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January 29, 2019

The Honourable Victor Fedeli
Minister of Finance
Frost Building South, 7th Floor
7 Queen's Park Crescent
Toronto, ON
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Dear Minister Fedeli:

On behalf of the Council of Academic Hospitals of Ontario (CAHO), we are pleased to provide you with our recommendations for the 2019 provincial budget.

CAHO represents Ontario's 23 academic research hospitals. These hospitals play a unique and vital role within the province's health care system caring for the most complex patients and are committed to providing world-class patient care to Ontarians. Collectively, we provide advanced patient care services, train the next generation of health care professionals, and conduct leading-edge research to fuel innovation and commercialization. CAHO hospitals generate the expertise and evidence to drive change as system leaders, building a healthier, wealthier, smarter Ontario. Our member hospitals meet the challenge of providing care to the sickest, most complex patients, in addition to providing high-quality care to their local communities.

CAHO hospitals also help support Ontario's economy and create jobs. Together, our members employ approximately 100,000 hospital and research staff, and are investors of over \$1.5B in health research and innovation. Locally, CAHO hospitals are economic drivers within their communities. For example, Hamilton Health Sciences and St. Joseph's Healthcare Hamilton are two of the top employers in the City of Hamilton and have attracted and retained a wide range of employees that have diversified the city's economic landscape. This has enabled the City of Hamilton to expand from a primarily steel-based economy, to one that is more diversified, where the life sciences sector plays a large role. Further, there has been an incredible transformation in communities throughout the city, with the development of new businesses including new restaurants, a thriving music scene

"By providing jobs, Hamilton Health Sciences and St. Joseph's Healthcare Hamilton are strengthening Hamilton's economy and attracting investment. I've seen that once the ball starts rolling, it doesn't stop. We are starting to see a spill-over effect in our economy—and our community."

– Fred Eisenberger, Mayor, City of Hamilton

and the emergence of museums. This redevelopment has also attracted new industries to the city, highlighting CAHO hospitals' vital role in driving economies across Ontario communities.

CAHO is ready and well-positioned to help the government achieve its priorities of creating an Ontario that is open for business, attracting and retaining quality jobs throughout the province, reducing red tape and regulatory burden in the health sector, and ending hallway health care in our hospitals. CAHO also commends the government's pledge to ensure necessary funding for quality patient care for the people of Ontario. We welcome the opportunity to work with you and your government and believe the following recommendations will help deliver on these priorities.

Hospital Operational Funding

CAHO hospitals play a critical role in Ontario's health care system. Our members care for patients with the most complex needs and provide the most advanced care in the province, in addition to providing valuable care to their local communities.

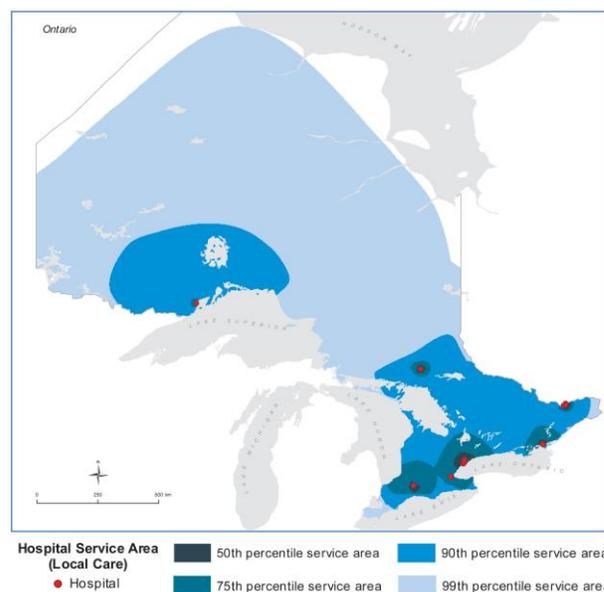
CAHO hospitals have always met the expectations of increasing patient demand, despite 0% funding increases over four consecutive years while patient volumes, labour costs, and other inflationary costs have increased. During this period, CAHO hospitals continued to find efficiencies without compromising patient care. However, CAHO hospitals are reaching the limit of their ability to serve patients without impacting the quality of care due to financial constraints and operating pressures. If these pressures are not alleviated, wait times will continue to increase, services will be reduced, and frontline staff will be lost. While CAHO hospitals strongly support the government's commitment to finding efficiencies and alleviating cost burden pressures and its mandate to reduce red tape and regulatory burden affecting care, additional financial support is urgently needed.

This year, hospitals require a 3.45% increase in funding, a total of \$656M, in addition to investments already made. This increase takes into account only the inflation rate of 1.6% and increases related to population growth and aging. It represents the required investment for

CAHO hospitals are Ontario's resource for specialized care:

- 100% of Ontario's paediatric and neonatal intensive care
 - 99% of transplants
 - 91% of trauma centres
 - 85% of neurosurgeries
-

CAHO hospitals are a provincial resource for care



hospitals to maintain existing levels of patient care and staffing. While large-scale system transformation is a welcome long-term strategy, an investment is required now for hospitals to appropriately care for the people of Ontario and work towards ending hallway health care.

RECOMMENDATION:

CAHO joins the Ontario Hospital Association and requests an increase of 3.45% (\$656M) in total operational funding for hospitals in 2019-2020.

The Ontario Research Fund

The Ontario Research Fund (ORF) is the province's flagship research and development investment program and is composed of the Research Excellence (RE) and Research Infrastructure (RI) Programs.

The ORF-RE supports job creation in Ontario and attracts significant investments from the private and philanthropic sectors. Through this program, the ORF-RE contributes a third of the investment which is matched by a third from the philanthropic sector and a third from the private sector. In 2018, the provincial government invested nearly \$85M through the ORF-RE, enabling CAHO hospitals to leverage these dollars to secure an additional \$250M commitment from the private and philanthropic sectors. For every dollar invested by the provincial government in ORF-RE, three dollars are invested in Ontario, providing a solid platform of support and research investment in the province. Conversely, a one dollar cut to the ORF-RE equates to cutting three dollars from Ontario's economy.

In addition, through the ORF-RI Program, CAHO hospitals have access to critical infrastructure funding through a matching program where the provincial government's contribution is directly matched by federal funds, and the remainder is funded by the philanthropic or private sectors. In 2018 alone, a \$23M investment by the provincial government was leveraged to secure an additional \$37M commitment from the federal government and philanthropic sector. Maintaining

“The public should understand that research is necessary if there is going to be any improvement in the care of people in the future.”

– Joan Baillie, patient at Baycrest

“The world-class care that I received and the research that they are doing is changing people's lives in the most positive way and I'm living proof.”

– Tina Ceroni, patient at The Ottawa Hospital

current provincial funding ensures that CAHO hospitals can leverage federal and private funding to create jobs and attract world-class talent that would otherwise end up in other provinces or countries. These jobs contribute to the provincial economy and enrich the communities where the jobs are located. As a result, investing in research and development in CAHO hospitals is very attractive to industry. In 2017/18, CAHO hospitals received \$263M for industry-sponsored research, including clinical trials. Examples of this effective partnership between industry and CAHO hospitals are numerous, and include The Royal in Ottawa and Lawson Health Research Institute in London, which demonstrate the impact of the ORF on Ontario's economy.

The ORF has been the foundation for CAHO hospitals and health care professionals to discover ground-breaking treatment and services for the betterment of Ontarians. Even further, the ORF has enabled these discoveries to be developed into new Ontario businesses, which then garners additional investments and jobs within the province. Research discoveries improve care for Ontarians, and create new, innovative treatments that benefit patients, as well as improve patient flow throughout the system.

The Royal's Institute of Mental Health Research (IMHR) in Ottawa, Ontario received a \$5.8M ORF-RI award that contributed to the establishment of its Brain Imaging Centre in 2015. The Institute was able to acquire a PET/MRI scanner, one of only 50 in the world, and the first of its kind in Canada dedicated solely to mental health and neuroscience research. The ORF award was leveraged to secure funding from Siemens, the federal government, and philanthropy, including a \$6M donation to establish an early-career incubator for mental health research. The Centre has attracted skilled personnel from across Canada and internationally, and the ORF grant has been leveraged multiple times to contribute to the local economy.

The **Lawson Health Research Institute** in London, Ontario introduced Canada's first personalized medicine clinic. With \$1.5M in funding from the ORF-RE, the standard of care for drug dosing was changed in the London-based hospitals, ensuring patients received the right therapeutic dose based on their DNA. This prevents ineffective and lethal dosing of medication resulting in fewer emergency department visits. This research was used to form a spin-off company that provides treatment options for patients' individual needs.

RECOMMENDATION:

CAHO requests that the government maintains the current funding level for the Ontario Research Fund in 2019-2020 to support the current government's priorities of strengthening the economy and creating jobs for Ontarians.

A Life Sciences Sector Strategy

The life sciences sector is a key economic opportunity in Ontario and is another way CAHO hospitals can support the provincial government in establishing an Ontario that is open for business. Ontario's life sciences sector ranks among the top clusters in North America, contributing \$39B to Ontario's GDP. It added more technology jobs (29,000) than any other North American city in 2017 and employs over 80,000 workers that contribute to local economies. These jobs span across the supply chain, including those in the trades, manufacturing, technology, and research. These opportunities are developed through discoveries and new technologies led by CAHO hospitals and industry partners.

Investment in this sector has been a key economic driver around the world. For example, local economies have been strengthened in San Francisco and Boston through coordinated policies and investments. In these economies, research and development jobs have grown over 30% in the last decade. Further, the global market for life sciences is significant, with markets for medical devices, digital health, and therapeutics valued in the billions to trillions of dollars. Ontario is competing with other jurisdictions for these significant markets and would benefit from a coordinated sector strategy supporting the life sciences to increase sector investment. In addition, there are many opportunities for commercialization (i.e. spin-off companies and start-ups) and job creation related to the life sciences sector, such as the examples from the University Health Network and The Ottawa Hospital.

CAHO works in partnership with many industry associations to identify major opportunities and significant barriers to the growth of the life sciences sector, such as the Ontario Chamber of Commerce, Life Sciences Ontario, MEDEC, and Clinical Trials Ontario. We invite the government to work with us and support the development of a provincial life sciences sector strategy that would create a long-term vision for life sciences in Ontario to increase investments and create jobs in the province.

The **University Health Network** received over \$6.6M from the Ontario Research Fund towards their research on the use of stem cells in therapeutics. The advancements from this research led to the creation of a biotechnology company, BlueRock Therapeutics. BlueRock Therapeutics secured the second largest amount of first round investments for a start-up company in the history of biotechnology, attracting over \$225M USD in funding from Bayer AG and Versant Ventures. BlueRock Therapeutics is looking to triple its number of research, development, and manufacturing jobs in Toronto to 100 by 2021.

The **Ottawa Hospital** is a leader in developing viral therapeutics for cancer in Ontario due to the support of \$8M in ORF funding, which led to the creation of Turnstone Biologics. Turnstone Biologics has attracted over \$150M in investment and currently employs 50 staff in Ottawa to support the oversight and operation of clinical trials and manufacturing activities.

RECOMMENDATION:

CAHO requests the government support the development of a provincial life sciences sector strategy in conjunction with industry partners through a provincial table to bolster the economic potential of this industry.

Conclusion

CAHO hospitals care for the sickest people in Ontario while being key enablers in growing the economy and supporting job creation in the province. CAHO hospitals are proud of the quality care they provide to patients across the province and need additional investment to best continue this care through a 3.45% (\$656M) increase in operational funding for our hospitals. We support the government's priority of creating an Ontario that is open for business, which attracts and retains quality jobs for Ontarians. This will be enabled by sustained investment in the Ontario Research Fund, as well as a visionary strategy for the life sciences sector, both of which promote industry investment and a stronger economy.

We are ready to explore and lead transformative ideas to create a sustainable health care system and end hallway health care, as well as reduce red tape and regulatory burdens for the sector. We are eager to work with you on your government's priorities and believe CAHO hospitals are key partners in the path forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Smith", written in a cursive style.

Dr. Kevin Smith
Chair, Council of Academic Hospitals of Ontario