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Association of Australian
Medical Research Institutes

SUBMISSION

RESPONSE TO THE SOUTH AUSTRALIAN PRODUCTIVITY COMMISSION'S DRAFT REPORT: "INQUIRY INTO HEALTH AND MEDICAL RESEARCH IN SOUTH AUSTRALIA"

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About AAMRI

The Association of Australian Medical Research Institutes (AAMRI) is the peak body representing medical research institutes (MRIs) across Australia¹. Our 57 member organisations have nearly 20000 staff and research students, are internationally recognised and undertake half of government funded health and medical research. Our members include independent MRIs as well as university- and hospital-based institutes with a central focus on health and medical research. Their combined revenue exceeds \$2 billion per annum and they received over \$672 million in competitive grant funding in 2018. With over 500 active clinical trials and over 100 new patents awarded each year, medical research institutes have a firm focus on improving health outcomes and delivering great commercial returns for Australia. Together, they aim to drive innovation in healthcare through research to improve the lives and livelihoods of people in Australia, and worldwide.



¹ For further information about AAMRI and its members, please visit <https://aamri.org.au>

Executive Summary

AAMRI welcomes the opportunity to comment on the draft South Australian Productivity Commission report of its Inquiry into Health and Medical Research in South Australia. In this submission, AAMRI has provided feedback on four key areas discussed in the draft report, with reference to the Commission's information requests and draft recommendations. The four areas are:

1. Building research capability in South Australian through strategic and coordinated investment.
2. Clarification of the research funding model for Australian universities and medical research institutes.
3. Feedback on the proposed alternative structure and governance for SAHMRI
4. The impact of COVID-19 and implications for the Commission's final recommendations

Feedback provided in these four key areas is intended to assist the Commission in developing recommendations that will:

- Increase national investment in South Australian health and medical research
- Identify mechanisms to increase the productivity, scale and impact of South Australian health and medical research on improving health outcomes

SUMMARY OF RECOMMENDATIONS

Recommendation 1: Coordinate South Australian Government strategic investment in health and medical research by:

- Developing a South Australian Health and Medical Research Strategy to set state-wide priorities for investment
- Establishing an office of health and medical research within the Department of Health and Wellbeing to implement the strategy and coordinate the activities set out in Draft Recommendation 5.1, 1b.
- Appointing a Minister for Medical Research in South Australia who would oversee the activities of the office of health and medical research.

Recommendation 2: The Commission should reassess proposed recommendations that act on the inaccurate assumption in the draft report that universities are supported by a higher level of government funding and funding stability compared to independent medical research institutes.

Recommendation 3: For the development of SAHMRI as a centre of clinical research excellence, AAMRI supports a modified version of Option 3. This would see:

- SAHMRI maintained as an independent health and medical research institute with the purpose of research excellence for health and medical research and translation.
- Increased focus on clinical research for the institute through a greater engagement with local health networks, especially the Central Adelaide Local Health Network and the Women's and Children's Health Network.
- Changes to the governance model of SAHMRI to include an independent skills-based Board, and replacement of current members with the Minister responsible for health and medical research and the Board Directors.

Recommendation 4: The Commission should consider the economic and societal impacts of COVID-19 on research funding models, the research workforce and the way that research is conducted when finalising their recommendations.

1 Building research capability in South Australia through strategic and coordinated investment

RECOMMENDATION 1

Coordinate South Australian Government strategic investment in health and medical research by:

- Developing a South Australian Health and Medical Research Strategy to set state-wide priorities for investment
- Establishing an office of health and medical research within the Department of Health and Wellbeing to implement the strategy and coordinate the activities set out in Draft Recommendation 5.1, 1b.
- Appointing a Minister for Medical Research in South Australia who would oversee the activities of the office of health and medical research.

This recommendation builds on draft recommendation 5.1 provided by the Commission in the Inquiry draft report.

The draft recommendations proposed in the Commission's draft report seek to address the key issues with South Australia's health and medical research governance structure. These issues have been hindering the state's potential to secure increased national funding and realise improved health outcomes. These issues include the need to simplify and streamline ethics and governance processes, enabling access to state and national data sets, as well as incentivising research within SA Health².

The implementation of these recommendations would represent a significant step forward and would lead to increased productivity, scale and impact of South Australia's health and medical research. However, these recommendations could be advanced more effectively by strategic and coordinated investment through a state-wide health and medical research strategy. The Commission has acknowledged in the draft report that many stakeholders called for a strategy during the consultation³ but that the content of such a strategy was not clear.

Strategic state government investment to boost health and medical research capabilities has been used successfully in Queensland, New South Wales and Victoria. This has greatly increased the profile of their state as a destination that values and supports medical research. This has subsequently led to these states being seen as destinations of choice for high calibre research talent, and in turn has led to increased competitiveness in national grant funding schemes. This approach has been critical to fostering a culture of innovation and commercialisation. The three states have achieved success through a few key actions:

- **Developing a state-wide strategy for health and medical research.** This strategy outlines the state's priorities for investment and support over a four to ten-year period. For example, current strategies in place are:

² Draft report, *Inquiry into Health and Medical Research in South Australia*, 2 September, see pages 29-31.

³ Draft report, *Inquiry into Health and Medical Research in South Australia*, 2 September, see page 21

- New South Wales – a 10-year NSW Government plan⁴ in response to recommendations arising from the NSW Health and Medical Research strategic review (2012)⁵
- Queensland – *Queensland Advancing Health Research 2026* (established 2016)⁶
- Victoria – *Healthier lives, stronger economy: Victoria’s Health and Medical Research Strategy 2016-20*⁷ (new strategy is currently under development).
- **Establishing a dedicated government-supported office and/or agencies focussed on building research and innovation capability through a coordinated and collaborative approach.** These offices are a central access point for research ethics and governance processes, clinical trials and research and commercialisation. These activities are usually supported by a program of fellowships, grants and commercialisation funding to guide strategic investment and encourage excellence through a competitive process.
 - The New South Wales Government established an Office of Health and Medical Research (OHMR) in 2011 within the NSW Department of Health⁸. The office also manages the Medical Research Support Program, “the NSW Government’s leading program for health and medical research investment” which provides infrastructure support for independent medical research institutes in the state⁹.
 - The Queensland Government’s Health Innovation, Investment and Research Office¹⁰ aims to improve the health and wellbeing of Queenslanders through a coordinated and collaborative approach to health innovation, investment and research across Queensland Health.
 - The Victorian Government established VESKI to connect and support people and organisations needed to grow an innovation culture and foster an innovation economy¹¹.
- **Elevating the profile of health and medical research by appointing a senior government position responsible for medical research such as a Minister for Medical Research**
 - In NSW, the Minister for Health and Medical Research¹², a ministerial position established specifically for medical research policy which has been part of the NSW cabinet since 2003.
 - The Victorian Government appointed a Minister for Innovation, Medical Research and the Digital Economy in June 2020.

There is an opportunity for South Australia to adopt similar mechanisms that have been successful in other Australian jurisdictions to coordinate investment and boost research capability.

⁴ <https://www.medicalresearch.nsw.gov.au/app/uploads/2018/07/strategic-review-gov-response-2012.pdf>

⁵ <https://www.medicalresearch.nsw.gov.au/app/uploads/2018/07/strategic-review-report-2012.pdf>

⁶ https://www.health.qld.gov.au/_data/assets/pdf_file/0042/675996/Qld-Advancing-Health-Research-web.pdf

⁷ <https://www2.health.vic.gov.au/about/health-strategies/health-and-medical-research-strategy>

⁸ <https://www.medicalresearch.nsw.gov.au/mission-strategy/>

⁹ <https://www.medicalresearch.nsw.gov.au/medical-research-support-program/>

¹⁰ <https://www.health.qld.gov.au/hiro>

¹¹ <https://www.veski.org.au/about-veski>

¹² <https://www.health.nsw.gov.au/ministers/Pages/health.aspx>

2 Clarification of the research funding model for Australian universities and medical research institutes

RECOMMENDATION 2

The Commission should reassess proposed recommendations that act on the inaccurate assumption in the draft report that universities are supported by a higher level of government funding and funding stability than independent medical research institutes.

Shortfalls in indirect costs funding are inherent to the funding landscape and not the organisation conducting the research. Universities and independent medical research institutes are funded at similar levels by government to cover indirect costs of research and subsidise the full costs of research from diversified income sources. The funding structures for universities provide no greater level of stability or support than that provided to MRIs.

2.1 Inaccurate assumption about support for indirect costs at universities

In the draft report, the Commission has commented on independent medical research institutes and the “inherent weakness in their funding model”¹³ compared to other research organisations such as universities. This conclusion is based on the assumption that universities are better able to cover the indirect costs gap than MRIs as they are reimbursed at 40-50c per dollar of competitive research grant funding, primarily from block grants from the Australian Government¹⁴. This has been put forward as one rationale for modifying the structure and governance of the South Australian Health and Medical Research Institute (SAHMRI).

AAMRI would like to alert the Commission that evidence presented in the report to support their conclusion is inaccurate and outdated. The evidence cited the draft report for the high levels of financial support provided to universities for indirect costs of research¹⁵ is outdated (2013) and not representative of current levels of Australian Government block grant funding for research¹⁶. The Commission is using data that includes Commonwealth financial support for indirect costs of research as well as support for Higher Degree Research Students.

AAMRI has provided clarification for the Commission in the following section regarding levels of support for indirect costs at universities and independent MRIs and the research funding landscape in Australia.

¹³ Draft report, *Inquiry into Health and Medical Research in South Australia*, 2 September, see pages 19, 125, 127.

¹⁴ Source: Draft report, *Inquiry into Health and Medical Research in South Australia*, 2 September, see page 127.

¹⁵ Source: Draft report, *Inquiry into Health and Medical Research in South Australia*, 2 September, see page 127.

¹⁶ The block grant program was remodelled in 2016 and now provides support for *research* through RSP and for higher degree research students through the Research Training Program (RTP). Source: <https://www.education.gov.au/historical-research-block-grant-programs>

2.2 Government support for indirect costs support at universities and medical research institutes is similar

Shortfalls in indirect costs funding are inherent to the funding landscape and not the organisation conducting the research. MRIs and universities receive government support for indirect costs at similar levels, albeit through different programs. MRIs receive a total of approximately 22c in indirect costs support per research dollar from state and federal government programs¹⁷. Universities receive support at a similar level but from a different source. Block grant funding from the Australian Government is provided to universities at approximately 23c per research dollar through the Research Support Program (RSP)¹⁸ (Department of Education, Skills and Training)¹⁹.

A similar funding gap exists for both universities and medical research institutes, but these organisations cover this gap using funding from different non-government revenue sources. As stated in the report and the submission by AAMRI, the most significant sources of non-government funding for MRIs that assist in covering this funding gap are philanthropy and commercial income. Universities must also subsidise their research but do so from other revenue sources which is primarily education provision, in particular revenue from international student tuition fees.

The Commission should note that the economic impact of COVID-19 has exposed the fragility of the university funding model, with the university sector now experiencing a severe economic downturn. Analysis by Curtin University Deputy Vice Chancellor for Research, Professor Chris Moran estimates universities have lost as much as \$2.5 billion in revenue for the 2020 academic year, putting 38% of research salaries at risk.²⁰ The ability of universities to support indirect costs has been severely compromised by this downturn in revenue, and as such the final recommendations should avoid expressing a preference for utilising a fundamentally flawed funding model.

¹⁷ AAMRI (2020) *AAMRI Member Report*, <https://aamri.org.au/2020-member-report>

¹⁸ <https://www.education.gov.au/research-support-program>

¹⁹ Calculated for RSP in 2019 using the published formula and publicly available university financial data from the Department of Education, Skills and Training. Sources: <https://www.education.gov.au/research-block-grants-new-arrangements-allocation-calculation-methodology>; <https://www.education.gov.au/consolidated-time-series-data>

²⁰ Universities Australia (2020) *Investment in university research an investment in covid-19 recovery*. Available at: <https://www.universitiesaustralia.edu.au/media-item/investment-in-university-research-an-investment-in-covid-19-recovery/>

3 Feedback on the proposed new structure and governance for SAHMRI

RECOMMENDATION 3

For development of SAHMRI as a centre of clinical research excellence, AAMRI supports a modified version of Option 3. This would see:

- SAHMRI maintained as an independent health and medical research institute with the purpose of existing as an institute of research excellence for health and medical research and translation.
- Increased focus on clinical research for the institute through a greater engagement with local health networks, especially the Central Adelaide Local Health Network and the Women and Children's Health Network.
- Changes to the governance model of SAHMRI to include an independent skills based Board, and replacement of the current members with the Minister responsible for health and medical research and the Board Directors.

The Commission has requested feedback on three proposed options for development of the South Australian Health and Medical Research Institute (SAHMRI) as a centre of clinical research excellence (Information request 5.2).

Of the three options presented in the draft report for discussion, AAMRI recommends that Option 3²¹, with modifications, is adopted by the Commission as the recommended direction for SAHMRI.

AAMRI proposes the following governance model for SAHMRI, in line with Option 3:

- **Maintain SAHMRI as an independent health and medical research institute with the purpose of research excellence for health and medical research and translation.** As an independent medical research institute, SAHMRI can most effectively contribute to achieving the state-wide goals of increasing research funding and health outcomes. As an independent entity SAHMRI can most effectively continue its leadership role in South Australian medical research and advance the international competitiveness of medical research in the state.
- **Increased focus on clinical research through a greater engagement with local health networks, especially the Central Adelaide Local Health Network and the Women and Children's Health Network.** The Commission has recommended increased engagement between SA Health and SAHMRI with the stated aims of improving research competitiveness and patient outcomes in the state. As an independent institute, SAHMRI will be ideally placed at the interface of the SA health system and research to elevate and increase clinical research activity and translation output to realise these aims.
- **The governance model of SAHMRI should be changed to include an independent skills based Board, and replace the current members with the**

²¹ Draft report, *Inquiry into Health and Medical Research in South Australia*, 2 September, see page 145. "HMR", health and medical research. "ABMC" Adelaide Biomed City; CALHN, Central Adelaide local health network; WCHN, Women's and Children's Health Network.

Minister responsible for health and medical research and the Board Directors.

The current governance structure of SAHMRI is very complex with university and state government represented both as members of the Company and as board members. Simplifying and increasing independence of the board membership will address unnecessary tensions that arise from current arrangements and enable a greater focus on the institute's clinical research excellence.

Options 1 and 2 both present alternatives that remove SAHMRI's independent status. Incorporating SAHMRI into the health system or a university risks clouding the institute's main purpose – to improve health outcomes through excellence in clinical research. Furthermore, incorporation into a university at a time of significant financial downturn within the university sector could put the institute at increased financial risk. Maintaining SAHMRI as an independent institute provides the ideal governance model for clarity, stability, and strong direction to act on its core mission to improve health outcomes (rather than its mission being distracted by the overriding concerns of a parent university). Combined with SAHMRI's location at the Adelaide BioMed City, an independent SAHMRI sits at the interface of the health system and research and is ideally positioned to deliver on its purpose.

4 The impact of COVID-19 and implications for the Commission's final recommendations

RECOMMENDATION 4

The Commission should consider the economic and societal impacts of COVID-19 on research funding models, the research workforce and the way that research is conducted when finalising their recommendations.

There is no question that the COVID-19 pandemic has changed the way we all work and live and the medical research sector is no exception. Much of the data discussed in the report represents key elements of health and medical research prior to the onset of the pandemic. There is emerging evidence showing that the pandemic has had profound impacts on some key funding streams for research, on particular groups within the workforce and on how research is conducted in a COVID-19 world. These impacts are significant and will likely persist for some time, far beyond the end of strict government restrictions. Therefore, the following impacts have been described below for the Commission to consider when forming their final recommendations.

Section 4.1 directly responds to the Commission's request for information about the impacts of COVID-19 on the medical research workforce (Information request 6.3).

4.1 Impacts on the medical research workforce

The economic downturn and social distancing restrictions during the COVID-19 pandemic have already begun to impact researchers and other staff within the sector.

Early observations on the broader research workforce have identified four different groups that are likely to be disproportionately impacted. These include early and mid-career researchers (EMCRs), women, international staff and students and clinician-researchers.

These groups intersect, so there are many members of the medical research workforce who are experiencing impacts on multiple fronts.

Reduction in MRI philanthropy revenue will directly impact the ability to support MRI staff, particularly early and mid-career researchers. There is already a dearth of opportunities for those at the mid-career level and philanthropy has been an important funder through fellowships at this perilous career stage. Falling philanthropy revenue caused by COVID-19 is likely to lead to reduced opportunities for this critical cohort (see Section 3 for discussion of MRI revenue). The JobKeeper program²² has provided some welcome interim relief to many institutes, with around 70% of independent MRIs eligible for the scheme in the first phase (March to September, 2020). Unlike independent MRIs, universities are not eligible for the JobKeeper scheme.

The disruptions caused by the impacts of COVID-19 are being felt disproportionately by women, particularly women researchers. The necessity to isolate at home during under COVID-19 social distancing restrictions has limited available time for many women researchers to undertake their work. The main cause is that women are undertaking a greater share of caring responsibilities for children and other family members during the pandemic. Early evidence is showing that submissions to scientific journals by women is already down compared to men²³. Over time this will mean that women become less competitive for medical research grant funding, which is essential for supporting and advancing research careers.

Recruitment of international research staff and higher degree research students is also on hold while Australia's borders are closed and migration to Australia is not an option. This severely impacts Australia's participation in the global research community through exchange of talent.

Many clinician-researchers – an integral part of the medical research workforce - have been pulled to the front line to deliver clinical care during the COVID-19 pandemic and putting their research on hold. Like other researchers experiencing delay in their work, this severely impacts their track record and competitive position.

4.2 Impacts on revenue streams that contribute to funding Australian research

The onset of the COVID-19 pandemic has had an immediate and deep financial impact on research organisations.

The different ways individual organisations have been impacted by COVID-19 is directly linked to their revenue sources. Revenue sources such as philanthropy, donations, commercial income and endowment returns are in decline. Philanthropic and charitable giving is down as people look to scale back donations as their own personal finances are hit. Past economic downturns have shown that philanthropic and gift giving revenue usually declines by 20%²⁴. Some MRIs have seen fundraising revenue drop immediately as face to face has ceased during COVID-19 restrictions. Others have reported that the full financial

²² Australian Taxation Office (2020) *JobKeeper Payment*, available at: <https://www.ato.gov.au/General/JobKeeper-Payment/>

²³ Flaherty, C. (2020) *No Room of One's Own: Early journal submission data suggest COVID-19 is tanking women's research productivity*. Inside Higher Ed, April 21, available at: <https://www.insidehighered.com/news/2020/04/21/early-journal-submission-data-suggest-covid-19-tanking-womens-research-productivity>

²⁴ Australian Government (2009) *Impact of the economic downturn on not-for-profit organisation management*. Available at: <https://www.dss.gov.au/our-responsibilities/communities-and-vulnerablepeople/publications-articles/impact-of-the-economic-downturn-on-not-for-profit-organisationmanagement?HTML>

impact may not be realised until 2021 or beyond. It is also likely that industry will find it more difficult to raise capital to participate in medical research commercialisation collaborations with research organisations such as MRIs and universities.

As noted by the Commission in the draft report, impact on university revenue from the reduction in international student fees has been devastating for the sector and will continue while Australia's borders remain closed. This has impacted some universities more severely than others based on their level of dependence on international student income. Ordinarily international students account for nearly 40% of universities' student revenue.²⁵ The Mitchell Institute's modelling suggests Australia's universities face a cumulative loss of between \$10 billion to \$19 billion from 2020 to 2023.²⁶ This financial loss over multiple years will occur even if the numbers of international students rebound in 2021 because higher education qualifications are undertaken over several years.

Government grants, however, remain stable while the grant is active and is not immediately susceptible to economic fluctuations. There is a delay expected for decreases in government grants which will most likely occur as grants run out over the next few years and where new grants cannot be secured in time. While this is not an unusual situation outside the pandemic, there is a risk that researchers whose work has been greatly impacted by COVID-19 restrictions will be far less competitive when applying for future funding.

In addition to this, the capacity for research organisations such as universities and medical research institutes to provide ad-hoc support for disrupted projects and to support workforce development has been greatly reduced for the short to medium term.

4.3 Impacts on conducting research in Australia

The introduction of restrictions in response to the COVID-19 pandemic has caused significant interruption to vitally important medical research across most disciplines and diseases during 2020. Most research organisations had to curtail all on-site activity for around ten weeks in the first wave, with exceptions limited to COVID-19 related research. While some research activity has resumed on site in most jurisdictions in Australia, social distancing requirements will inevitably affect efficiency and impact research progress.

The disruption caused by COVID-19 has been particularly problematic for clinical trials, cohort studies and Aboriginal health research. In many cases these have had to be paused as it has been impossible to recruit and safely work with participants. Many clinical trial participants are also at greater risk of serious illness from COVID-19 due to underlying health conditions and must minimise risk of exposure from others. Research involving international partners has also been badly affected as shutdowns and the impact on the health system has been affected differently in other nations and for most it has been more severe.

COVID-19 has the potential to cause ongoing disruption to international collaborations. It is possible that there will be medium and long-term travel restrictions that prevent the easy movement of people that we have become accustomed to. In addition, fiscal constraints might make participation in international collaborations more difficult.

²⁵ Hurley, P., Van Dyke, N., (2020). *Australian investment in education: higher education*. Mitchell Institute, Melbourne.

²⁶ Hurley, P., Van Dyke, N., (2020). *Australian investment in education: higher education*. Mitchell Institute, Melbourne.