgonline.com/news_detail.asp?ID=158965

[21] It is our understanding that legislatively, the RHAs are deemed to be an extension of the provincial government for tax purposes – and constitutionally one level of government cannot tax another.

[22] Should the federal government amend the GST rebate level, there would be (at least) four significant policy outcomes: (1) All provinces would be treated equally under the Excise Tax Act; (2) It would improve the financial alignment between the GST and the health system; (3) It would recognize and more effectively support the integration of service delivery with

the introduction of Regional Health Authorities across the country, and (4) It would facilitate the investment of additional dollars through the tax system directly into the health system and health research enterprise.

[23] Based on recent public information available from the Department of Finance, the amendment would cost the federal government a minimum of $82.5 million (with respect to our public health authorities). To extend the rebate to all health care related services that are publicly funded would cost an additional minimum of $305 million.