



Australian
Academy *of* Health and
Medical Sciences

Senate Inquiry into the Investment Funds Legislation Amendment Bill 2021

A SUBMISSION BY THE AUSTRALIAN ACADEMY OF HEALTH AND
MEDICAL SCIENCES

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The Australian Academy of Health and Medical Sciences

PO BOX 6114, WOOLLOONGABBA, QLD 4102

www.aahms.org | Ph +61 7 3102 7220 | ceo@aahms.org

ABN: 55 167 124 067

About the Academy

The Australian Academy of Health and Medical Sciences is the independent, cross-sector voice of health and medical science in Australia. We advance health and medical research in Australia and its translation into benefits for all, by fostering leadership within our sector, providing expert advice to decision makers, and engaging patients and the public.

We are an expert body of 425 Fellows - scientists and innovators - elected by their peers for their outstanding achievements and exceptional contributions to health and medical science in Australia. Drawn from universities, medical research institutes, health services, industry, charities and the public service, they are a representative and independent voice, through which we engage with industry, governments and the community.

We would like to thank the Academy's Fellows who contributed to this response.

Academy feedback on the amendments to the MRFF Act 2015

The Academy would like to thank the Senate Finance and Public Administration Legislation Committee for the opportunity to provide feedback on the Investment Funds Legislation Amendment Bill 2021. In this submission, we would like to provide feedback on the sections of the bill that propose amendments to the *Medical Research Future Fund Act 2015*.

Recommendations

The Australian Academy of Health and Medical Sciences:

- 1. Supports the proposed changes to lengthen the Australian Medical Research and Innovation Strategy and Priorities to 6-years and 3-years respectively**
- 2. Supports the intent to seek greater returns and generate additional funding for health and medical research and innovation.**
- 3. Recommends that the Medical Research Future Fund's \$20 billion endowment should be protected. The Bill should be amended to eliminate any amendments that remove this protection.**
- 4. Recommends the fixed minimum amount of \$650 million in MRFF funding per year from the MRFF Special Account, which should be indexed, keeping the maximum annual amount flexible.**
- 5. Recommends that agreements relating to funding to state and territory governments from the MRFF should specify use only for medical research activities and projects.**

Background

The Medical Research Future Fund (MRFF) is a new funding program and is one of two major Australian Government funding schemes for health and medical research. It is a once in a generation funding investment that will improve the health of Australians by funding priority health and medical research and innovation.

The Australian Academy of Health and Medical Sciences (the Academy) recognises the significant investment made to advancing health by establishing this \$20 billion endowment to fund medical research from its returns. When the MRFF was established, it was anticipated to return \$1 billion per year in medical research funding at full capitalisation. However, the financial environment has produced smaller investment returns, and therefore lower than expected funding available for medical research.

The proposed amendments outlined in the *Investment Funds Legislation Amendment Bill 2021* seek to improve several aspects of MRFF administration, establish stability in the funding available for medical research, align and lengthen the time that MRFF Strategy and Priorities apply to investments, and open MRFF funding to state and territory governments.

Lengthening and aligning the Australian Medical Research and Innovation Strategy and Priorities

The Academy supports the proposed changes to lengthen the Australian Medical Research and Innovation Strategy and Priorities to six years and three years respectively.

The staggered renewal cycle for the Strategy and Priorities have been unnecessarily awkward for the health and medical research sector whereby the five-year Strategy is up for renewal while the two-year Priorities, that sit below the strategy, are still in place. It is essential that these two documents align to maintain relevance and clarity, given that they set the high-level direction and areas of national need for consideration by the Minister when making funding decisions.

The Bill proposes to lengthen and align the period that the Strategy and Priorities are in place to reduce ongoing consultation burden on the sector. The change in timing to six and three years respectively means the renewal cycles of the Strategy and Priorities will better align and provide greater assurance and clarity for the sector regarding direction for MRFF investments. For the MRFF research funding to remain responsive to national health needs, amendments should allow for a small contingency to be directed to research for new, emerging and unexpected health areas that are not in the Strategy and Priorities, subject to agreement by the Australian Medical Research Advisory Board.

Change in the investment mandate for the Medical Research Future Fund

The Academy supports the intent to seek greater returns and generate additional funding for health and medical research and innovation.

The Explanatory Memorandum for the Bill outlines the Government's intention to seek greater returns from the MRFF by changing the investment mandate for the fund. Allowing the Future Fund Board of Guardians to pursue a higher rate of return for the fund should, on average over the long term, generate more funding for medical research in the future.

The Academy supports this policy as it has the potential to deliver far greater health benefits for Australians by increasing the amount of funding available for health and medical research. This policy does, however, carry with it some increased risk, but it is expected to be effectively managed as the new mandate will match that of other funds managed by the Future Fund Board. Greater variability in returns is likely under the new mandate, however, certainty could be provided to the sector through other proposed amendments (discussed in the next section).

Continue to protect the MRFF's \$20 billion endowment

The Academy recommends that the Medical Research Future Fund's \$20 billion endowment should be protected. The Bill should be amended to eliminate any amendments that remove this protection, preventing the capital from being spent down.

The Bill removes the legal requirement that prevents the \$20 billion capital from being spent. The Academy understands that the Government's intentions are not to spend the capital but would like to ensure that the MRFF continues to be protected. This fund is an essential part of the funding landscape and the potential it holds to provide ongoing improvements to national health and wellbeing should be protected by ensuring its security. Given the returns on the fund have been better than expected in recent years, it should not be necessary to access the capital to meet funding commitments.

Set a minimum limit on annual funding from the MRFF Special Account

The Academy recommends a fixed minimum amount of \$650 million in MRFF funding per year from the MRFF Special Account, which should be indexed, keeping the maximum annual amount flexible.

The Bill will set the amount of funding available for medical research each year at \$650 million for at least the next five years. Previously this amount has been set by the Future Fund Board and has varied each year. This amount can be reviewed after five years and increased through a legislative instrument by the responsible Minister/s.

To provide further protection for Australia's investment for medical research, and therefore improving health, through the MRFF, a lower limit of \$650 million should be set for annual debits from the MRFF Special Account to be used for medical research. Provision should also be made to index the minimum annual funding to keep pace with inflation and the maximum annual amount should remain flexible. When reviewed, the responsible Minister/s should consider increasing the minimum amount based on performance of the fund.

Expanding eligibility for MRFF funding to state and territory governments – for research only

The Academy recommends that agreements relating to funding to state and territory governments from the MRFF should specify use only for medical research activities, capability and projects.

Amendments set out in the Bill expand entities eligible for MRFF funding to state and territory governments. The Academy supports this change as it enables funding of research conducted in health settings that are controlled by state and territory governments and their agencies. Research within the health system is an essential component in advancing and improving patient care and should be supported through the MRFF. However, it is imperative that funding from the MRFF is only provided to fund research - activities, projects or capabilities – and for no other purpose. Research investments made by state and territory governments is notoriously difficult to track as there is no transparent reporting mechanism¹. If the purpose of MRFF funding is not specified, there is a risk that the funding could be inadvertently channelled to delivery of healthcare services rather than for the cutting-edge research that it was provided to the entity to deliver.

¹ The AIHW reported research spending by state and local governments as \$870 million in 2018-19 although further disaggregation is not available from any publicly available data source showing how these funds are spent. Available at: <https://www.aihw.gov.au/reports/health-welfare-expenditure/health-expenditure-australia-2018-19/contents/data-visualisation>