

August 11, 2011

The Honourable James Flaherty
Minister of Finance
Department of Finance Canada
House of Commons
Ottawa, Ontario K1A 0A6

Dear Minister Flaherty:

Re: 2012 Pre-budget Consultation

MEDEC, the national association representing the Canadian medical device, diagnostic and technology industry, referred to in this document as the medical device and technology industry, recommends that the Government of Canada to invest in policies and processes that will enable the innovative medical device industry to thrive in Canada and thereby stimulate the knowledge economy while supporting the sustainability of health care through innovation. Specifically we are recommending:

- Establishment of a National Medical Device and Technology Strategy;
- Industry Canada support for an accelerated innovation strategy that acknowledges Canadian small to medium enterprises (SMEs) and small Canadian start up device companies to nurture medical technology innovation.

1. Engage the Medical Device and Technology Industry in developing a National Medical Device Strategy

Various provinces have launched Life Sciences Commercialization Strategies. For example in April 2010 Ontario's strategy combined existing and new life sciences initiatives into a consolidated plan. Similarly, Quebec announced their Life Sciences Commercialization Strategy in July 2010. These strategies are intended to help position each province as a leader within the life sciences field and ensure that cutting-edge healthcare discoveries and products occur in that jurisdiction — keeping high-value jobs and economic growth in the respective provinces. A component of these provincial life science strategies is the medical device and technology industry.

The medical device and technology industry in Canada is comprised of multinational enterprises (MNEs), small and medium enterprises (SMEs) and local Canadian companies. It is estimated that there are more than 1000 medical device and technology companies in Canada; the vast majority are small, local, Canadian-owned companies employing over 35,000 Canadians in close to 1500 corporate facilities with

sales of nearly \$7 billion per annum.

Today, many life-threatening diseases and debilitating conditions no longer pose the threat they once did in part because medical device and technology companies are changing the way health care is delivered. We are at a time of unprecedented promise in the realm of medical technology.

Through earlier and more accurate diagnosis, less invasive procedures and improved treatment options, medical technology is transforming health care while dramatically improving and enhancing the lives and productivity of Canadians and patients worldwide. Significant gains in patient outcomes and improved health care system efficiencies over the long term are achieved with the safe and proven technology solutions offered by today's medical technology companies.

Medical technology contributes to the current and future goals of our federal and provincial governments, health care providers and funding decision makers to: decrease wait times; increase patient access; reduce healthcare costs; transform healthcare delivery; and, treat an ever increasing patient population. These achievements are not always fully understood or recognized in Canada. *Transforming Health Through Medical Technology* is a compilation of innovative health technologies highlighting the remarkable stories of Canadian patients, researchers, physicians and other health care providers. The common thread among these stories is the value and role of medical technologies in improving the outcomes and quality of life for individual Canadiansⁱ.

Furthermore, all stakeholders are accountable for the success or failure of access to appropriate medical devices – a fundamental factor in improving the health of populationsⁱⁱ.

MEDEC believes that Canada would benefit from a federally guided national medical device and technology strategy based on regional centres of excellence with a focus on a region's specific area of expertise or strength rather than having each jurisdiction compete for all specialty areas. A targeted approach to support local expertise through a nationally supported strategy would incentivize investment in Canada in an efficient manner. A medical device and technology strategy would support long-term health system goals across the country. A number of recent publications^{iii, iv, v} on medical technology innovation support the need and value of a medical device and technology strategy to use innovation to support health system sustainability. Thus, a national strategy should also be considered as part of the ongoing Federal, Provincial and Territorial Health Accord renewal discussions.

Recommendation 1:

MEDEC recommends that the 2012 Federal Budget include a process to engage the medical device and technology industry through MEDEC which would leverage the industry's infrastructure, expertise and corporate programs in the development of a national medical device and technology strategy.

2. Specific and targeted Industry Canada support for an accelerated innovation strategy

Building on recommendation 1, there continues to be a need for accelerated support for a broader strategic innovation approach with a particular focus on Canadian based SMEs. Currently Australia, Israel, the United Kingdom and other nations provide support to ensure that start-ups and small company's research, develop and commercialise their innovative medical technology within the boundaries of their respective nation. These incentives support domestic economic growth and create jobs.

In an April 2011 report by the Medical Devices Innovation Institute (MDI²) the following challenges were noted as urgent to take advantage of Canadian company innovation:

- Lack of sufficient investment (public and private) especially at early stages, when the innovation is being developed and subject to high levels of risk
- Lack of sufficient incentives to attract and retain industry
- Lack of harmonization (internal and external) with other jurisdictions
- Lack of a national priority and/or strategy for the sector

In addition, the report discussed establishing a knowledge based economy is seen as the way of the future for Canada and other advanced nations. The medical devices sector represents just such a knowledge based economy and provides a niche well suited to Canada's core competencies and global reputation. This sector offers a wide range of social and economic benefits, including:

- **Improved Healthcare:** Improved healthcare in Canada and around the world
- **Reduced Costs:** Opportunities to reduce health care costs through innovations for prevention, early detection, diagnosis, treatment, rehabilitation and knowledge creation

- **Productivity and Competitiveness:** Innovative medical devices also offer potential costs savings in other areas such as productivity and competitiveness by improving the patient's quality of life and ability to return to the workforce.
- **Job Creation:** Generate new employment by improving current technologies and/or producing new medical devices technologies
- **Enhanced Prosperity:** Generate economic activities and investment in Canada
- **Increased Exports:** Increase exports to global markets and enhance global competitiveness
- **Reduce Sector Trade Deficit:** Reduce Canada's reliance on imported medical devices
- **Build on Strengths:** Integrates Canadian strengths, capabilities and know-how in areas such as communications, high-tech industry, nanotechnology, healthcare delivery, biotechnology, genomics, medical research and finance, among others

Given the current trend of increasing health care costs, including the rising labour costs which are approximately 80% of a hospital's budget, moving towards a more sustainable health system will require increasing our reliance on new innovative technologies and devices to utilize the health care labour force more efficiently and deliver health care differently. Health system sustainability requires taking advantage of innovation benefits through leadership, cultural change and financial incentives.

The report by the Ivey Center for Health Innovation and Leadership identified key priority areas where greater focus was needed and where the greatest impact on health system innovation could be found. The findings included:

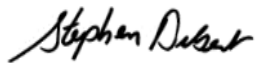
- Financial drivers to innovation and sustainability,
- Health leadership and building a culture of innovation,
- Medical devices innovation, and,
- Health information technology innovation and adoption.

Recommendation 2:

MEDEC recommends specific and targeted Industry Canada support for an accelerated innovation strategy that acknowledges Canadian small to medium enterprises (SMEs) and small Canadian start up device companies to nurture medical technology innovation.

Thank you for your consideration of our recommendations. If you have any questions or would like to discuss further, please contact me directly.

Sincerely,



Stephen Dibert
President & CEO
MEDEC – Canada’s Medical Technology Companies

c.c. The Right Honourable Stephen Harper, Prime Minister of Canada
The Honourable Leona Aglukkaq, Minister of Health
The Honourable Christian Paradis, Minister of Industry and Minister of State
The Honourable Bob Rae, Interim Leader, Liberal Party of Canada
The Honourable Nicole Turmel, Interim Leader, New Democratic Party
The Honourable Premiers for the Provinces of Canada and their Ministers of Health
Selected Members of Parliament
Guyanne L. Desforges, clerk of the House Finance Committee
Lawrence Sereacki, VP Corporate Affairs, MEDEC

ⁱ Transforming Health Through Medical Technology, *Value of Medical Technology*, January 2009, <http://www.medec.org/en/content/value-technology>

ⁱⁱ WHO Global Forum on Medical Devices, version 8 - April 2011, http://whqlibdoc.who.int/hq/2011/WHO_HSS_EHT_DIM_11.11_eng.pdf

ⁱⁱⁱ Medical Devices Challenges and Opportunities for Enhancing the Health and Wealth of Canadians, Medical Devices Innovation Institute (MDI²), April 2011, <http://ocri.ca/files/2011/06/2010-Final-Medical-Devices-Challenges-and-Opportunities-Report.pdf>

^{iv} Innovation Takes Leadership, Opportunities & Challenges for Canada’s Health Care System, Ivey Center for Health Innovation and Leadership, 2011, <http://www.ivey.uwo.ca/ichil/Emails/pdf/White-Paper.pdf>

^v Innovation Procurement in Health Care, A compelling Opportunity, Conference Board of Canada July 2011, <http://www.conferenceboard.ca/documents.aspx?did=4318>