Submission for Pre-Budget Consultations for the 2022 Budget

February 25, 2022

Medtech Canada is the national association representing Canada's innovative medical technology (medtech) industry. Representing approximately 100 medtech companies (ranging from Canadian-owned to multinationals), Medtech Canada works closely with government and healthcare stakeholders to deliver a patient-centred, safe, accessible, innovative and sustainable universal healthcare system supported by the use of medical technology.

MEDTECH CANADA RECOMMENDATIONS

Recommendation 1: Incentivize R&D Investment

That the government take a leading role in designing and implementing policies to incentivize global medical technology companies to spend their research and development (R&D) dollars in Canada - resulting in numerous economic spillover benefits, including employment.

Recommendation 2: Invest in and Adopt Innovative Technologies

That the government carve out a portion of the $6 billion committed to eliminating surgical & procedural backlogs and provide this funding to help provincial and territorial healthcare systems invest in the innovation and adoption of novel medical technologies that will not only significantly contribute to the elimination of backlogs, but will lead to a globally competitive medtech market in Canada and sustainable healthcare systems.

Recommendation 3: Strengthen the Security of Critical Medical Supply Chains

That the government take a leadership role to establish secure critical medical supply chains by providing incentives for increased Canadian production of medical supplies & equipment, optimizing inventory management, providing financial supports for companies and sectors experiencing dramatic supply chain disruptions, and implementing the recently announced joint task force with follow-up consultations in 2022 with the health sector and the medical device industry.

Recommendation 4: Digital Health / Virtual Care

That the government continue to invest in Digital Health / Virtual Care technologies as well as the training programs and change management processes required system-wide to ensure a successful implementation of these technologies post-COVID-19. We would recommend a commitment to invest $400M over 4 years.

Recommendation 5: Laboratory Medicine Infrastructure

That the government prioritize and target direct investments in public health and laboratory infrastructure. We recommend a pan-Canadian approach to Laboratory Medicine investment and revitalization including ongoing funding of at least $750 million per year for five years to improve capacity and modernize Laboratory Medicine in the specific areas of precision medicine, antimicrobial resistance, point-of-care testing, digital diagnostics and to upgrade core laboratory capacity.

Recommendation 6: Comprehensive Life Sciences Sector Strategy

That the government pursue a comprehensive life sciences sector strategy. This is important for multiple reasons: National Security & Pandemic Preparedness, Health System Outcomes & Sustainability, and Economic Growth & Global Competitiveness. COVID-19 and the continuing policy debates raise a unique opportunity to envision a new strategy for the sector. Now is the right time to envision this new strategy.

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DETAILED RECOMMENDATIONS

Recommendation 1: Incentivize R&D Investment

We recommend that the government take a leading role in designing and implementing policies to incentivize global medical technology companies to spend their research and development (R&D) dollars in Canada. Our goal is to establish Canada as a global leader in medical technologies, with an economy that attracts significant Foreign Direct Investment (FDI) while spurring exports to promising global markets. Canada should be in the Top 10 globally in attracting clinical trials (per capita), medical device exports (per capita) and R&D spend. This would align with the federal government's Made-in-Canada Strategy and result in hundreds of millions of dollars in new FDI and thousands of new jobs.

Medtech MNEs spend a significant amount of dollars globally on R&D (US$27B[1] in 2016). However, MNE medical device R&D investment in Canada is currently below US$100M (1.4% of revenues) which is well below the world average of around 7% of revenues.[2] This low level of investment can be tied to a Canadian landscape that has an outdated and fractured provincial procurement environment and a product approval regime that is both burdensome and lacks predictability, making it extremely challenging for industry to bring new and innovative technologies to market. Solving these systemic issues is instrumental to driving Canadian R&D investment to be on par globally.

An audacious vision for Medtech R&D spending would have Canada punching above its weight with investments in the **US$750M - US$1B range on an annual basis.**

Medtech MNEs have a stronger financial capacity to invest in innovation than home-grown SMEs. The capacity of Canadian SMEs to increase R&D spend is closely tied to their ability to generate revenue from both domestic and export sales. Medtech-tailored government programs at both ISED and GAC that support a Made-in-Canada strategy are required to not only help SMEs sell into the Canadian market, but also to increase their export revenues.

Given that the Medtech sector invested almost 7% of revenues in R&D globally, twice the average of industry in aggregate, a focus on Medtech will reap more significant rewards for the government vs. other sectors.

[1] Statista
[2] Statista

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Recommendation 2: Invest in and Adopt Innovative Technologies

We recommend that the government provide funding to help provincial and territorial healthcare systems invest in and adopt novel and innovative medical technologies that will lead to a globally competitive medtech market in Canada and sustainable healthcare systems.

Combatting COVID-19 has led to a tremendous backlog of surgeries and procedures and we commend the government for making the elimination of this backlog a priority by committing to invest $6 billion - on top of $4 billion already committed - to support the elimination of health system waitlists. Too many Canadians had their care deferred during the pandemic, resulting in a significant backlog of surgeries, procedures, and diagnostics. But waitlists from before the pandemic persist as well. People are waiting longer for important services like MRIs and ultrasounds.[3] Surgical and procedural backlogs will continue to be a serious challenge in the years to come and it will require incremental funding to expand capacity and investments in high-value medical interventions to best utilize limited hospital resources.

To achieve the government's backlog elimination objective, we recommend that a portion of the $6 billion be carved out to facilitate the adoption of medical technology innovation by provincial and territorial healthcare systems.

Simply put, the market for medtech in Canada is currently not nearly as attractive as markets in other jurisdictions; **we are not competitive globally**. This makes it difficult for Canadian subsidiaries of MNEs to advocate for Canada's share of investment in R&D spending and new product launches, and extremely challenging for our home-grown SMEs who struggle to access global markets when they cannot point to their home market as an early adopter. In turn, investment decisions in R&D and manufacturing which align with a Made-in-Canada strategy are negatively impacted.

Medtech companies will invest in jurisdictions where they can bring innovations to market quickly, and where those products will be adopted by the health system. Canada is not one of those jurisdictions. We have been held back by our reluctance to adopt the kind of demand-side policies that commit resources to pulling innovations into our healthcare system that we have already applied in priority areas like renewable energy. If we are going to tap into that potential, then we need to collectively shift our mindset and begin to view healthcare as an economic driver rather than a cost center.

In addition to funding, we propose that the government follow the recommendations of the Health and Biosciences Economic Strategy Table (HBEST, 2018) to adopt "the use of **value-based procurement (VBP)** across Canada's health systems to increase innovation uptake and foster a more efficient health-care system."[4] Canada spends about half of the OECD average on medical devices (3.5% of healthcare spend vs. 6%); this small investment delivers remarkable results both in terms of diagnostics and treatment. Strategies for the value-based acquisition of healthcare solutions, including bundled product and service procurement can also help reduce surgical and procedural backlogs in areas such as cardiology, orthopaedics, oncology, and ophthalmology.

[3] Liberal Party of Canada Platform, Forward. For Everyone. September 2021

[4] https://www.ic.gc.ca/eic/site/098.nsf/vwapj/ISEDC_HealthBioscience.pdf/$file/ISEDC_HealthBioscience.pdf

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Recommendation 3: Strengthen the Security of Critical Medical Supply Chains

We recommend that the government take a leadership role to establish secure and robust access to critical medical supplies and equipment considering the global supply chain and inventory issues associated with the pandemic that our country has experienced. We commend the government for stating a commitment within the mandate letters for both the Minister of Health and the Minister of Innovation, Science and Industry to "work together to strengthen the security of medical supply chains." **Medtech Canada and our member companies stand ready to do our part in working with both Ministers to strengthen the security of medical supply chains by both building a local footprint as well as building greater integration into the global supply chain.** Our association has the ability to leverage our diverse member base of small & medium-sized companies, as well as multi-national organizations, to deliver meaningful contributions to the government's goal of increasing the manufacturing footprint in Canada and building resilience in the face of future health threats.

A coherent and robust healthcare supply chain is foundational to the proper functioning of Canada's healthcare system. When the supply chain ceases to function properly, it can have a direct effect on the standard-of-care, putting lives at risk while creating cost structure distortions. The COVID-19 pandemic exposed weaknesses in the global supply chain's just-in-time (JIT) delivery model (e.g., skyrocketing global shipping costs and scarcity of containers). Canada – like so many countries around the world – scrambled to source high-demand products, particularly personal protective equipment (PPE). Inventory was limited and impacted by global shipping challenges, and at-home manufacturing capabilities were not sufficient to meet demand. Challenges remain, given that deferred diagnoses, interventions and surgeries will result in a demand surge for a wide range of products, each of which is essential for the system to function.

We recommend the following to strengthen the security of medical supply chains:

1) **Incentives for domestic medical supplies & equipment production** (including PPE and Rapid Antigen Tests [RATs]) that can engage multinational organizations as well as Canadian-based SMEs to ensure Made-in-Canada manufacturing.

2) Optimizing inventory management by keeping an **inventory buffer** representing at minimum 30 days of peak demand for critical medical supplies & equipment (including PPE), and ideally as high as 90 days.

3) Provide **financial supports** for companies and sectors experiencing dramatic supply chain disruptions.

4) Implement the **joint task force** (announced by the Government on Jan. 31, 2022) with business leaders to identify and implement solutions that can increase supply chain resilience with **follow-up consultations in 2022 with the health sector and the medical device industry.**

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Recommendation 4: Digital Health / Virtual Care

We recommend that the government continue to invest in Digital Health/Virtual Care technologies as well as the training programs and change management processes required system-wide to ensure a successful implementation of these technologies post-COVID-19. **We would recommend a commitment to invest $400M over 4 years (as per the Liberal Party of Canada Platform, Forward. For Everyone, September 2021) to support a more robust national digital health strategy and infrastructure system with interoperable data platforms (as recommended by HBEST).**

Digital health makes it easier for patients to continue receiving the health services and programs they need such as **remote monitoring technologies** which enhance care for people at home, with or without COVID-19, as well as other vulnerable populations. Rural high-speed internet is a critical enabler for the remote monitoring technologies being introduced and should be a key priority for the government.

While the short-term deployment of virtual care as an immediate response to COVID-19 has been largely successful, we now have an opportunity to build upon this momentum to harness digital health technologies (utilizing enablers such as digital health literacy and change management support) and unlock the full value of optimizing patient care, clinical outcomes, and health system sustainability, **including the appropriate use of digitally enabled medical technologies.**

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Recommendation 5: Laboratory Medicine Infrastructure

We recommend that the government prioritize and target direct investments in public health and laboratory infrastructure. Laboratory Medicine's vital role during the pandemic has been acknowledged from quickly establishing highly specific and sensitive diagnostic tests for COVID-19, diagnosing/reporting/monitoring both comorbidities and other diseases, informing patient treatment/management plans, as well as driving our economic recovery and helping to address the growing backlog of deferred procedures.

Laboratory Medicine informs 50-70% of all clinical decisions while accounting for only 3-5% of total healthcare spend. Relative to other disciplines in Canada and healthcare systems globally, Canadian laboratory infrastructure has been underinvested in despite high "value for money."

Present infrastructure supplies and labour are not sufficient to support the current and future vital role of Laboratory Medicine. Reasonable investments will yield large returns for healthcare systems and patients while helping shift the care focus from cure to prevention.

We must act now to bolster Laboratory Medicine to help Canada weather not only any potential waves of the current or future pandemics, but also to ensure functionality of other critical elements of our health system. **We need a pan-Canadian approach to Laboratory Medicine investment and revitalization including ongoing funding of at least $750 million per year for five years to improve capacity and modernize Laboratory Medicine** (e.g., precision medicine, point-of-care testing, digital diagnostics and to upgrade core laboratory capacity). The ongoing investment is essential to better align with F/P/T health mandates to help:

1. Safeguard the health and well-being of Canadians through and after the pandemic including: the unique circumstances facing Indigenous and remote/rural communities; the need to educate and employ the right people; requirements to enhance testing capacity to help address backlogs with medical & surgical services, interventions, and screening.

2. Advance clinical decision-making in all areas of medicine (including managing antimicrobial resistance and laboratory technology requirements specific to the opioid overdose crisis).

3. Drive Canadian economic recovery plans, help address the growing backlog of deferred procedures and prepare for the future.

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Recommendation 6: Comprehensive Life Sciences Sector Strategy

We recommend that the government pursue a comprehensive life sciences sector strategy. This is important for multiple reasons:

- **National Security & Pandemic Preparedness**: To ensure we are better prepared for future pandemics and health threats through: expanded & flexible manufacturing capacity, strategic integration with global supply chains for increased resilience, public health communications effectiveness, and improved Federal/Provincial/Territorial alignment.
- **Health System Outcomes & Sustainability**: To drive better health outcomes and improved patient care for Canadians through: world-class health data infrastructure, improved system performance, human resource optimization, attraction of clinical research, and by ensuring timely access to new innovations.
- **Economic Growth & Global Competitiveness**: To capture increased economic benefits and growth by coordinating Canada's public investments in medical research & development and our world-class scientific talent and commercial expertise with leading global investors and the overall life sciences ecosystem. Life Sciences should be viewed as an economic/growth driver, not a cost driver.

Canada's experience during the COVID-19 pandemic has exposed a number of fragilities in our healthcare system. In addition to the direct pressure on hospitals and healthcare professionals, patient care has been severely disrupted through missed appointments, deferred or cancelled surgeries, and uneven pivots to digital services. Notably, Canadian governments, both federal and provincial, were forced to scramble to secure supplies of critical medical technologies and products including ventilators, personal protective equipment, and rapid antigen tests as well as vaccines and therapeutics. Sector capacity and lines of public-private communication had to be (re)established quickly and likely contributed to some of the delays in Canada's pandemic response. Certain urgent investments have been made (e.g., in biomanufacturing capacity), but without explicit linkage to any longer-term strategy.

There is a growing consensus among policymakers that Canada will need to take stock of its performance during the pandemic with the objective of identifying key learnings and gaps while planning ahead for future emerging threats by strengthening our resilience and overall health security. It is also hoped that this work can create a renewed relationship with the private sector as a critical partner in achieving these health security goals.

Canada remains one of the few leading jurisdictions without a comprehensive life sciences sector strategy to establish common national goals and align public policies accordingly. Various expert committees/tables have identified the need – for example, both HBEST (2018) and the Biomanufacturing & Life Sciences Strategy (2021) contain some key elements for a proper national strategy but lack sufficient breadth and F/P/T alignment to fully implement in our health system and position Canada as competitive globally. Other nations with similar health systems (e.g., UK, France, Denmark, Australia) are positioning Life Sciences as an important driver of economic recovery and growth, and public health emergency preparedness and security. Canada is an outlier. COVID-19 and the continuing policy debates raise a unique opportunity to envision a new strategy for the sector. **Now is the right time to envision this new strategy.**

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SUMMARY

An Effective Canadian Recovery & Restart is Linked to a Robust Medtech Sector

Medtech Canada commends the Federal Government for its outstanding leadership throughout the COVID-19 pandemic and for recognizing the crucial role played by the medical technology industry in helping to address this unprecedented public health emergency.

This pandemic has placed medical technologies front and center as essential tools to combat COVID-19 and the medtech sector has stepped up by increasing manufacturing capacity, quickly scaling up production and retooling their product lines to deliver ventilators and respiratory support equipment. The sector has also provided urgently needed PPE for front-line healthcare workers, diagnostic tests and a whole host of essential technologies ranging from mobile cardiac machines and hospital beds to syringes and thermometers to help maintain a functional healthcare system and to help treat and save COVID-19 patients. From N95 mask sterilization to enabling home and remote healthcare, there has been swift collaboration between the federal and provincial governments and medical technology companies in Canada. We invite you to visit www.medtechinnovation.ca to get a better sense of the broad impact the medtech industry has had in the response to COVID-19 to keep Canadians healthy and safe.

However, COVID-19 has also illuminated systemic challenges that will need to be addressed to ensure that we have a robust Canadian medtech sector that is prepared to deal with the new unique health challenges that we know will inevitably arise. We believe that each of our recommendations would strongly contribute to the robust growth of a vibrant Canadian medtech sector and the economy as a whole in a post-COVID-19 recovery and restart environment.

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