



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 associated with the research they fund.

All HCCC members have agreed not to fund indirect costs. 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.

Recommendation

HCCC recommends that the federal government include the national, research-granting health charities in the funding formula of the federal Indirect Costs Program (ICP) – or provide such funds through an alternate federal mechanism – to ensure that peer-reviewed research funding from the national health charities is treated equally to federal tri-council¹ research funding.

¹ 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)

Background

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

At the same time, 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 the national health charities. Through gifts received from donors across Canada – donors who contribute their after-tax dollars to find cures for diseases – the 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.

Overview

National health charities are a primary and essential source of health research funding in Canada. The funds raised by Health Charities Coalition of Canada (HCCC) member charities supplement the federal government funding for health research, providing upwards of \$200 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 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. This is a result of the identification of specific needs by the patient populations served by health charities.

The private dollars raised by the national health charities have led to significant breakthroughs in curing, preventing and understanding a wide range of diseases. Furthermore, they contribute to managing chronic diseases, which place a huge burden on the health system.

The federal government's Indirect Costs Program, ICP), a separate funding program housed at Industry Canada, currently provides approximately 23 cents toward the indirect costs of research for every dollar allocated by a federal granting council to a university or research hospital for the direct costs of research. In contrast, research funded by the national health charities does not benefit from the program. An uneven playing field has been created.

The current Indirect Costs Program unfairly penalizes the national health charities and the millions of Canadians who donate to the charities every year. The ICP impedes the effectiveness of charitable support for health research by drawing an unfair distinction between funding from government, and funding from national health charities.

The federal government's current policy provides incentives for research institutions, including universities and teaching hospitals, to favour research funds from the three federal granting councils over funds from health charities. Thus, universities and research hospitals are now more inclined to seek out, and accept research grants originating from government sources, such as funding from the Canadian Institutes of Health Research (CIHR), than to seek out, and accept research funding from charitable sources. Why? Because of the 23% supplement provided through the Indirect Costs Program, in respect of health research grants paid by the federal granting councils. The exclusion of the national health charities from the ICP has made research funding from the health charities seem like "77 cent" dollars.

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 ICP. If the granting councils had to pay for indirect costs from their own budgets, they would be in the same situation as the health charities, which don't have separate sources of funding to pay for indirect costs. This would result in a significant further decrease in the funding of research projects (direct costs), which is under unacceptably high pressure and is already chronically underfunded.

To raise the charitable dollars needed to make health discoveries and generate cures, 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 rightfully expect that their charitable gifts will be applied directly toward life-saving research and not to university indirect costs.

Compounding the issue for the national, research-granting health charities, the allocation formula for government-funded research chairs under the Canada Research Chairs Program also excludes the health charities. The result is not surprising. Health charity grants are perceived by the research institutions as having less value. This puts pressure on researchers funded by the charities to seek funding elsewhere, and puts pressure on the health charities to spend health research dollars on indirect costs.

The 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.

In addition to increasing support for the research institutions, and providing encouragement to charitable donors, this 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.

HCCC, a member based organization, is dedicated to advocating for sound public policy on health issues and promoting the highest quality health research. HCCC strives for excellence in health policy and seeks 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.

We are supported by our 29 members:

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Amyotrophic Lateral Sclerosis Society of Canada (ALS Canada) - www.als.ca
The Arthritis Society - www.arthritis.ca
The Asthma Society of Canada – www.asthma.ca
Canadian Breast Cancer Foundation - www.cbcf.org
Canadian Cancer Society - <http://www.cancer.ca>
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