



PRE-BUDGET SUBMISSION

Australia Federal Budget 2021 - 2022

"We pioneer innovative solutions that treat and keep people out of the hospital, empowering them to live healthier, higher-quality lives. By enabling better care, we improve quality of life, reduce the impact of chronic disease, and lower costs for consumers and healthcare systems in more than 140 countries."



29 January 2021

Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

Via email: prebudgetsubs@treasury.gov.au

RE: 2021/22 Pre-Budget Submission

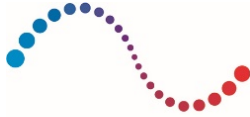
On behalf of ResMed, I am writing to provide you with our 2021/22 Pre-Budget Submission.

ResMed is a proudly Australian-born healthcare company now listed on the ASX and US stock exchanges. We are privileged with the opportunity to be part of our local community. ResMed employs about 1,500 people in Australia – including over 350 in Research & Development activities and approximately 500 in our advanced manufacturing operations.

As one of the top five non-invasive ventilation and top ten invasive ventilation makers in the world, ResMed continues to stand committed with the Australian Government in its response to COVID-19, both on a health and economic front. ResMed was honored to work closely with the Australian Government to deliver 7,000 ventilators for Australia, manufactured in Bella Vista, in Sydney North West.

COVID-19 has demonstrated the importance of having advanced technology and manufacturing capability in Australia in times of need, as well as why it is critical to enable greater access to digital health in Australia – and why ResMed will continue to focus on creating products and solutions that provide patients and providers with a seamless experience.

ResMed wants to see Australia flourish as one of the best places in the world to do business. Ultimately, this requires a big-picture view of Australian innovation, talent, and



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manufacturing – not just in lifesaving connected medical devices and digital health – but across all industries. We are therefore seeking to partner with the Australian Government on key economic and healthcare policy solutions to ensure that advanced technology and manufacturing remains and grows in Australia. To that end, we recommend the following policy settings:

- Intellectual Property (IP) tax incentives to reward and incentivise local innovation for companies who develop novel technologies in Australia and bring that technology to the world through commercialisation;
- Expansion and reimbursement of digital health and telemedicine for patients post-COVID and into the future; and
- Talent development and investment including additional support for diversification of the workplace.

Our submission below provides further context on the social and economic benefits of our proposals.

In the meantime, should you have any further questions regarding our Pre-Budget Submission, please do not hesitate to contact Vered Keiser via email at Vered.Keiser@resmed.com or Amanda von Leer via email at Amanda.VonLeer@resmed.com.

Kind regards,

Brett Sandercock
Chief Financial Officer (CFO)
ResMed



Contents

ResMed Background	4
ResMed’s Presence in the Australian Community	4
ResMed’s Role in the COVID-19 Pandemic	5
Challenges in the Economic Landscape	6
Proposed Economic Solutions.....	7
Additional Policy Considerations.....	9
Conclusion	11



ResMed Background

ResMed was founded in Australia in 1989 and today operates in over 150 countries. A significant portion of ResMed's advanced manufacturing is based in Australia, and Australia is home to one of ResMed's four global innovation hubs.

ResMed is a global leader in connected care, delivering innovative technology solutions that treat and keep people out of the hospital, improve quality of care, and promote therapy adherence. ResMed manufactures cloud-connected devices used to diagnose and treat sleep apnea, chronic obstructive pulmonary disease (COPD), and other chronic diseases. Over 12 million patients worldwide are remotely monitored at home with ResMed cloud-connected devices and approximately three million patients use MyAir™, a patient engagement mobile application.

By enabling better care, we improve quality of life, reduce the impact of chronic disease, and lower costs for consumers and healthcare systems in more than 140 countries. ResMed's mission is to help people sleep better, breathe better, and live healthier, higher-quality lives outside the hospital. In the past 12 months, we've improved 115 million lives and our ambitious goal is to improve 250 million lives in out-of-hospital healthcare in 2025.

ResMed's Presence in the Australian Community

ResMed is proud of its Australian roots and privileged to be part of our local community. Our core business is improving people's health and wellbeing by treating their sleep apnea, COPD, asthma, or other chronic conditions.

*ResMed employs about **1,500** people in Australia – including over **350** in Research and Development (R&D) activities and approximately **500** in our advanced manufacturing operations. We are one of Australia's largest exporters of medical devices.*

ResMed employs a highly skilled Australian workforce, including all types of engineers, medical staff, designers, manufacturing staff, and professionals. We invest heavily in research and development, both through our own world-class team efforts, and in partnership with key outside research organisations that help broaden our impact. Our corporate culture demands and values this innovation, not just in medical science, but also in disease awareness, policy development, and in our own team's operating



excellence. We provide training across a range of trades and practice areas, with a strong and recognised graduate and intern intake program.

ResMed supports the Australian community by:

- Reinforcing Australia's position as a world leader in innovation by promoting and building an entire ecosystem around modernization and state of the art technology – from our global patent portfolio, to local staff and support of home-grown industry and suppliers.
- Investing in the growth and education of Australia's talent of the future through longstanding engineering graduate and internship programs.
- Promoting Australia's national brand as a cutting-edge, medtech manufacturer on a global scale from our position as one of Australia's largest exporters of medical devices.
- Encouraging employees to contribute to the community. Over the past two years, under ResMed's Community Service Policy, ResMed employees have donated over 1,670 hours of their time.

ResMed's Role in the COVID-19 Pandemic

In response to the COVID-19 pandemic, ResMed worked closely with the Australian Government to deliver 7,000 ventilators for Australia, all manufactured at ResMed's Sydney Campus and manufacturing facility, to help keep Australians safe and prepared during the COVID-19 pandemic.

While the world remains in the midst of a global respiratory pandemic caused by this virus, we are grateful that we can be part of the solution as we live our mission. ResMed is taking every measure to ensure ventilators and other respiratory devices reach the patients who need them most, including keeping our employees safe and healthy, keeping our manufacturing and distribution centres safe and operational, and working closely with governments worldwide to better understand their fast-evolving product demands, and how we can best support them.

COVID-19 has demonstrated the importance of having advanced technology and manufacturing capability in Australia in times of need, as well as why it is critical to continue developing digital health solutions in Australia – and why ResMed will continue to focus on innovating and commercialising products and services to provide a seamless patient and provider experience.



Challenges in the Economic Landscape

Over the years, ResMed has made a significant investment in Australia and its people, including the manufacturing and innovation centre at the Bella Vista campus. We want to see Australia flourish as one of the best places in the world to do business. Ultimately, this requires a big-picture view of Australian innovation, talent, and manufacturing – not just in lifesaving connected medical devices and digital health – but across all industries.

As a company proud of its Australian roots, ResMed hopes to continue investing in Australia in the long-term. Every year, ResMed grows its R&D expenditure globally by 7 to 8%. ResMed would like to continue this investment by creating jobs and maintaining a local innovation ecosystem, and believes the following policy recommendations can assist in evolving Australia's competitive business environment.

ResMed welcomed the announcement of the A\$1.3 billion Modern Manufacturing Initiative (MMI) in October, 2020. This is a strong first step in enabling Australia to be a stable and competitive business environment, and ResMed is encouraged that this approach will include policies like a competitive taxation system to grow and nurture all onshore manufacturing.

However, as the policy landscape around the world evolves, the reality is it has become increasingly difficult for ResMed to choose Australia for new, incremental innovation over other jurisdictions, as they offer more favourable business environments. The current public policy settings disincentivise keeping these activities onshore, a stark contrast to other advanced nations which heavily encourage modernisation and commercialisation.¹

As shown in the table below, return on investment (ROI) in Australia as it relates to R&D expenditures lags behind other countries where ResMed maintains commercialisation hubs, in some cases by as much as 135%.

¹ Australian Medical Manufacturing Exporters Coalition (AMMEC) Submission to the Medical Manufacturing Roadmap Consultation, November 2020, p. 6



	Australia	Singapore	Ireland	United States
R&D incentives (per \$1 of R&D)	Up to 16.5c	Up to 20c	25c	20c
Local tax rate (including patent box where present)	30%	5 – 10% ²	6.25% ³	13.125% ⁴
Return⁵ (per \$1 of R&D)	\$3.67	\$4.70 – 4.85	\$4.94	\$4.54
Ranking on ROI	Last	2nd	1st	3rd

ResMed is not alone in experiencing these impacts. We are a member of the Australian Medical Manufacturing Exporters Coalition (AMMEC), comprising Australian medtech and biotech manufacturers and associations. The Coalition’s recent submission to the Medical Manufacturing Roadmap Consultation, provides insights on how this relatively low ROI affects the entire industry, which includes Australia’s largest medical manufacturers, as well as smaller companies seeking to expand from an Australian base.

As emphasised in the AMMEC submission, ResMed and the coalition strongly supports policies that maximise Australia’s international competitiveness and the social and economic benefits flowing from innovation-focused industries, specifically medical manufacturing.

Proposed Economic Solutions

While the problem is significant, the solution is simple: make Australia a more attractive place to do business by making it more competitive with other jurisdictions. An effective way to do this would be to reward the commercialisation of intellectual property by taxing profits derived from local innovation at internationally competitive rates. This is

² Depends upon applicable rates under the IP Development Incentive or Development and Expansion Incentive

³ Tax rate under the Irish Knowledge Development Box

⁴ US Foreign Derived Intangible Income (FOIi)

⁵ For every dollar of R&D, assume \$5 of profit from the resulting commercialisation. This item in the table takes into account tax on that profit which includes any R&D tax incentives. That is: \$5 - (tax rate x \$5) + R&D incentive.



not a novel idea and exists in many other countries where ResMed does business. Examples include: the UK's Patent Box, Ireland's Knowledge Development Box, France's IP Box, and Singapore's Economic Development Board Incentives. What these policies have in common is that they **reward and incentivise the commercialisation of intellectual property produced from local innovation**, which promotes sustained domestic growth and innovative activity. When paired with R&D tax incentives, this further motivates firms to retain research and development activities within the country.

Of the 33 countries that provide 'front-end' tax incentives, like the Australian R&D Tax Incentive, for eligible R&D costs, 24 also provide IP tax incentives to assist in the commercialisation of the IP generated in country.⁶ There are currently no Australian incentives for the on-shore innovation and commercialisation of research and patents, particularly in the medtech sector. The proposed MMI model for Australia borrows heavily from the many 'patent box' schemes, but may require adjustments to make the plan as impactful as possible.⁷

As COVID-19 has demonstrated, it is essential for Australia's preparedness and sovereign domestic capability to have industry and manufacturing settled locally. IP tax incentives like the 'Patent Box' approach, implemented by a number of European countries to remain competitive, would decrease the flow of Australian innovation resources to overseas nations, keeping highly-skilled advanced manufacturing, R&D, and STEM jobs in Australia.

Enacting IP tax incentives policies, most notably the patent box, would not only make Australia more competitive on the world stage, but also create significant national economic benefits, including skilled workforce retention, job creation and increased productivity. As delineated in the AMMEC Consultation, ResMed and fellow members are pleased to provide strategic recommendations on the approach and benefits of this policy below:

⁶ Australian Medical Manufacturing Exporters Coalition (AMMEC) Submission to the Medical Manufacturing Roadmap Consultation, November 2020, p. 2

⁷ Australian Medical Manufacturing Exporters Coalition (AMMEC) Submission to the Medical Manufacturing Roadmap Consultation, November 2020, p. 8



Suggested approach

- An effective tax rate of 10 percent (equivalent to UK and French schemes) on IP-derived income on eligible patents.
- The benefit to apply only to eligible patents derived from local innovation occurring after the announced start date.

Benefits:

- IP tax incentives would only apply to successful, revenue-generating and locally produced innovations, and provide a very targeted approach to rewarding the successful commercialisation of Australian inventions.
- When paired with R&D measures, IP tax incentives would encourage much sought-after growth in industry, medical manufacturing in particular, that drives productivity, creates jobs, and develops a highly skilled workforce, and the creation of supply chains to support the innovation.

Additional Policy Considerations

In addition to economic incentives and manufacturing initiatives, ResMed advocates strongly for policies that enable healthcare solutions that help diagnose, treat and manage respiratory disorders that keep people out of the hospital, reduce the impact of chronic disease, and lower costs for consumers and healthcare systems. Further, to maintain Australian's prominent role as a global leader in innovation, we encourage policies that invest in talent development and support diversification of the workplace.

ResMed's additional policy considerations include:

Expansion and reimbursement of digital health solutions in a post COVID-19 time

ResMed offers fully integrated cloud-based technologies that capture real-time physiological data, enabling physicians to provide targeted patient care and coordinate between care settings and providers. We pioneer innovative solutions that treat and keep people out of hospital, empowering them to live healthier, higher-quality lives. Use of ResMed's remote monitoring services with CPAP therapy drives patient engagement,



improves adherence and health outcomes, and reduces use of healthcare resources.^{8,9,10}

The COVID-19 pandemic has proven to be a catalyst for accelerated investment in digital health technologies and effective public-private partnerships in Australia. We applaud and thank the Australian Government for responding so swiftly, facilitating a rapid and now permanent expansion of telehealth services for the whole population, subsidised by Medicare, paired with additional incentives for healthcare providers.¹¹

ResMed's leadership in the digital health space is inextricably linked to our innovation and development performed in Australia. As an example, one of our newest technologies, the myNight™ mobile application, is a regulated non-contact medical device that analyses and records a person's nighttime breathing and respiratory pattern during sleep to detect sleep quality and breathing disorders. As the urgency of the pandemic subsides, we expect consumers and patients to look to virtual care services more frequently to receive care in the comfort of their own home. A recent Australia consumer survey conducted by Accenture found, "Given the choice, many healthcare consumers would choose virtual for basic care services, and they "definitely" or "probably" would receive health and wellness advisories (52%), remote monitoring of ongoing health issues through at-home devices (52%) and nearly half (49%) would choose virtual for routine appointments."¹² We believe this will help to improve access for Australians, especially those who are remote or unable to access usual healthcare means, resulting in cost savings, reduced hospital pressures and improved patient outcomes.

Australia's embrace of telehealth services has resulted in efficiencies in access and technology, reducing hospital admissions, emergency visits, and the pressures placed on the public health system. These expanded policies also improved access for people

⁸ Chang J *Et al.* Impact of Interactive Web-based Education and Automated Feedback Program on CPAP Adherence for the Treatment of Obstructive Sleep Apnea (Tele OSA). SLEEP Meeting 2016, 17 Rapport d'activité le Comité économique des produits de santé (CEPS). 2016

⁹ Malholtra *et al.* Patient Engagement Using New Technology to Improve Adherence to Positive Airway Pressure Therapy. UCSD, La Jolla, California; ResMed Science Ctr. 2017

¹⁰ Rapport d'activité le Comité économique des produits de santé (CEPS). 2018

¹¹ COVID-19: Whole of population telehealth for patients, general practice, primary care and other medical services <https://www.health.gov.au/ministers/the-hon-greghunt-mp/media/covid-19-whole-of-population-telehealth-for-patients-generalpractice-primary-care-and-other-medical-services>

¹² Accenture. Sustaining the Growth of Digital Health: Re-Examining the Accenture 2020 Digital Health Consumer Survey – Australia Findings. 2020



living in rural and remote Australia, together with those from socio-disadvantaged backgrounds.

In a post-COVID healthcare world, telehealth is just the beginning of a global movement towards the adoption of digital health solutions. Digital health solutions like ResMed's myNight™ and similar applications for screening and diagnostics, are growing at a much faster rate than before, and will continue to play an integral role in meeting Australia's health challenges well beyond the pandemic. The cost savings, reduced pressures and improved patient outcomes from the implementation of telehealth are already significant, but are just the beginning. Digital health solutions should be expanded and reimbursed to enable care to transition from the hospital to the home and provide Australians with a technology-driven, efficient, and world-class healthcare system.

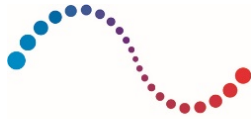
Although there is an overwhelming opportunity to expand digital health, ResMed recognizes the key challenge in Australia's digital health industry remains the funding and financial ability to drive commercialisation of innovations. The COVID-19 pandemic has driven expedient change and adoption of innovative healthcare solutions, including reimbursement for virtual care and telemedicine. We implore policymakers to continue this work and consider the importance of reimbursement for greater digital health solutions that will allow Australia to build a truly world-class digital health system.

Conclusion

We believe consideration of the above policy recommendations are absolutely vital in ensuring Australia's domestic sovereign capability and we strongly support the Australian Government's efforts to further develop and maintain a world leading culture of innovation and competitiveness.

We believe this can be strengthened through the policy areas outlined above, namely:

- IP tax incentives to reward and incentivise companies who develop and commercialise novel Australian technologies;
- Expansion and reimbursement of digital health and telemedicine for patients post-COVID and into the future; and
- Talent development and investment including additional support for diversification of the workplace, including female engineers.



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The Australian Government mobilized an unprecedented, rapid and effective response to the COVID-19 pandemic. This impressive and successful response has opened the door to embrace the digital health sector and build upon the country's well established leadership in medical technologies. The partnership forged between the Australian Government and ResMed is a strong example of government and industry working together through close collaboration. As ResMed continues to grow, we look forward to continuing our partnership with the Australian Government, particularly in the critical areas of digital health, innovation, R&D and advanced manufacturing operations.

ResMed is proud of our Australian roots and feels privileged to be part of the local community. We look forward to continuing our work with the Australian Government.

For further information or to arrange a meeting, please contact:

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- Amanda von Leer, Director of Government Affairs at Amanda.VonLeer@resmed.com.



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