



Position Statement **Indirect Costs of Research**

It is the position of the Health Charities Coalition of Canada (HCCC) that health charities will not fund the indirect costs, otherwise known as facilities and administration costs,¹ associated with the research they fund.

All HCCC members have agreed not to fund indirect costs of research. While the HCCC recognizes that these are indeed legitimate expenditures, we believe the funding of such costs is the responsibility of governments and/or research institutions and *not* donors.

¹ "Facilities and administration costs" is the term used in the report: "Investing in Canada's Future: Strengthening the Foundations of Canadian Research." Retrieved from: <http://www.sciencereview.ca/eic/site/059.nsf/eng/home>

Background

HCCC believes that Canada's national health charities and the federal granting agencies are full and equal partners in funding Canadian health research. HCCC believes that universities and other research institutions require funding to cover the full costs of conducting research within their facilities.

However, the member charities of the HCCC consider that funding for the *indirect* costs of research (i.e. for the costs to the institutions of hosting research programs and laboratories) is the role of government and is not the role of national health charities. Through gifts received from donors across Canada – donors who contribute their after-tax dollars to find cures for diseases – national health charities are committed to providing continued, strong support for the **direct costs** of university and hospital-based health research.

What are indirect costs?

The term *indirect costs* refer to the operational costs that underpin an institution's research activities (e.g., heating, lighting, ethics reviews, facilities for animals used in research, management of intellectual property, environmental assessment and safety compliance). The services that give rise to *indirect costs* are institutionally-based, and are not specific to individual research projects. The current reimbursement level of indirect costs by the federal Research Support Fund (RSF) averages 21.6% of eligible direct operating costs of grants, a figure that has been described as “formulaic and arbitrary.”²

Overview

National health charities are a primary and essential source of health research funding in Canada. The members of the Health Charities Coalition of Canada (HCCC), separate from the federal government, invest upwards of \$155 million per year. The role of health charities in funding research is substantial not only in terms of financial contributions to the respective fields but also in the investment in new researchers and the focus on building capacity and attracting talent to particular health fields. Research supported by health charities addresses gaps in research funding priorities and supports research that might not be supported through government or private industry. The research priorities are a result of the identification of specific needs by the patient populations served by health charities.

The dollars raised by the national health charities have led to significant breakthroughs in curing, preventing and understanding a wide range of diseases and conditions. Furthermore, health charities contribute to managing chronic diseases, which contributes to the reduction of the strain on the health system. To raise the charitable dollars needed to make health discoveries, the health charities rely heavily on the successes of the prominent research, and researchers, they fund. Outstanding research results are the basis of sustained donor support for the work of the national health charities and donors expect that their charitable gifts will be applied directly toward life-saving research and not to fund indirect costs of universities and other institutions.

Funding for indirect costs for the federal granting councils does not come from their organizations' individual budgets but are provided by Government of Canada supplements through the Research Support Fund (RSF). According to the recent report “*Investing in Canada's Future: Strengthening the Foundations of Canadian Research*,” the federal government currently pays about \$369 million per year through the Research Support Fund on eligible grants totaling \$1.708 billion.³ The Panel's report calls for an augmentation of facilities

² Advisory Panel for the Review of Federal Support for Fundamental Science. (April 2017). Government of Canada, “*Investing in Canada's Future: Strengthening the Foundations of Canadian Research*.” ISBN: 978-0-995-9243-0-7, p. xxiii.

³ *Investing in Canada's Future: Strengthening the Foundations of Canadian Research*, p. xxiii.

and administration rates. Adequate levels of reimbursement should be made by the federal government to obtain proper return on its research investments.

National health charities do not currently benefit from the RSF funding program, which has created an unevenly funded health research environment. In particular, the RSF impedes the effectiveness of charitable support for health research by creating an unfair discrepancy between funding from government, and funding from national health charities. By alleviating the indirect costs of only government grants, the RSF creates a disadvantage in investment power among national health charities and the millions of Canadians who donate to the charities every year. This unequal support in health research funding exacerbates a field of research that is already under unacceptably high pressure and is chronically underfunded.

HCCC calls upon the federal government to amend its policy pertaining to the indirect costs of health research in a way that equitably recognizes research funding from the national health charities with the concomitant increase to the Fund that this would require. Alternatively, provide such funds through an equivalent federal mechanism – to ensure that peer-reviewed research funding from the national health charities is treated as equal funding to the federal Tri-council⁴ research funding.

In addition to increasing support for the research institutions, and providing encouragement to charitable donors, the proposed investment on the part of the Government of Canada will allow the national health charities, in turn, to sustain and grow their support for top-ranking Canadian health research – towards the broad goal of better health for all Canadians.

About HCCC

Founded in 2000, the Health Charities Coalition of Canada (HCCC) is a member based organization comprised of national health charities. The health charities that HCCC represents strengthen the voice of Canadians, patients and caregivers and work with others to bring about enhanced health policy and increased investment in health research. HCCC strives to ensure that the federal government and policy makers look to the Coalition and its members for timely advice and leadership on major health issues of concern to Canadians; and that they recognize the competence, commitment and contributions of health charities in improving the health and well-being of Canadians.

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⁴ Tri-Council Funding refers to funding through three federal granting councils: (1) Canadian Institutes for Health Research (CIHR); (2) Natural Sciences and Engineering Research Council (NSERC); (3) Social Sciences and Humanities Research Council of Canada (SSHRC)