

aamri

Association of Australian
Medical Research Institutes

SUBMISSION

2020-21 PRE-BUDGET SUBMISSION

January 2020

Contact:

Professor Jonathan Carapetis AM
President
Association of Australian
Medical Research Institutes
ABN 12 144 783 728

PO Box 2097
Royal Melbourne Hospital VIC 3050
president@aamri.org.au
www.aamri.org.au

2020-21 AAMRI Pre-Budget submission

The Association of Australian Medical Research Institutes (AAMRI) is pleased to put forward its 2020-21 Pre-Budget submission.

1 Summary of recommendations

This Pre-Budget submission outlines the major policy areas where investment is needed to maintain a strong and vibrant medical research system which can deliver substantial health and economic benefits.

In this submission AAMRI recommends:

1. The funding capitalisation commitments for the Medical Research Future Fund be maintained to ensure the fund is fully capitalised by 2020-21
2. Establish a program to support the systemic costs of MRFF-funded medical research in medical research institutes.
3. Providing above CPI increases to National Health and Medical Research Council (NHMRC) funded medical research.

2 Medical research – the smartest investment a government can make

While there are always competing investment priorities for any government medical research is one of the smartest investments a government can make. It is an investment that continues to pay back to the nation year after year, delivering substantial economic and health outcomes.



The economic benefits of medical research investment were calculated in an in-depth study undertaken by KPMGⁱ and found that:

- for every \$1 invested in medical research nearly \$4 are returned to the broader economy.
- over 110,000 people are employed in the medical research and the medical technologies and pharmaceuticals (MTP) sector.
- our past investment in medical research has delivered \$78 billion in net gains to the Australian economy.

The health benefits of medical research are considerable and deliver new treatments for previously intractable diseases, more efficient treatments saving the health system money and reduced burden of premature mortality and morbidity on productivity.

Medical research is delivering:

- higher cancer survival rates
- fewer deaths from cardiovascular disease
- lower burden of disease for HIV
- new treatments for melanoma
- a cure for hepatitis C
- diagnostic certainty through precision medicine and testing in everyday healthcare

3 Recommendations for priority investment in the 2020-21 Federal Budget

3.1 Full capitalisation of the Medical Research Future Fund by 2020-21

The Australian Government has committed to creating a \$20 billion sovereign wealth fund to fund medical research, the Medical Research Future Fund (MRFF). The investment proceeds from this fund will be used to fill an important investment gap in the medical research landscape. Whereas the National Health and Medical Research Council (NHMRC) primarily funds outstanding research proposals developed by medical researchers, the MRFF is funding strategic mission driven research that can respond to the research needs of the health system. This dual funding approach will ensure Australia remains one of the world’s best places to undertake medical research and will help deliver a world-class health system.

Thus far the Government has invested \$17.5 billion into the fund, and forward estimates from the 2019-20 Budget committed the Government to investing \$2.5 billion in 2020-21.

RECOMMENDATION 1 – The funding capitalisation commitment for the MRFF should be delivered to ensure the MRFF is fully capitalised by 2020-21.

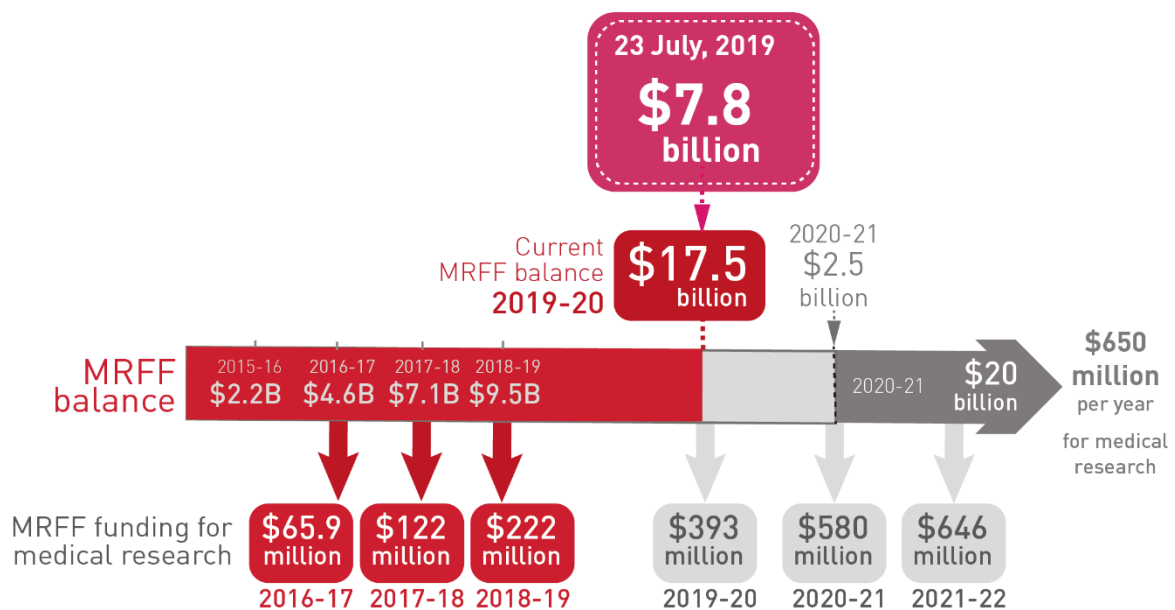


Figure 1. The Medical Research Future Fund (MRFF) current balance, projected payments to the fund’s capital and disbursements for medical research funding.

3.2 Meeting the systemic costs of research incurred when undertaking MRFF research

The Department of Health has previously signalled its intention to support medical research institutes in meeting the systemic (indirect) costs of research incurred when undertaking MRFF funded researchⁱⁱ. Given that by 2020-21 nearly \$1.7 billion of additional medical research investment through the MRFF is expected over the coming three years it is imperative that a support mechanism be established as soon as possible.

Substantial costs are incurred when undertaking government funded medical research which are not covered by research grants. These costs are estimated to be at least 54c for every \$1 of spent on research. Government programs exist to help medical research institutes meet part of these costs when undertaking NHMRC funded medical research, but not for MRFF-funded research. It will only be possible for MRFF projects to be successful if support is provided for the systemic costs of MRFF-funded research.

A program should be established to provide support for MRIs with the systemic (indirect) costs associated with MRFF-funded research. This should be at a similar level to that provided for NHMRC-funded research through IRIISS - 20c for every \$1 of research funding. The cost for such a program would be around \$30 million per year.

RECOMMENDATION 2 – Establish a program to support the systemic costs of MRFF-funded medical research in medical research institutes

3.3 Providing above inflation increases to the NHMRC

The 2019-20 Budget projected increases for NHMRC funding of around 1.6% per annum. As inflation forecasts by the Reserve Bank of Australia are around 1.75% to 2% over the next two yearsⁱⁱⁱ, this will mean that NHMRC funding for medical research will decline in real terms over the forward estimate period. This situation is made more problematic as costs incurred when undertaking world-class medical research are increasing beyond inflationary levels. This is because the equipment and infrastructure required to make cutting-edge breakthroughs has become more complex and requires greater investment.

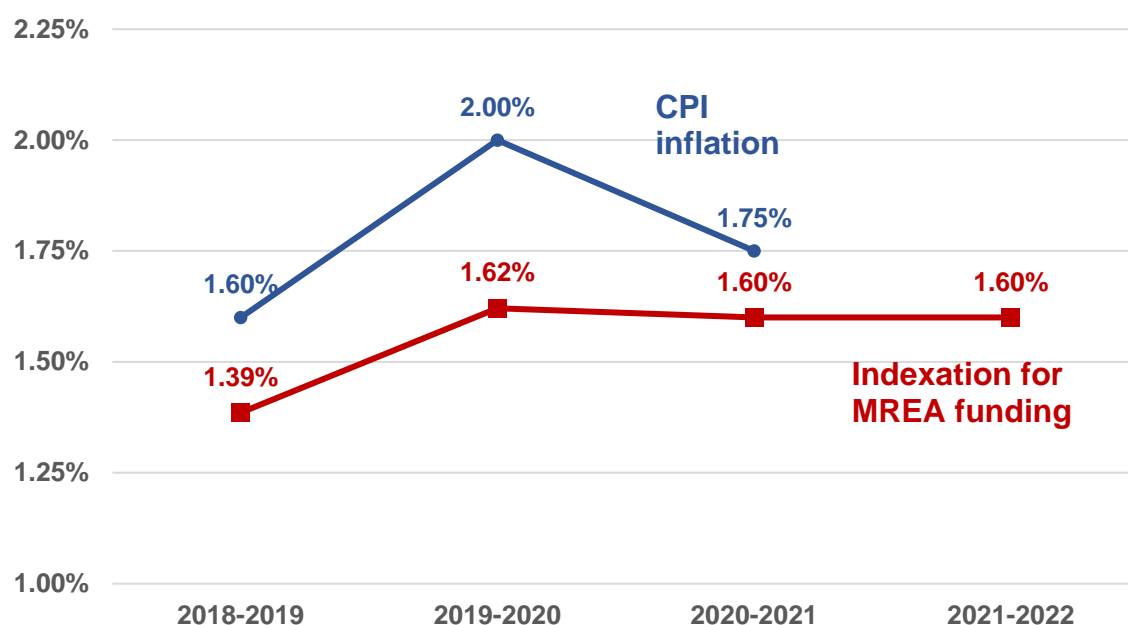


Figure 2. Annual increases (or decreases) in allocations to the NHMRC Medical Research Endowment Account (MREA) compared to the Australian consumer price index (CPI) inflation.

The success rates for research funded through the NHMRC have in recent years been at historic lows. Recent changes to the grant program, restricting the number of applications that can be put forward, has not led to an improvement with only 11% of Ideas Grants funded in 2019. This means that much outstanding investigator-led research with real potential is going unfunded. Strong support through the NHMRC for investigator-led and discovery research is needed to ensure a healthy research pipeline so that there are enough outstanding discoveries waiting to be commercialised and translated through MRFF programs.

RECOMMENDATION 3 – The 2020-21 Budget should provide increased funding for NHMRC funded medical research at levels exceeding CPI.

ⁱ KPMG (2018) Economic Impact of Medical Research in Australia. Available at: <https://aamri.org.au/wp-content/uploads/2018/10/Economic-Impact-of-Medical-Research-full-report.pdf>

ⁱⁱ Department of Health and NHMRC (2018) Medical Research Future Fund: Million Minds Grant Opportunity, page 19

ⁱⁱⁱ Reserve Bank of Australia (2019) *Statement on Monetary Policy – November 2019*. Available at: <https://www.rba.gov.au/publications/smp/2019/nov/economic-outlook.html>