

**aamri**

Association of Australian  
Medical Research Institutes

SUBMISSION

**2019-20 PRE-BUDGET SUBMISSION**

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# 2019-20 AAMRI Pre-Budget submission

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The Association of Australian Medical Research Institutes (AAMRI) is pleased to put forward its 2019-20 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 need to be maintained to ensure the fund is fully capitalised by 2020-21
2. Providing above CPI increases to National Health and Medical Research Council (NHMRC) funded medical research.
3. Support for the systemic costs of undertaking NHMRC funded research through NHMRC Independent Research Institute Infrastructure Support Scheme should be increased to 30 cents for every dollar of NHMRC research funded by 2022-23.
4. A program that provides support for the systemic costs of undertaking MRFF funded should be established.

## 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 KPMG<sup>1</sup> 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

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<sup>1</sup> 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>

### 3 Recommendations for priority investment in the 2019-20 Federal Budget.

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

The 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 set to fund 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 \$9.5 billion into the fund, and forward estimates from the 2018-19 Budget committed the Government to investing \$7.8 billion into the fund in 2019-20, and \$2.8 billion in 2020-21.

**RECOMMENDATION 1 – The funding capitalisation commitments for the MRFF need to be maintained to ensure the MRFF is fully capitalised by 2020-21.**

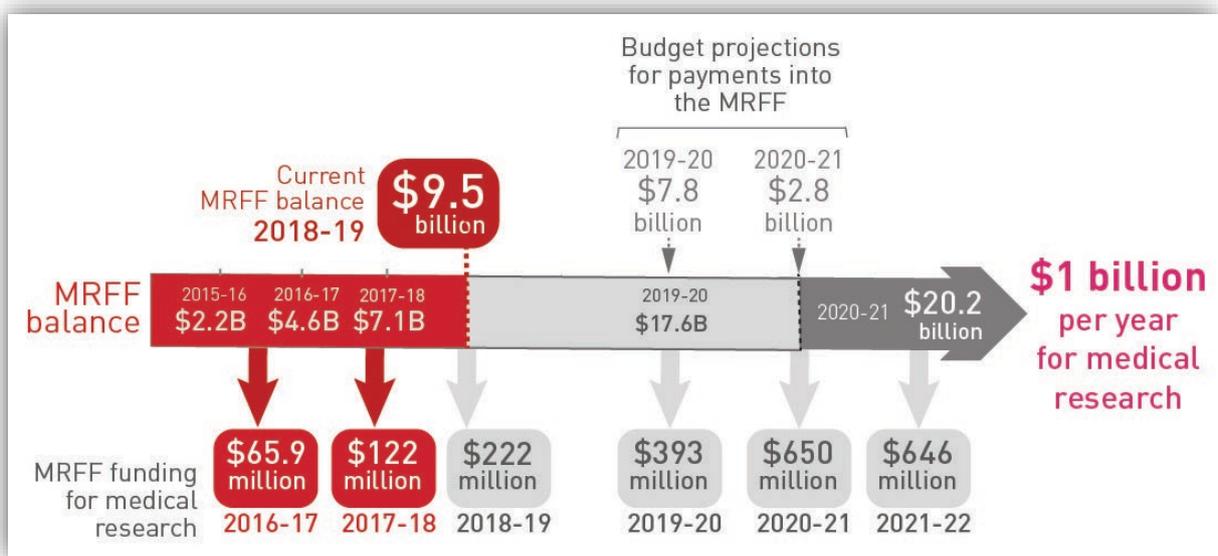


Figure 1. The Medical Research Future Fund (MRFF) current balance, projected payments to the fund's capital and disbursements for medical research funding.

### 3.2 Providing above inflation increases to the NHMRC

The 2018-19 Budget projected increases for NHMRC funding of around 1.5% per annum. As inflation forecasts by the Reserve Bank of Australia are around 2% to 2.25% over the next two years<sup>2</sup>, this will mean that funding for medical research through the NHMRC will decline in real terms over the forward estimate period. The costs incurred in undertaking world-class, high quality investigator-led research are increasing beyond inflationary levels, with the equipment and infrastructure required becoming more complex and requiring greater investment.

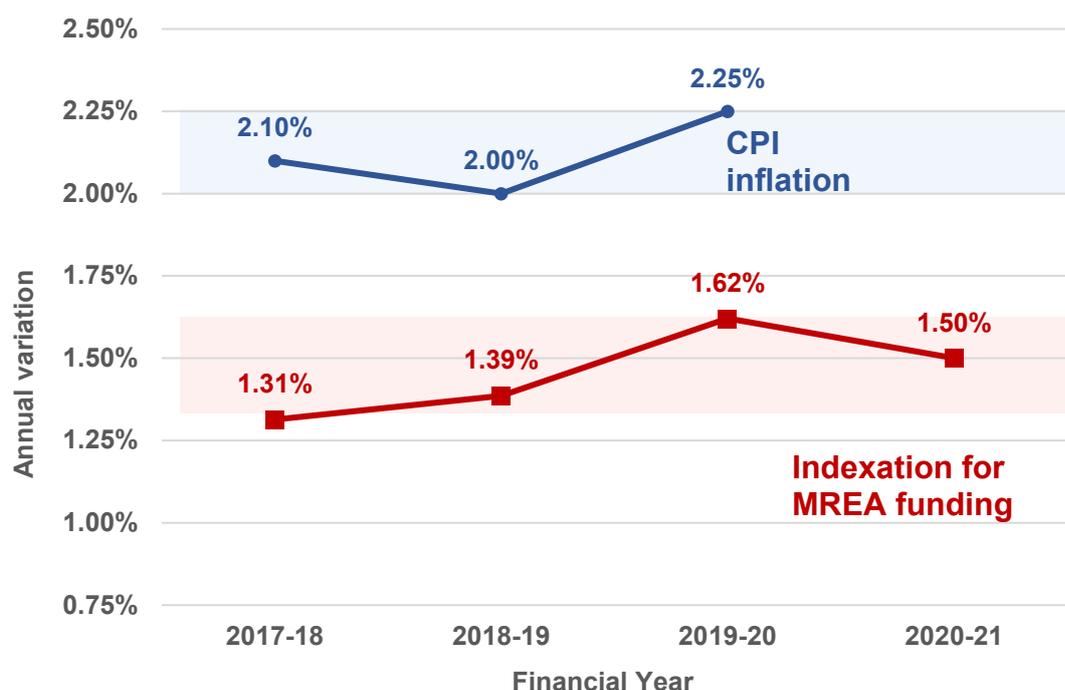


Figure 2. Annual increases (or decreases) in allocations to the NHMRC Medical Research Endowment Account (MREA) compared to the Australian consumer price index (CPI) inflation.

The success rates for research funded through the NHMRC have in recent years been at historic lows. This has led to rules restricting the number of applications that can be put forward, as well as a comprehensive reconfiguration of the whole grant system. 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, and to ensure the full potential of MRFF investment in later stage commercialisation and translation research activities can be achieved.

**RECOMMENDATION 2 – The 2019-20 Budget should provide increased funding for NHMRC funded medical research at levels exceeding CPI.**

<sup>2</sup> Reserve Bank of Australia (2019) *Statement on Monetary Policy – November 2018*. Available at: <https://www.rba.gov.au/publications/smp/2018/nov/economic-outlook.html>

### 3.3 Supporting the systemic costs of research incurred when undertaking NHMRC research projects

NHMRC research grants cover the direct costs associated with medical research projects, but do not cover the systemic costs of research. These costs include commercialisation services, IT, legal expenses, HR and building running costs. These costs amount to around 54 cents for every \$1 of NHMRC research expenditure.<sup>3</sup>



The NHMRC provides some support through the Independent Research Institute Infrastructure Support Scheme (IRIISS) to help medical research institutes meet these costs. The support provided through this scheme should, according to the program guidelines, be provided at 20 cents for every \$1 of NHMRC competitive grant funding received.<sup>4</sup> The gap between the support provided through this program and the costs incurred is substantial and is becoming harder to meet each year as the NHMRC has scaled back its support through IRIISS.

Support through IRIISS has declined from \$35.4 million in 2012 to just \$32.4 million in 2018, and was as low as \$29.4 million in 2016 (see Table 1).

Medical research institutes (MRIs) currently have a funding shortfall for their total systemic costs of research of 54 cents for every \$1 spent on research.<sup>5</sup> Even when the NHMRC IRIISS contribution to research funding manages to reach its target of 20 cents per dollar of NHMRC research funding, MRIs are having to scale back their support for important and vital new equipment and facilities. This includes investment in areas that can deliver longer-term financial savings such as new IT systems, payroll systems and procurement systems. Commercialisation and translation activities that have the potential to return long-term financial and healthcare benefits are also hampered due to a lack of resources and support funding.

<sup>3</sup> AAMRI (2018) 2018 AAMRI Member Snapshot Report

<sup>4</sup> NHMRC (2010) Independent Research Institutes Infrastructure Support Scheme (IRIISS) Funding Policy <https://nhmrc.gov.au/sites/default/files/documents/attachments/grant%20documents/iriis-funding-policy.pdf>

<sup>5</sup> AAMRI (2018) 2018 AAMRI Member Snapshot Report

Endowments and philanthropic donations are being drawn upon to meet these costs, but it is increasingly difficult to ask donors to direct their funding to such activities when they would rather donate to specific medical research projects.

**RECOMMENDATION 3 – Support for the systemic costs of undertaking NHMRC funded research through NHMRC IRIISS should be increased to 30 cents for every dollar of NHMRC research funded by 2022-23.**

The additional investment required to reach the goal of 30 cents per NHMRC funding dollar would be \$16.2 million over the next four years (see Table 2).

*Table 1. Medical research infrastructure funding through NHMRC's Independent Research Institute Infrastructure Support Scheme (IRIISS).*

Year	IRIISS allocation <sup>6*</sup>	NHMRC Expenditure on medical research (from MREA) <sup>7</sup>	Proportion of the MREA allocated to IRIISS (%)
2009	\$31,975,627	\$709,221,023	4.5%
2010	\$30,022,879	\$727,641,053	4.1%
2011	\$31,656,804	\$778,380,985	4.1%
2012	\$35,364,535	\$826,437,031	4.3%
2013	\$34,745,658	\$775,182,985	4.5%
2014	\$32,715,779	\$844,276,540	3.9%
2015	\$30,525,924	\$889,914,995	3.4%
2016	\$29,450,665	\$817,611,309	3.6%
2017	\$30,845,317	\$877,678,619	3.5%
2018	\$32,411,515	Not yet published	-

*Table 2. Projected investment required to increase IRIISS support to 30 cents per NHMRC research \$ awarded.*

Year	IRIISS support (cents per NHMRC research \$) <sup>8</sup>	Total cost (in 2018 figures)	Additional annual investment required from MREA		Annual MREA funding <sup>9</sup>
			(\$)	(%)	
2018-2019	20	\$32,411,515	-	-	\$829,324,000
2019-2020	22.5	\$36,462,954	\$4,051,439	0.48%	\$842,766,000
2020-2021	25	\$40,514,393	\$4,051,439	0.47%	\$855,407,000
2021-2022	27.5	\$44,565,833	\$4,051,439	0.47%	\$868,238,000
2022-2023	30	\$48,617,272	\$4,051,439	0.47%	\$868,238,000
<b>Total additional investment over the next 4 years</b>			<b>\$16,205,757</b>		

<sup>6</sup> IRIISS allocations for 2009-2016 were obtained directly from the NHMRC; IRIISS allocations for 2017 and 2018 were sourced from publicly available data sets. Source: <https://nhmrc.gov.au/funding/data-research/outcomes-funding-rounds>

<sup>7</sup> Source: <https://nhmrc.gov.au/funding/data-research/outcomes-funding-rounds>; 2017 and 2018 source: <https://nhmrc.gov.au/funding/data-research/research-funding-data>

<sup>8</sup> 2018-2019 is the published IRIISS allocation for 2018

<sup>9</sup> Source: Portfolio Budget Papers (2018). For 2022-2023 MREA funding, 2021-2022 projections were used.

### 3.4 Meeting the systemic costs of research incurred when undertaking MRFF research projects

The Department of Health has announced its intention to support medical research institutes in meeting the systemic costs of research incurred when undertaking MRFF funded research<sup>10</sup>. Given that nearly \$1.7 billion of additional medical research investment through the MRFF is expected over the coming years three years it is imperative that a support mechanism be established as soon as possible.

**RECOMMENDATION 4 – A program that provides support for the systemic costs of undertaking MRFF funded research should be established.**

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<sup>10</sup> Department of Health and NHMRC (2018) *Medical Research Future Fund: Million Minds Grant Opportunity*, page 19