



Australian Government

Discussion Paper:

Improving alignment and coordination between the Medical Research Future Fund and NHMRC's Medical Research Endowment Account

May 2023

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Ministers' foreword

The Australian Government is delivering on its election commitment to improve Australia's healthcare system for the future, including by investing in health and medical research and innovation to improve lives, build the economy and ensure the sustainability of the health system. The government is also delivering on its commitment to support the independence and integrity of the Medical Research Future Fund (MRFF) and the National Health and Medical Research Council (NHMRC).

The government provides a combined total of more than \$1.5 billion each year for health and medical research grants through the MRFF (managed by the Department of Health and Aged Care) and NHMRC's Medical Research Endowment Account (MREA). Now is the right time to consider how to ensure the government's investments in health and medical research and medical innovation maximise outcomes for the Australian community.

We are therefore pleased to announce the commencement of a national consultation focused on optimising the government's funding arrangements for health and medical research by improving strategic alignment and coordination between the MRFF and the MREA.

This work is part of the government's broader commitment to enhancing Australia's reputation as a world leader in high quality, innovative health and medical research and development and to ensuring the translation of health and medical research into policy, practice and new technologies that meet the needs of all Australians.

The government is committed to strengthening Australia's health and medical research system, empowering our outstanding researchers and institutions to solve the increasingly complex health challenges our community faces. This requires funding right across the research pipeline from discovery to implementation, balancing all aspects of research and innovation. It also requires an efficient and effective funding system, with streamlined and transparent processes providing confidence and assurance to all parties.

This national consultation is undertaken in the context of a proposed new national strategy for health and medical research that considers the role of the Australian Government, industry and philanthropy in supporting research and innovation to improve health outcomes. The national strategy will consider how best to work alongside state and territory approaches, which could include collaboration on matters of common interest. This consultation also seeks to identify how funding bodies could best engage and coordinate with other key Australian Government investments, such as the Australian Centre for Disease Control and the National Reconstruction Fund, and broader revitalisation of Australia's vision for science and research.

We will build on existing strengths and ensure any changes arising from this consultation will improve arrangements for the two funds. It is important to support a flourishing ecosystem and talented Australian researchers to build knowledge and capability in both the research and health systems to generate meaningful improvements in the health and prosperity of the Australian community.

We hope you share our excitement at this opportunity to ensure the MRFF and NHMRC's MREA deliver the greatest benefit to our Australian community.



Hon Mark Butler MP
Minister for Health and Aged Care



Hon Ged Kearney MP
Assistant Minister for
Health and Aged Care

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Purpose

The purpose of this Discussion Paper is to support sector-wide consultation on whether, and if so how, to reform the governance and administration of the Medical Research Future Fund (MRFF)¹ and the National Health and Medical Research Council's (NHMRC's) Medical Research Endowment Account (MREA) to ensure the Australian community obtains the greatest benefit from this investment in health and medical research.

The co-existence of the MRFF and the MREA, together awarding more than \$1.5 billion in research grants each year, presents both an opportunity and the need to develop an overarching strategy for Commonwealth-funded health and medical research that takes advantage of the complementary purposes and characteristics of the two funds.

Development, implementation and regular renewal of an effective national health and medical research strategy will be strengthened by streamlined governance and administrative arrangements for the two funds to ensure they function in a coordinated and efficient manner that meets the needs of the community, government and the health and medical research sector.

This Discussion Paper outlines the context for the consultation and presents three potential models for reform for feedback in this consultation. The models are summarised in the table below.

Model	Short title	Brief description
Model 1	Better alignment through coordination	The MRFF and MREA continue to be separately managed (by the Department of Health and Aged Care and by the NHMRC respectively), with a new coordination mechanism established to embed and facilitate collaboration and alignment of investment and policy between the two funds.
Model 2	Management of both funds by NHMRC	The management of the MRFF is transitioned to NHMRC, which maintains the two separate funding streams with distinct funding responsibilities under unified governance and administrative arrangements.
Model 3	Merge the two funds with new governance arrangements*	The two funds are merged and disbursed as a single grant program (managed by NHMRC) to maximise flexibility and facilitate complementarity. This approach would require the careful design of new governance arrangements to preserve the unique value of the MRFF and MREA investment streams.

*The MRFF as a separate investment vehicle would continue to exist, with returns directed to the MREA, instead of the MRFF Health Special Account.

These models represent potential options for improving alignment and coordination of the government's investment in health and medical research, which is the focus of this consultation. Refer to *Appendix A* for the terms of reference of the consultation.

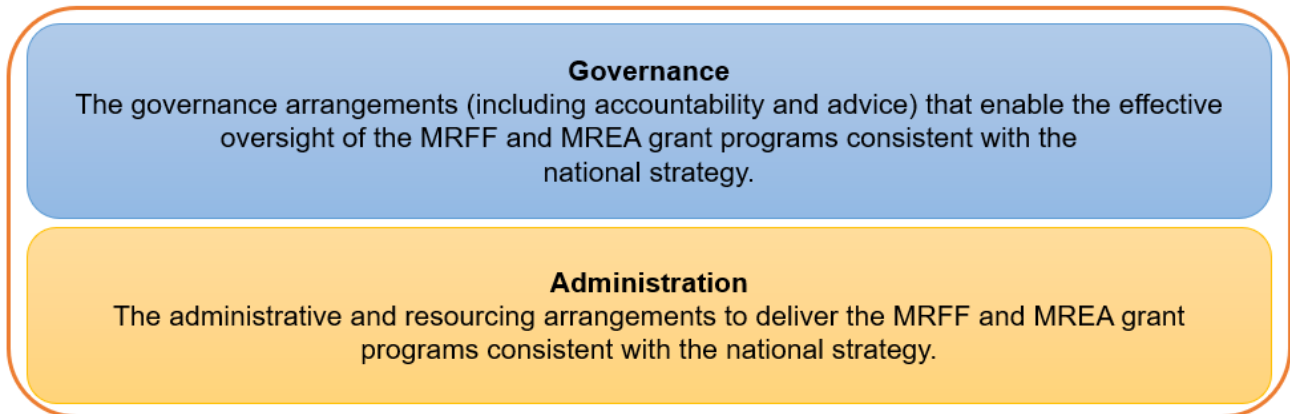
This consultation is not seeking input on a health and medical research strategy itself, but rather is seeking views on ways to optimise governance and administrative arrangements to support a more

¹ Funding for MRFF grants is administered through the MRFF *Health* Special Account. References to the MRFF throughout this paper are to the MRFF *Health* Special Account which should not be confused with the MRFF Special Account. See Appendix C for details of the relationship between the MRFF Special Account and the MRFF *Health* Special Account.

effective government health and medical research strategy. The scope of the consultation is outlined visually below. The diagram shows that this consultation on governance and administration arrangements will be followed by a second stage of consultation, through which a national strategy for health and medical research in Australia will be developed. The national strategy will include, but not be limited to, consideration of the government's investments through the MRFF and MREA.

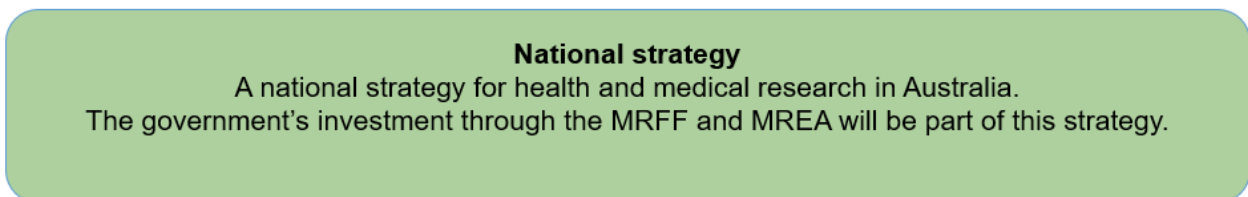
Figure 1: Relationship between strategy, governance, administration and scope of this consultation

Stage 1: Improving alignment & coordination of MRFF & MREA



— Orange line indicates scope of current consultation

Stage 2: Development of national strategy



Context

Australia has a long history of outstanding health and medical research, built in large part on NHMRC support through the MREA. NHMRC has predominantly funded a broad range of investigator-initiated research, especially through fellowships and project grants, and more limited priority-driven research. Although NHMRC-funded research extends across the spectrum from discovery to clinical care, public health and health systems and includes substantial translational research, there is room for real improvement in the embedding of research in the Australian health system and the translation/implementation of research into policy, products and practice.

With its different focus and sustained injection of funds, the MRFF provides an opportunity to adjust the balance by supporting priority-driven research with a focus on research translation, whether directly through improvements in health and healthcare or, where appropriate, through commercial development.

The purpose of the MRFF and the historical approach of NHMRC are highly complementary. Broad-based NHMRC funding ensures Australia is actively engaged in research to address our diverse health needs, well connected to international developments and ready to respond to emerging health challenges. In amplifying investment in priority areas, the MRFF deepens and builds on that foundation of knowledge, capacity and capability established and maintained by NHMRC. The broader NHMRC-funded research enterprise in turn benefits from MRFF-funded opportunities to fill gaps and extend research in specific areas of national need.

However, the parallel operation of two government health and medical research funds has raised issues (discussed under the 'How the models address stakeholder concerns' heading) that warrant attention if the full benefits of the government's investment are to be realised.

This investment is important. As outlined in the Box, government support for health and medical research underpins the nation's health and prosperity – directly by providing the evidence base for improved healthcare and health-related policy, and indirectly by reducing the burden of ill health on society and the economy and by stimulating new economic activity.

BOX: Purposes of government funding for health and medical research

- To ensure that Australia undertakes the research needed to meet current and future health challenges, improving population health, patient outcomes and the effectiveness and efficiency of the health system
- To ensure that Australia has the research capability, capacity and agility needed to respond to emerging and unforeseen health challenges
- To support research of unique importance to Australia that is unlikely to be undertaken elsewhere
- To support research that is unlikely to be undertaken by the private sector
- To support research that will attract investment in downstream research and development and build onshore commercial activity

Australia's response to the COVID-19 pandemic highlighted strengths and limitations of current arrangements. On one hand, NHMRC's long-term investment in infectious diseases, immunology, epidemiology and other relevant fields of research, as well as its targeted investment in pandemic preparedness research, ensured Australia had the knowledge, people and skills needed to respond rapidly to the new threat. As an agile priority-driven fund, the MRFF was able to draw on these resources to ensure the rapid initiation of critical research early in the pandemic. On the other hand, closer coordination of MRFF and MREA support for COVID-19 research, with a greater focus on a

national approach to the most important research questions, would almost certainly have increased the efficiency and effectiveness of the investment from the two funds in response to this emergency.

With the lessons of the pandemic in mind and awareness of current and emerging national health challenges, it is timely to consider how coordination of MRFF and MREA investment would strengthen its effectiveness in critical ways – in particular to:

- embed research in the primary care, hospital and public health systems
- support a diverse, multiskilled, multidisciplinary and sustainable research workforce
- achieve synergies with other public and private sector support for research
- address the major health issues affecting the community today
- address emerging and unforeseen health threats
- strengthen the pathways from research and innovation to commercial and other forms of impact.

As noted in the Ministers' foreword, this national consultation will be undertaken in the context of a review of the MRFF Act, and the proposed development of a new national strategy. The national strategy will provide a coordinated plan for health and medical research in Australia. The government's plan for investment through the MRFF and MREA will be part of this national strategy, as well as how the government can effectively partner with states and territories, industry and philanthropy to deliver the greatest benefit to Australians. The national strategy will also consider how best to engage and coordinate with other key government investments, such as the new Australian Centre for Disease Control and the National Reconstruction Fund, and with the government's broader vision for Australian science and research.

The government is the largest and most influential source of funding for Australian health and medical research. In the conversation on a national strategy, it is critical that the governance and administrative frameworks of the two major government funders are fit for the purpose of delivering a coordinated MRFF-MREA investment plan.

Outcomes to be achieved through reform

The reforms to the MRFF and MREA will deliver a health and medical research funding system that:

- regards **all Australians as stakeholders** in health and medical research, including consumers, researchers, health professionals, philanthropists and other funders of research, and industry
- **values and seeks advice** from these stakeholders
- **provides certainty** for stakeholders, with well-understood frameworks, streamlined administrative functions and grant opportunities that are coordinated to be complementary
- harnesses the **foundational capability** generated through investigator-led research and the knowledge base and innovation that it generates
- supports the unique value of **priority-driven research** to strengthen Australia's health and economic sustainability.

Principles for consultation

The below principles will guide the consultation.

- Consultation is **transparent and clearly explains the objectives and context** of the consultation.
- Consultation is **broad and accessible to all stakeholders**, providing all stakeholders with the opportunity to shape the reforms.
- Consultation is **timely and provides interested parties with sufficient and realistic timeframes** to provide feedback.
- **Builds on feedback already received** on the funds and on health and medical research in Australia more generally.

Consultation approach

The Minister for Health and Aged Care (Minister), the Hon Mark Butler MP, and Assistant Minister for Health and Aged Care (Assistant Minister), the Hon Ged Kearney MP, will lead the consultations.

The department and NHMRC will support the Minister and Assistant Minister in their consultation.

Public and targeted consultation on the proposed reform will include:

- Ministerial roundtables (by invitation)
 - The Hon Mark Butler MP and the Hon Ged Kearney MP will engage with a wide range of voices across relevant sectors and interest groups – research, industry, consumers, philanthropy and health services.
- Commonwealth roundtables in select capital cities (by invitation)
- Webinars (public)
 - Webinars will be held on Tuesday 6 June and Monday 3 July and will be open to all interested parties.
- Written submissions (public)
 - All interested parties are invited to provide written submissions via the department's Consultation Hub by 11:59pm Friday 14 July 2023.
 - Targeted questions are provided to guide submissions - see 'Guiding Questions' heading.

Models for reform

The government recognises there are different approaches that could deliver greater alignment and coordination of the MRFF and MREA. The purpose of this consultation is to seek direct input from stakeholders to identify a preferred approach.




To support the consultation, three models have been developed to illustrate the potential reform options. The models are detailed in the following sections with reference to their unique features.



The features explored for each model are:

- governance (accountability)
- governance (advice)
- strategy development
- administration
- implementation complexity.

The features are defined in the table below and can be considered in the context of a model as a whole or on their own merits. Details of current arrangements are also outlined in the table below, with further information provided in *Appendix B – Current arrangements for the MRFF and MREA governance and administration, including similarities and differences*.

Table 1: Definitions of features and current arrangements

Icon	Feature	Definition	Current arrangements
	Governance (accountability)	The decision-maker and their delegates (if any). Note: All models retain the existing role and responsibilities of the Minister for the MRFF and MREA.	Current decision-makers include the Minister, the Secretary of the department, the NHMRC CEO, and other delegated officials.
	Governance (advice)	The pathway for input and advice to the decision-maker.	Current advisory structures include the Australian Medical Research Advisory Board (AMRAB) for the MRFF and NHMRC Council and Research Committee for the MREA.
	Strategy development	The processes by which frameworks for guiding investments in health and medical research are developed, including how they will support a national strategy.	The Australian Medical Research and Innovation Strategy (the MRFF Strategy) is developed by AMRAB as required by the MRFF Act. NHMRC's strategy for health and medical research (which incorporates the MREA) is articulated in the annual NHMRC Corporate Plan, as required under the NHMRC Act.

Icon	Feature	Definition	Current arrangements
	Administration	<p>The staffing and resources required to establish and manage the MRFF and MREA grant programs, including support for governance structures, developing and implementing research policy, and managing the grant life cycle (designing, selecting, establishing, managing and evaluating grants, and grants hub IT systems).</p> <p>Note: Under all models, it is proposed that all MRFF grants will be delivered by NHMRC’s grant hub and using the Sapphire system (replacing the Business Grants Hub in some cases).</p>	<p>The department provides staff and resources to manage the MRFF, including support for AMRAB and other expert advisory panels and resources to NHMRC for MRFF grant administration. NHMRC provides staff and resources to manage and administer MREA grants and manages the Sapphire system.</p>
	Implementation complexity	<p>The requirements for giving effect to the reform model such as the time required, degree of legislative change and scale of change.</p>	<p>Not applicable</p>

Model 1: Better alignment through coordination

The MRFF and MREA continue to be managed separately (i.e. by the department, through the Health and Medical Research Office (HMRO), and by NHMRC), with a new coordination mechanism established to facilitate collaboration and alignment of investment and policy between the two funds.

Overview

This model would create an overarching coordination mechanism to promote greater collaboration between senior officials in the department (especially the HMRO CEO) and the NHMRC CEO, as well as between the Australian Medical Research Advisory Board (AMRAB) and NHMRC Council. The model otherwise retains the current governance (decision-making and advisory) and administrative arrangements for the MRFF and MREA, respectively.

This model is similar to the United Kingdom's (UK) Office for Strategic Coordination of Health Research (OSCHR), which provides a forum for the public funders of health research to work together with other stakeholders and under the guidance of an independent chair. The role of OSCHR is to facilitate more efficient translation of health research into health and economic benefits in the UK through better coordination of health research and more coherent funding arrangements to support translation.

This model retains the benefits of having MRFF priority setting embedded within the policy and program environment of the department as it responds to needs of the Australian health system. This helps provide a strong link between research and its translation into health programs and policies. The model also retains the independence of NHMRC's MREA governance, advisory and administrative arrangements.

This model is expected to deliver better alignment of the two funds by providing a forum for coordination and collaboration. The coordination mechanism would bring together an independent chair and the CEOs and other senior executives from the department and NHMRC, and would also include the Chairs of AMRAB and NHMRC Council, and also representatives from other government funders (e.g. the Australian Research Council), business and consumers.

It is expected that the overarching coordination mechanism would consider:



- establishment of clear and distinct funding responsibilities to maximise complementarity and avoid ineffective overlap/duplication between the two grant programs
- development of joint policies for health and medical research (e.g. open access, consumer involvement in research)
- harmonisation of grant policies and procedures (e.g. eligibility, grant timetables, demonstration of track record) wherever possible.

The implementation of this model would strengthen coordination between the MRFF and MREA, providing greater clarity and reducing confusion for stakeholders over time. While better coordination of funding decisions, policies and administrative processes would create efficiencies for grant recipients, it does retain parallel organisational structures. This model has low implementation complexity.

Features

The features of this model are outlined in more detail in Table 2 below and visually in Figure 2.

Table 2: Features of Model 1 – Better alignment through coordination

Icon	Feature	Description of feature in Model 1
	<p>Governance (accountability)</p>	<p>The Minister’s responsibilities under the MRFF and NHMRC Acts remain the same. The Secretary and the NHMRC CEO would remain accountable for the operation of the MRFF and MREA, respectively. Decision makers would continue to include the delegated senior executive officers in the department (especially the HMRO CEO) and NHMRC.</p> <p>A new overarching coordination mechanism would be established to facilitate collaboration between senior officials from NHMRC, Health, other government agencies and funders (e.g. the Australian Research Council, the Department of Industry, Science and Resources) and independent representatives (e.g. from consumer and industry peak groups). This mechanism would aim to align advice on the two funds provided to the Minister by the accountable authorities, as well as coordinating research policy and funding matters.</p>
	<p>Governance (advice)</p>	<p>AMRAB and NHMRC Council would continue to provide advice to the Minister and NHMRC CEO, respectively, as outlined in the MRFF and NHMRC Acts.</p> <p>A new overarching coordination mechanism would be established to promote greater collaboration between AMRAB and NHMRC Council with a focus on alignment of advice on health and medical research. This could include joint meetings of the two groups and/or the establishment of joint working committees that report to AMRAB and NHMRC Council to coordinate advice on areas such as research quality, consumer involvement, and performance and impact.</p> <p>HMRO would continue to establish time-limited expert advisory panels involving researchers, industry, health service providers and consumers to develop research investment plans to address health policy and program priorities.</p> <p>NHMRC Council and its Principal Committees (and other working committees of NHMRC) would continue to advise the NHMRC CEO on a range of matters and to provide a bridge to the community and research and health sectors. NHMRC Council’s membership would continue to include researchers, healthcare professionals, state and territory medical/health officers, consumers and business representatives.</p>




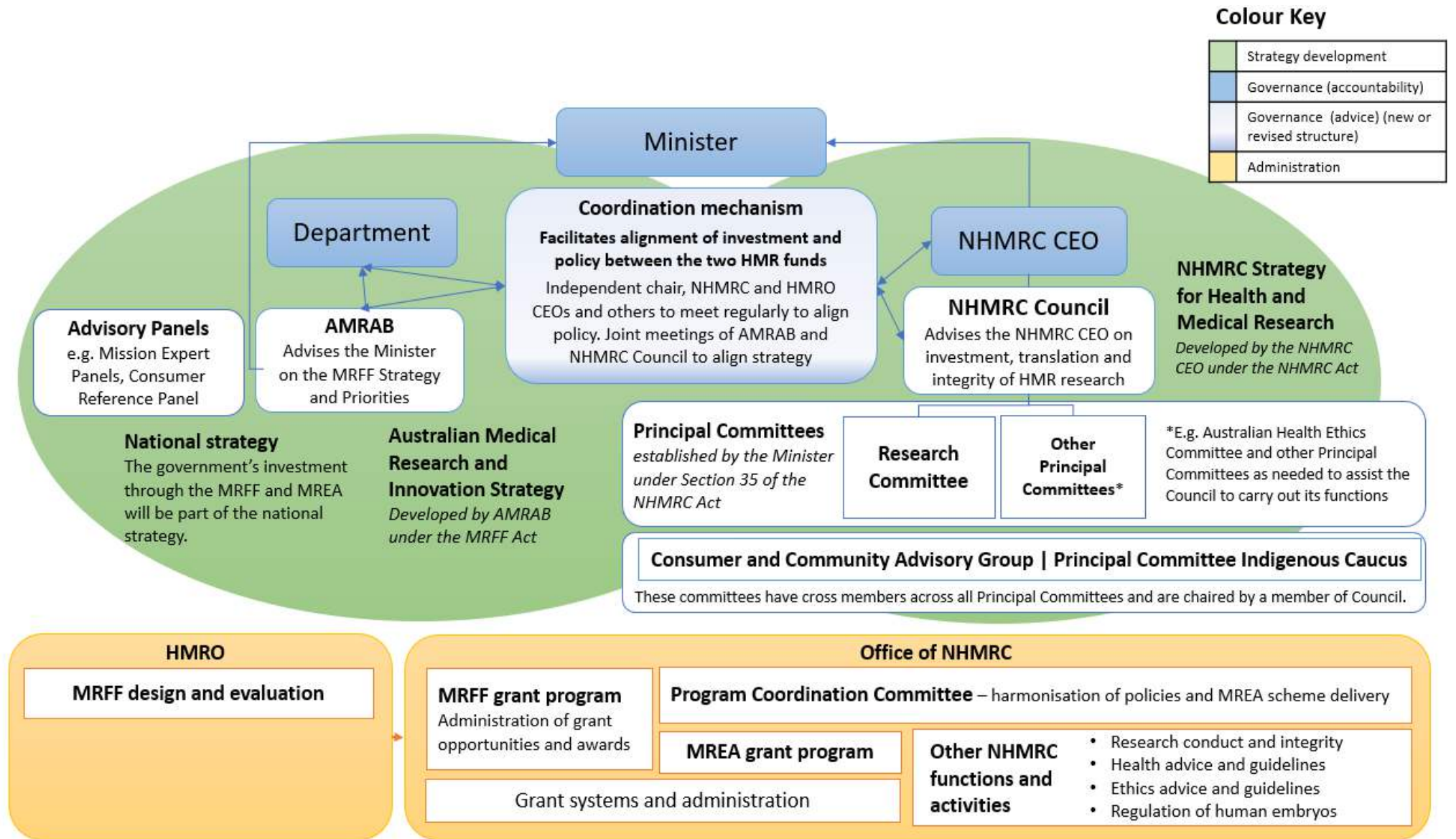
Icon	Feature	Description of feature in Model 1
	Strategy development	<p>AMRAB would continue to set the MRFF Strategy and the Australian Medical Research and Innovation Priorities (the MRFF Priorities) for the MRFF based on national consultations. The MRFF Strategy is reviewed every 5 years and the MRFF Priorities every 2 years.</p> <p>NHMRC would continue to articulate a strategy for health and medical research in its Corporate Plan, in consultation with the Minister and NHMRC Council each year. NHMRC's strategic and health priorities are reviewed every 3 years to align with the term of NHMRC Council.</p> <p>While the processes for developing the MRFF and MREA strategies remain largely unchanged in this model, opportunities to align the strategies and to delineate more clearly the distinct funding responsibilities of the two funds will be pursued through the new overarching coordination mechanism. The coordination mechanism would also support the development of a national strategy.</p>
	Administration	<p>The HMRO would continue to lead the design, selection and evaluation of grants from the MRFF. NHMRC would continue to establish and manage MRFF grants as the grants hub. NHMRC would continue to administer its own MREA grant program independently.</p> <p>While the administration of the MRFF and MREA remain largely unchanged in this model, opportunities to harmonise and improve efficiencies in the delivery of grant administration across both funds would be pursued through the new overarching coordination mechanism.</p>
	Implementation complexity	<p>Low implementation complexity. No legislative change required.</p> <p>The establishment of a new overarching coordination mechanism between the two funds can be implemented quickly (subject to a decision on membership, terms of reference and identification of an independent chair).</p> <p>Coordination of funding decisions, research policy and grant processes would be progressive over time and subject to consultation processes and agreement between accountable decision-makers.</p>

Figure 2: Diagram of features of Model 1 – Better alignment through coordination



Model 2: Management of both funds by NHMRC

The management of the MRFF is transitioned to NHMRC, which maintains the two separate funding streams with distinct funding responsibilities under unified governance and administrative arrangements.

Overview

This model would see NHMRC lead and manage both the MRFF and the MREA, which would continue as separate funding streams with distinct focuses.

NHMRC would be responsible for delivering on the existing purpose and expected outcomes of the MRFF: effectively maintain a dedicated research fund for supporting commercialisation; provide a vehicle to rapidly respond to emerging health challenges; and develop a mechanism to flexibly fund research to address government priorities.

NHMRC Council would take over from AMRAB and advise on a joint investment plan for both funds consistent with the new national strategy, as well as continue to advise the NHMRC CEO on the MREA and other NHMRC functions. Consultation with the community, industry, health professionals, consumers and researchers would remain embedded in strategy development. Advisory structures to support NHMRC Council and the NHMRC CEO would be implemented as needed. For example, the NHMRC CEO would continue to use expert advisory panels/committees to help set investment decisions for the MRFF that support priority-led, translational research.


Under this model, governance and administration of the two funding streams would be consolidated and could be streamlined. The NHMRC CEO would be expected to oversee coordination of policy and processes to address stakeholder concerns about duplication, administrative burden and confusion between processes.

The implementation complexity of this model is moderate.

Features

The features of this model are outlined in more detail in Table 3 below and visually in 3.

Table 3: Features of Model 2 – Management of both funds by NHMRC

Icon	Feature	Description of feature in Model 2
	Governance (accountability)	<p>The Minister's responsibilities under the MRFF and NHMRC Acts remain the same. The NHMRC CEO would have an expanded role, taking on responsibility for managing the MRFF, as well as the MREA and other NHMRC functions.</p> <p>The department would cease to manage the MRFF and the HMRO CEO is likely to be abolished. The department would retain responsibility for broader health policy and programs (including broader research policy matters, e.g. clinical trials policy) and would be consulted by NHMRC as an ongoing stakeholder in health and medical research (including MRFF design and delivery), alongside other areas of government (state and federal), research, industry and consumers/community.</p>





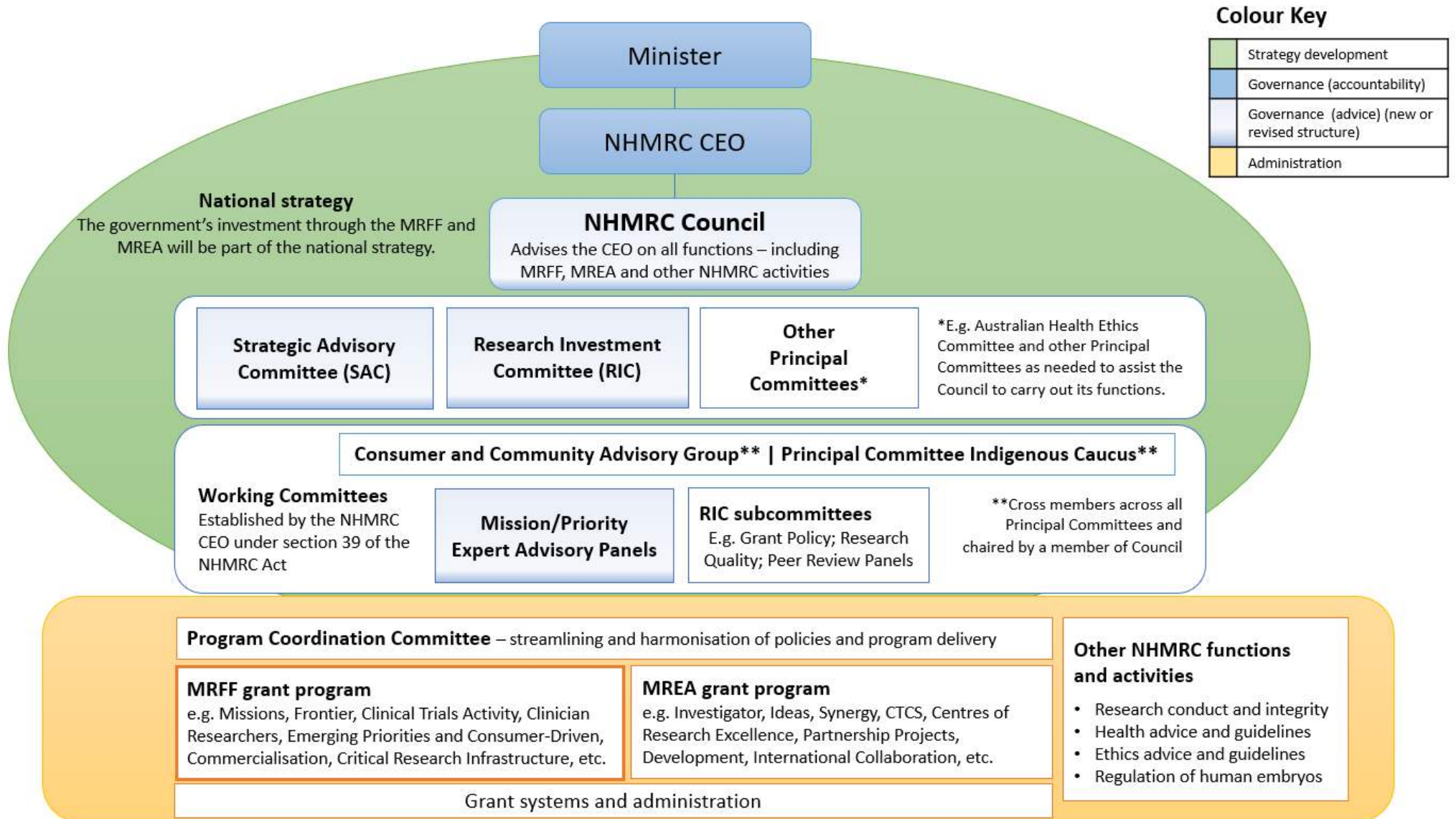
Icon	Feature	Description of feature in Model 2
	Governance (advice)	<p>AMRAB would be abolished. NHMRC Council would assume responsibility for advising the NHMRC CEO on the MRFF, as well as the MREA and other functions of NHMRC.</p> <p>NHMRC Council would continue to be supported by Principal Committees and other advisory committees. New or revised committees could include:</p> <ul style="list-style-type: none"> • a new Principal Committee to advise on the strategic use of the MRFF and MREA (including delineating the distinct funding approaches of the two funds) and support the national strategy • a revised Research Committee would determine the allocation of MRFF and MREA funds in line with national strategy and joint investment plan, as well as advise on other research funding policy matters. <p>The NHMRC CEO would establish time-limited expert advisory panels involving researchers, industry, health service providers and consumers to develop research investment plans to address health priorities.</p>
	Strategy development	<p>A national strategy would be developed to articulate a vision for the future of health and medical research, informed by the health needs of the Australian community, and outline the separation of funding responsibilities between the MRFF and MREA. The national strategy would be developed with broad consultation with the community, researchers, consumers, healthcare professionals and industry.</p> <p>Investment planning for the MRFF and MREA would occur as part of the development of this national strategy.</p>
	Administration	<p>NHMRC would be responsible for all aspects of the administration of the MRFF and MREA, including for delivering greater alignment and coordination, (e.g. harmonisation of grant timelines, application requirements and processes).</p>
	Implementation complexity	<p>Moderate implementation complexity. Some legislative change is required, particularly to the MRFF Act to abolish AMRAB. Interim implementation arrangements could be put in place pending legislative change.</p> <p>The MRFF Act allows the Minister to delegate certain decision-making powers in relation to the MRFF to the NHMRC CEO, Senior Executive Service (SES) employees of NHMRC or acting SES employees of NHMRC. This means that NHMRC could manage the MRFF (as a separate fund from the MREA) without the need for extensive legislative change. The Minister can also establish Principal Committees of NHMRC Council without legislative change (to support the new functions of the NHMRC CEO), although legislative change could be considered to define new/revised Principal Committees for the longer term.</p>

Figure 3: Diagram of features of Model 2 – Management of both funds by NHMRC



Model 3: Merging of the two funds with new governance arrangements

The two funds are merged and disbursed as a single grant program (managed by NHMRC) to maximise flexibility and facilitate complementarity. This approach would require the careful design of new governance arrangements to preserve the unique value of the MRFF and MREA investment streams.

Overview

This model sets aside the existing constraints of the governance of the MRFF and MREA to allow consideration of the optimal governance arrangements for a single cohesive investment plan that merges the two funds.

The model proposes new governance arrangements be designed and established (or existing ones substantially re-purposed) to support a single Commonwealth funding source for health and medical research and innovation, with the defined purpose of supporting both top-down and bottom-up research and innovation. The model assumes NHMRC would manage a merged MRFF-MREA funding source for investment in health and medical research.

While a single merged funding source is proposed under this model, it is intended to retain the separate benefits of the MRFF and MREA, while maximising flexibility in how funding can be used. A single funding source does not mean the MRFF as a separate investment vehicle would cease to exist,² but that the returns from the MRFF would be directed to the MREA, rather than into the MRFF Health Special Account as is currently the case.

Consideration of this model would draw upon the identification of opportunities for greater alignment and coordination through the consultation process, without that consideration being constrained by existing frameworks and processes.

The third model would see the largest scale of change. It reimagines NHMRC as if it had been tasked with administering the MRFF from the outset. The MRFF and MREA would be merged to provide support across the entire research pipeline. There would be a single cohesive investment plan consistent with the national strategy and aimed at delivering the greatest benefit to the community and stakeholders, as well as a streamlined administrative system.





Given the scale of change, this model would take the longest to implement and require significant legislative change. While the objective of this substantial reform would be to ensure health and medical research delivers optimal benefits to the community, the governance would need to be carefully designed to ensure an appropriate balance across the research pipeline (from discovery to translation and commercialisation) is maintained and implementation risks are well managed.

Features

The features of this model are outlined in more detail in Table 4 below and visually in Figure 3.

² This is outside of the scope of this consultation.

Table 4: Features of Model 3 – Merging of the two funds under new governance arrangements

Icon	Feature	Description of feature in Model 3
	Governance (accountability)	<p>This model assumes responsibility for the MRFF would transition to the NHMRC under new governance arrangements. This could include substantial changes to the NHMRC Act, as well as requiring changes to the MRFF Act.</p> <p>The Minister would retain responsibility for funding health and medical research under revised legislative arrangements. The NHMRC CEO would have an expanded role taking on responsibility for managing the MRFF, as well as the MREA and other NHMRC functions.</p> <p>The department would have a reduced role in health and medical research. The department would retain responsibility for broader health policy and programs (including broader research policy matters).</p>
	Governance (advice)	<p>New governance and advisory structures would be established to advise on and to oversee health and medical research funding.</p> <p>The new structures will need to be designed carefully to preserve the unique value of the MRFF and MREA investment streams, as well as to preserve advisory structures that support NHMRC's broader range of functions and activities.</p> <p>Changes could be made to existing advisory bodies (e.g. NHMRC Council) to assume responsibility for advising on a single fund for health and medical research. Other advisory committees (sub-committees or standalone) could be established that focus on (for example):</p> <ul style="list-style-type: none"> • research • investment • policy • impact • consumer/community.
	Strategy development	<p>A national strategy would be developed to articulate a vision for the future of health and medical research, informed by the health needs of the Australian community, and to outline an investment strategy for a flexible merged MRFF-MREA grant program/s. The national strategy would be developed in consultation with the community, researchers, consumers, healthcare professionals and industry.</p> <p>Investment planning for the MRFF and MREA would occur as part of the development of this national strategy.</p>
	Administration	<p>NHMRC would be responsible for all aspects of the administration of a merged MRFF-MREA fund with NHMRC disbursing funds as part of a single grant program.</p>


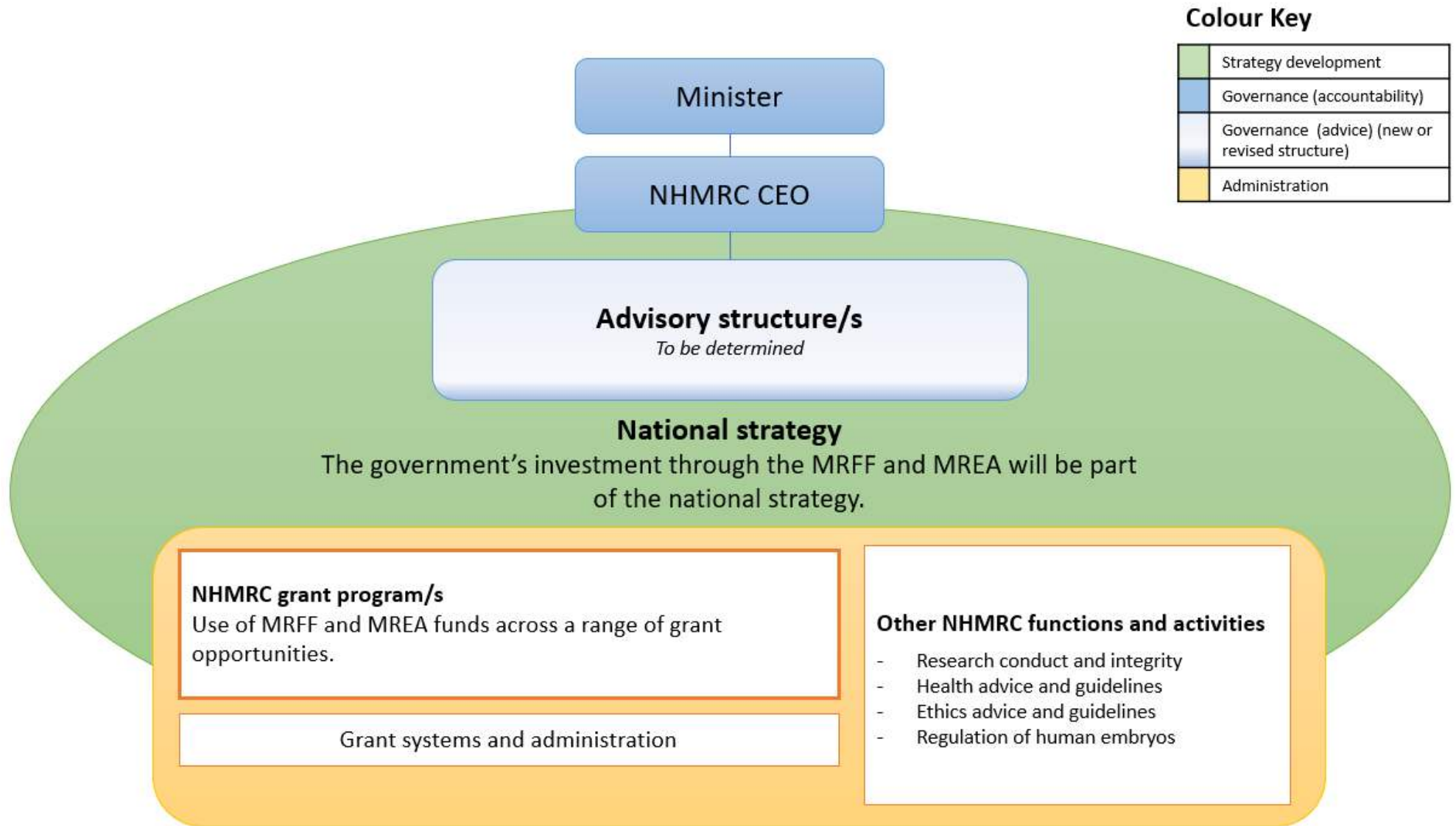
Icon	Feature	Description of feature in Model 3
	Implementation complexity	<p>High implementation complexity. It would take time to implement.</p> <p>This model would require further design and legislative change.</p> <p>Both the MRFF and NHMRC Acts could require substantial amendment, depending on the design of governance arrangements.</p>

Figure 3: Merging of the two funds with new governance arrangements



How the models address stakeholder concerns

Stakeholder feedback has identified a range of strategic and operational issues that reduce the effectiveness of the government's investment in health and medical research through the MRFF and MREA.

The models presented in this Discussion Paper seek to address these issues as outlined below. How each of the models address these issues is detailed in Table 5.

Limited strategic coordination between the MRFF and the MREA

The AMRAB and NHMRC produce separate strategies for health and medical research based on advice received from the research sector and the community through separate advisory structures and consultative processes. While there is cross-membership between AMRAB and NHMRC Council and each body takes the other's activities into account in developing its strategy, the strategies themselves are neither coordinated nor integrated.

The opportunity to articulate a national strategy that can be drawn on by state and territory governments, industry, philanthropy and other sectors in planning their own activities, or by international governments and funders, has yet to be realised. Without this wider view, there may be further lost opportunities to invest in the most important research and research capability needed to underpin the future health of the Australian community.

In part as a consequence of this lack of strategic coordination, the grant programs delivered by the two funds are not effectively coordinated. For researchers, research institutions and peer reviewers, this can lead to duplicated effort when the same or similar grant applications are submitted to MRFF and MREA grant schemes.

Lack of clarity of the different purposes and responsibilities of the two funds

The MREA mainly funds investigator-initiated ('bottom up') research where the research question and the experimental approach are determined by the applicant team. By contrast, the MRFF funds priority-driven ('top down') research where grant opportunities are offered to address specific issues that align with the MRFF's Strategy and Priorities.

While these high-level distinctions between the two funds are generally understood within the health and medical research sector, there is little difference in their broad scope and most topics identified by the MRFF as priorities for investment are also supported through NHMRC's grant program. The research sector and the wider community have limited visibility of the ways in which the two funds complement each other with the MRFF building on the broad base of NHMRC-funded research to focus funding in specific areas of need.

Greater and more transparent coordination of the grant programs (in addition to the strategic coordination suggested above) would help stakeholders to understand how the two funds are meeting national needs and how researchers should target their research proposals.

There is also potential to coordinate grant opportunities in areas that directly overlap between the MRFF and the MREA, such as clinical trial funding and research workforce development.

Opportunity for greater alignment of research and workforce policies

Funder policies and processes can provide powerful incentives that influence the way research is done and the behaviour of institutions that, in turn, affect national research productivity and the shape of the research workforce. Examples are policies supporting research quality and integrity, open access, consumer involvement and gender equity.

While NHMRC and the MRFF share many policies and are increasingly working together on their development, greater alignment and integration would increase their influence and simplify compliance by the research community.

Operational issues

Stakeholders have raised a range of operational issues, some of which flow from the separation of MRFF and MREA management. Examples are:

- the lack of coordination of the annual grant schedule for the two funds to avoid excessive pressure on applicants, institutional research offices and peer reviewers
- multiple competing grant opportunities across the various funders and/or schemes
- different application requirements and form design, and different post-award arrangements, across NHMRC and MRFF grant opportunities
- use of two grants hubs by the MRFF with different requirements for applicants and institutions.

While some of these operational differences reflect important and legitimate differences between the two funds and many are already being addressed through existing mechanisms, more effective governance and administration may be able to lessen their impact.

Limited avenues for consumer involvement in research

Stakeholders have called for greater support for consumer involvement in health and medical research. While NHMRC and the HMRO seek advice from their Consumer and Community Advisory Group and Consumer Reference Panel (respectively), consumer involvement could be more meaningfully embedded and incentivised in health and medical research funding. For example, through a consistent, consumer- and community-led framework for consumer involvement; inclusion of costs of consumer involvement in grant budgets as direct research costs; and the application of greater value to consumer involvement (especially priority populations) in grant assessments.

Lack of support for research translation and commercialisation

From a commercialisation perspective, there is a need for better integrated government co-investment to 'de-risk' commercialisation of health and medical research. Stakeholders have also urged greater long-term investment in building a cohort of cross-sector knowledge brokers to collaborate across health, academia and industry. There is ongoing concern among industry stakeholders that, without consistent yet flexible capital to increase the competitiveness of Australia's operating environment, researchers will seek funding overseas and therefore delay Australians' access to the benefits any innovations may bring. The COVID-19 pandemic also revealed the need to build Australia's domestic biotechnology capabilities, including manufacturing and scale-up of pharmaceuticals, devices and product development expertise, with robust partnerships with service industries and supply chains.

From a clinical translation perspective, some clinicians are unaware how their research fits into Australia's health and medical research strategy, particularly where their research is concerned with clinical practice and models of care at the later stages of the research pipeline. For instance, allied health specialists and nurses may self-select out of applying for grant funding as they perceive a preference for research conducted by medical specialists.

Grants management system

Stakeholders have raised issues with applying for grants under two different grants management systems: NHMRC's Sapphire and the Business Grants Hub's online portal.

Table 5: How the models address stakeholder feedback – main issues and their components

Main issue	Key component of the issue	Model 1 – Better alignment through coordination	Model 2 – NHMRC manages both funds	Model 3 – Merging the two funds under new governance arrangements
<p>Limited strategic coordination between the MRFF and the MREA</p>	<p>Strategies are neither coordinated nor integrated.</p>	<p>Coordination between AMRAB and NHMRC Council would enhance alignment between the strategies for the MRFF and MREA.</p>	<p>Unified governance arrangements under NHMRC would enable development of a national strategy that outlines the separation of funding responsibilities for the MRFF and MREA.</p>	<p>The merged funds would be underpinned by a national strategy that supports both top-down (priority-driven) and bottom-up (investigator-initiated) research.</p>
	<p>Opportunities to invest in the most important research and research capability are potentially lost, which are needed to underpin the future health of the Australian community.</p>	<p>Coordination between AMRAB and NHMRC Council would focus health and medical research investment where it is needed for the health of the Australian community by leveraging AMRAB’s and NHMRC Council’s different consultation mechanisms to seek input from researchers, healthcare professionals, industry and consumers on capability needs and priority areas.</p>	<p>The national strategy would leverage the distinct funding responsibilities of the MRFF and MREA to focus investment on the most important research and research capability needed for the health of the Australian community. The national strategy would be underpinned by broad consultation with researchers, healthcare professionals, industry and consumers.</p>	<p>The merged funds would have the flexibility and responsiveness to enable support for the most important research and the research capability needed for the health of the Australian community.</p>

Main issue	Key component of the issue	Model 1 – Better alignment through coordination	Model 2 – NHMRC manages both funds	Model 3 – Merging the two funds under new governance arrangements
	<p>Grant programs delivered by the two funds are not transparently coordinated leading to duplicated effort.</p>	<p>Coordination between HMRO and NHMRC would facilitate:</p> <ul style="list-style-type: none"> • unified policies • coordinated funding opportunities, where appropriate (e.g. clinical trials) • harmonised grant procedures. 	<p>The delivery of both grant programs by NHMRC would enable:</p> <ul style="list-style-type: none"> • unified policies • coordinated funding opportunities where appropriate (e.g. clinical trials) • harmonised grant procedures. 	<p>There would be a single cohesive grant program delivered.</p>
<p>Lack of clarity of the different purposes and responsibilities of the two funds</p>	<p>Little difference is in their broad scope and most topics identified by the MRFF as priorities for investment are also supported through NHMRC’s grant program.</p>	<p>Coordination between AMRAB and NHMRC Council would seek to clearly delineate the role of MRFF and MREA funding and to reduce and/or remove duplication where appropriate.</p>	<p>The national strategy would clearly delineate the role of MRFF and MRFF funding and reduce and/or remove duplication where appropriate.</p>	<p>There would be a single cohesive grant program delivered.</p>
	<p>The research sector and the wider community have limited visibility of the ways in which the two funds complement each other.</p>	<p>Coordination between HMRO and NHMRC would enable development of a coordinated communication plan which articulates how the two funds complement each other.</p>	<p>The national strategy would articulate how the two funds complement each other.</p>	<p>There would be a single cohesive grant program delivered.</p>

Main issue	Key component of the issue	Model 1 – Better alignment through coordination	Model 2 – NHMRC manages both funds	Model 3 – Merging the two funds under new governance arrangements
	Grant opportunities in areas that directly overlap between the MRFF and the MREA, such as clinical trial funding and research workforce development could be coordinated.	Coordination would allow joint funding opportunities to be explored and direct overlaps in grant opportunities to be avoided.	NHMRC would manage both funds, coordinate grant opportunities and avoid direct overlap between the two funds.	The single cohesive grant program would avoid direct overlaps in grant opportunities.
	Greater alignment and integration of funder policies and processes are needed.	The coordinating mechanism would oversee the development of joint policies and grant procedures for both separately managed funds.	NHMRC would develop grant policies and processes that apply to both funds.	The single cohesive grant program would have a single set of policies.
Operational issues	The annual grant schedule should be coordinated to avoid excessive pressure on applicants, institutional research offices and peer reviewers.	Coordination between HMRO and NHMRC would deliver a consolidated grant schedule for the two funds, coordinated with other relevant entities (e.g. Australian Research Council).	NHMRC would develop a consolidated grant schedule for the two funds, coordinated with other relevant entities (e.g. Australian Research Council).	NHMRC would develop a single grant schedule for the merged grant program, coordinated with other relevant entities (e.g. Australian Research Council).
	There are multiple competing grant opportunities across the various funders and/or schemes.	Coordination between HMRO and NHMRC will seek to reduce competing grant opportunities and reduce pressure on applicants and peer reviewers.	NHMRC would coordinate grant opportunities across both funds to reduce pressure on applicants and peer reviewers.	NHMRC would coordinate grant opportunities within the single grant program to reduce pressure on applicants and peer reviewers.
	There are different application requirements and form design, and different post-award arrangements, across MRFF and NHMRC grant opportunities.	Coordination between the HMRO and NHMRC would aim to harmonise and streamline application and post-award arrangements for both funds.	NHMRC would harmonise and streamline application and post-award arrangements for both funds.	NHMRC would harmonise and streamline grant processes under a single grant program.

Main issue	Key component of the issue	Model 1 – Better alignment through coordination	Model 2 – NHMRC manages both funds	Model 3 – Merging the two funds under new governance arrangements
	There are two grants hubs used by the MRFF with different requirements for applicants and institutions.	Under all models, it is proposed that all grant opportunities will be administered by NHMRC and using the Sapphire system (replacing the Business Grants Hub in some cases).		
Limited avenues for consumer involvement in research	Consumer involvement could be more meaningfully embedded and incentivised in health and medical research funding.	Coordination between MRFF’s Consumer Reference Panel and NHMRC’s Consumer and Community Advisory Group could include development of a joint policy/statement on consumer involvement in health and medical research, while coordination between HMRO and NHMRC could develop joint approaches to consumer involvement in grant processes.	NHMRC would continue to work with its advisory committees and the Consumers Health Forum to progress the policy/statement on consumer involvement in health and medical research which would apply to MRFF and MREA funded research, and to progress consumer involvement in targeted and priority driven grant assessment processes.	New governance arrangements for the single merged fund would be expected to embed consumers in ongoing advisory mechanisms, engage community and consumers on the strategy and implementation and consider implementing approaches to consumer involvement in grant processes.
Lack of support for research translation and commercialisation	Government co-investment in commercialisation of health and medical research should be better integrated.	Coordination mechanism and/or the department could maintain linkages with other government funding sources (e.g. the Biomedical Translation Fund and the National Reconstruction Fund).	NHMRC would build linkages with other government funding sources (e.g. the Biomedical Translation Fund and the National Reconstruction Fund).	NHMRC would build linkages with other government funding sources (e.g. the Biomedical Translation Fund and the National Reconstruction Fund).

Main issue	Key component of the issue	Model 1 – Better alignment through coordination	Model 2 – NHMRC manages both funds	Model 3 – Merging the two funds under new governance arrangements
	<p>Greater long-term investment and flexible funding need to be achieved to increase the competitiveness of Australian medical research and innovation, including to build a cohort of cross-sector knowledge brokers to collaborate across academia, health and industry.</p>	<p>Coordination mechanism would focus on maximising the efficiency and effectiveness of health and medical research investment across both funds; facilitate cross-sector knowledge and networking; and coordinate relevant funding opportunities between government funders.</p>	<p>NHMRC would focus on maximising the efficiency and effectiveness of health and medical research investment across both funds; use advisory committees to facilitate cross-sector knowledge and networking; and coordinate relevant funding opportunities between government funders.</p>	<p>Merged funds under a national strategy would offer a flexible funding model for health and medical research in Australia and new governance models could be used to drive cross-sector knowledge and networking.</p>
	<p>Australia’s domestic biotechnology capabilities need to be built.</p>	<p>Coordination mechanism would consider opportunities to build Australia’s biotechnology capabilities, including through priority driven MRFF opportunities.</p>	<p>NHMRC would consider opportunities to build Australia’s biotechnology capabilities, including through priority driven MRFF opportunities.</p>	<p>NHMRC would consider opportunities to build Australia’s biotechnology capabilities, including through priority driven funding opportunities.</p>
	<p>Grant opportunities to support clinical practice and models of care at the later stages of the research pipeline for health professionals across the health system should be provided (e.g. medical, allied health and nursing).</p>	<p>Coordination mechanism would ensure that relevant grant guidelines clarify opportunities available to health professionals researching clinical practice and models of care.</p>	<p>NHMRC would ensure that relevant grant guidelines clarify opportunities available to health professionals researching clinical practice and models of care.</p>	<p>NHMRC would ensure that relevant grant guidelines clarify opportunities available to health professionals researching clinical practice and models of care.</p>
<p>Grant management system</p>	<p>Confusion can arise due to having multiple systems.</p>	<p>Under all models, it is proposed that all grant opportunities will be administered by NHMRC and using the Sapphire system (replacing the Business Grants Hub in some cases).</p>		

Guiding questions

This consultation is focused on seeking views from all stakeholders on the effective operation of the MRFF and MREA. The information will be used to provide advice to the Minister for Health and Aged Care on options for improving alignment and coordination between the two funds.

There will be future opportunities to contribute to the development of a national strategy. We therefore encourage all participants to focus their submissions to this process on the following questions.

1. What benefits should be achieved through improving the alignment and coordination of the MRFF and MREA?
2. Which feature/s of the models will deliver these benefits?
3. What elements of the existing arrangements for the MRFF and the MREA work well and should be retained? Which feature/s of the models will help ensure these elements are preserved?
4. Which aspects of the current arrangements could be changed to deliver the most appropriate and effective change, and why? Which feature/s of the models will help deliver this change?
5. Is there anything you would like to raise that is not otherwise captured by these questions?

Glossary

Administration: the staffing and resources required to establish and manage a grant program, including support for governance structures, developing and implementing research policy, and managing the grant life cycle (i.e. designing, selecting, establishing, managing and evaluating grants, and grants hub IT systems)

AMRAB: Australian Medical Research Advisory Board

Department: the Department of Health and Aged Care

Finance Minister: the Minister for Finance

Governance: system of oversight and accountability, including structures and processes to ensure grants are administered in accordance with relevant legislative frameworks (such as the MRFF Act and the NHMRC Act) and advisory structures to develop and oversee strategies and policies

Government: Australian Government

HMRO: Health and Medical Research Office (within the Department of Health and Aged Care)

Investment in health and medical research: Australian Government expenditure on health and medical research and innovation through the MRFF and MREA

Minister: the Minister for Health and Aged Care

MRFF Act: *Medical Research Future Fund Act 2015*

National strategy: a national strategy for health and medical research in Australia. Government investment through the MRFF and MREA would be one component, as well as how the government can effectively partner with states and territories, industry and philanthropy.

NHMRC Act: *National Health and Medical Research Council Act 1992*

NHMRC Council: the NHMRC Council, established under the NHMRC Act to advise the CEO and perform functions under the NHMRC Act and any other regulations or laws

Research sector: the health and medical research sector in Australia

Secretary: the Secretary of the Department of Health and Aged Care

Appendices

Appendix A: Terms of reference for consultation

Purpose

To consult with stakeholders on models for reforming the administration and governance of the MRFF and MREA, including to improve alignment and coordination between the two funds.

Scope

The consultation will cover, however may not be limited to, the following items:

- how current arrangements for the MRFF and the MREA (including separate management) could be enhanced
- high level information on strategies for implementing reforms
- how the funding bodies could best engage with and coordinate with key Australian Government investments in health and medical research (e.g. the proposed Australian Centre for Disease Control and the National Reconstruction Fund).

Deliverables

The department and the NHMRC CEO will:

- prepare a Discussion Paper documenting
 - the current arrangements for the MRFF and MREA
 - principles for the consultation and outcomes to be achieved through the reform
 - models for improving the administration and governance of the MRFF and MREA
- conduct broad and targeted consultations on potential reforms
- prepare a report for publication that summarises feedback received through the consultation process.

Appendix B: Current arrangements for the MRFF and the MREA

The MRFF and NHMRC are the main Commonwealth funders of health and medical research, providing over \$1.5 billion for health and medical research each year.

Scope and focus

The MRFF and NHMRC provide complementary health and medical research funding.

The MRFF is priority-led, calling for research to address identified and unmet national needs and emerging health challenges. It has a particular focus on translational research and associated outcomes, which enables rapid and flexible disbursements to respond to emerging issues such as the COVID-19 pandemic.

The NHMRC grant program comprises a range of competitive funding schemes that call for investigator-initiated proposals in any field of human health. Collectively, NHMRC's grant program supports individuals, teams, national networks and international collaborative research, with each scheme designed to achieve defined goals – such as capacity building, clinical trials, partnerships with health services and policy makers, and pre-commercial proof-of-concept research. While some grant calls are directed at a particular health issue or technology, most NHMRC schemes support research in any health-related field.

Funding

The available funding for the MRFF depends on investment returns determined by the Future Fund Board of Guardians (Budget estimates assume \$650 million/annum), while for the MREA it is determined and appropriated by the government through Budget and largely consistent from year to year (currently approximately \$850 million/annum).

Strategy and Priorities

The MRFF funding is directed by the MRFF Strategy and related MRFF Priorities, which are set by the AMRAB in response to national consultations. The MRFF Strategy is reviewed every 5 years and the MRFF Priorities every 2 years.

The NHMRC CEO is required to articulate a strategy for health and medical research and identify major health issues likely to arise (referred to as health priorities in NHMRC's Corporate Plan) in consultation with the Minister and NHMRC Council each year. The strategy and priorities are reviewed every 3 years to align with the term of membership for NHMRC Council.

Responsibilities

The Finance Minister, on request from the Minister, disburses MRFF funds. For the MRFF, the accountable authority is the Secretary, to whom the HMRO CEO reports. AMRAB was established under the MRFF Act to advise the Minister.

The NHMRC CEO makes recommendations to the Minister on the application of the MREA. The NHMRC CEO is NHMRC's accountable authority. The NHMRC Council is established under the NHMRC Act to advise the NHMRC CEO on the performance of his/her functions, including expenditure on health and medical research. Research Committee is established under the NHMRC Act as a Principal Committee of NHMRC Council and has specific functions to advise and make recommendations to NHMRC Council on the application of the MREA, the use of financial assistance provided by the MREA, and other matters such as the quality and scope of health and medical research in Australia.

Grant assessment

MRFF grant applications are assessed with a focus on potential outcomes and impact by independent grant assessment committees with broad expertise (e.g. researchers, health professionals, consumers, industry, health service providers). MREA grant applications are assessed by reviewers with appropriate expertise, including researchers, health professionals, industry and consumers, depending on the scheme, according to the specific criteria of the scheme. The criteria across different schemes can include scientific excellence, leadership, innovation, consumer involvement and impact.

Grant management and administration

The MRFF grant opportunities are administered via two grants hubs (i.e. NHMRC and Business Grants Hub), while the MREA grant opportunities are all managed by NHMRC.

NHMRC uses the online grant administration system, Sapphire, while the Business Grant Hub uses a separate online portal.

Appendix C: Background on the MRFF and the MREA

Medical Research Future Fund

Funding for MRFF grants is administered through a special account, the MRFF Health Special Account. It was established by section 23 of the MRFF Act.

In July 2020, the MRFF grew to \$20 billion. Every year, the government uses some of the net interest from this investment to pay for medical research initiatives. From 2022-23, the disbursements from the MRFF rose to a record \$650 million.

The maximum annual distribution from the MRFF Special Account each financial year is determined by the independent Future Fund Board of Guardians. On the Minister's request, the Finance Minister debits a specified amount from the MRFF Special Account, which was established by subsection 14(1) of the MRFF Act, to the MRFF Health Special Account.

The purpose of the MRFF Health Special Account is defined in section 24 of the MRFF Act, i.e. to make grants, for the purposes of supporting medical research and medical innovation, to any one or more of the following bodies:

- a medical research institute
- a university
- a corporate Commonwealth entity
- a corporation.

Medical Research Endowment Account

The MREA is a special account administered by the NHMRC under *the National Health and Medical Research Council Act 1992*. The MREA receives an annual appropriation through the Federal Budget. NHMRC currently distributes approximately \$900 million per annum from the MREA through its grant program to support health and medical research in universities, medical research institutes, hospitals and other research organisations.

NHMRC has developed an advanced research grants management system, Sapphire, to support end-to-end management of grant applications, peer review, selection and post-award administration. Sapphire is used to administer all MREA grants and many MRFF grant opportunities (under a service contract with the Department of Health and Aged Care).

NHMRC has several legislated responsibilities in addition to research funding, notably the development of national ethics frameworks for research, the production or approval of evidence-based health guidelines and oversight of the regulation of research using human embryos.

Reporting to the Minister, the NHMRC CEO is advised by the Ministerially appointed NHMRC Council and Principal Committees (including Research Committee and the Australian Health Ethics Committee), and a range of *ad hoc* advisory groups. NHMRC's strategy is presented annually in its Corporate Plan and its activities, undertaken by the Office of NHMRC, are reported in its Annual Report.