

Intelligence MEMOS



From: Rosalie Wyonch
To: Healthcare Observers
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Re: **HOW WE CAN SPUR INNOVATION IN HOSPITALS**

Canada's healthcare systems face a critical inflection point [marked](#) by deteriorating access, growing wait times, and mounting capacity constraints.

Hospitals are at the forefront, where long wait times in emergency departments or for urgent and elective procedures as well as bed shortages are the main symptoms of the underlying issues. This is particularly paradoxical given that public healthcare spending per capita has increased by 41 percent over the past decade, while the number of providers working in direct patient care has also grown significantly.

This apparent contradiction – declining performance despite increased resources – signals deeper structural challenges within Canada's healthcare delivery systems to adapt to increasing demand from a growing and aging population, new diseases, and new and expanding medical treatments. Of special note is the disparity between Canada's demonstrated excellence in specific domains, such as outpatient surgery and minimally invasive procedures, and its persistent struggles with system-wide innovation adoption and scaling.

Canadian hospitals operate with the highest bed occupancy rates among OECD peers, while having fewer discharges and shorter average lengths of stay. This suggests that the system is severely capacity constrained even while Canada's hospitals have been adapting to manage growing population needs and have been very successful in some domains.

My recent C.D. Howe Institute [Commentary](#) examines the complex interplay of funding mechanisms and constraints, systemic structures, and organizational factors that influence hospitals' capacity to adopt and scale innovations. Drawing on extensive stakeholder interviews, comparative international data, and detailed case studies, the research reveals how fragmented funding streams, misaligned incentives, and institutional rigidities create barriers to innovation adoption.

The stakeholder interviews reveal that successful innovation initiatives typically emerge from the convergence of strong clinical leadership, executive support, and supportive policy frameworks that compare potential benefits of an innovation to current outcomes. However, the current system lacks consistent mechanisms to scale successful pilots or transition promising innovations from initial testing to sustained implementation.

There are several critical factors that promote innovation adoption, including supportive funding structures that accommodate cross-departmental and cross-ministerial benefits, robust change management resources, and formal knowledge sharing networks to scale the adoption of best practices. Conversely, key barriers arise from budget fragmentation, data system limitations, and the complex interplay between various stakeholders in the innovation process.

Enhancing innovation adoption requires coordinated policy interventions across multiple domains, including procurement reform, alternative payment models, and strengthened knowledge sharing or other market-enhancing mechanisms. While maintaining universal access remains paramount, the evidence indicates that targeted structural reforms could significantly improve hospitals' ability to implement and scale beneficial innovations.

A systemic overhaul to align the incentives of different decision-makers within the healthcare system to improve patient outcomes and ensure responsible resource stewardship would take significant resources, time and attention. While this might be the best option in theory, an already-resourced constrained system does not have the capacity to dedicate resources to improving capacity.

Policy actions that reduce the barriers to new technology and better process adoption in hospitals would promote the transition of system structures and incentives to reinforce ongoing innovation, scaling and sharing of best practices.

Funding and organizational structures are identified as the most important enabler of, or barrier to, innovation. Hospitals are funded predominantly through provincial transfers and most (or more) of the budget is already dedicated to providing ongoing care. Similarly, innovation and pilot funding might be sourced from different ministerial budgets or third-party grants with no direct mechanism to translate success to ongoing program funding. Adding to the challenge is the need for provider engagement in the change-management process, but physicians are not employees of the hospital and have no direct incentive to participate. To address these challenges:

- The health and economic development ministers at the federal and provincial levels should coordinate health innovation initiatives to encourage interdepartmental collaboration and alignment to specific, measurable goals. A key first priority should be creating clear pathways or bridges for successful innovation pilot programs to transition to ongoing programs and scale across the system.
- In the meantime, value-based funding mechanisms, public-private partnership structures and risk-sharing models that have proven to be successful in Canada should be encouraged through reviews of procurement policies. Reducing regulatory barriers and allowing for more flexible use of hospital resources allows hospital leaders and health companies to find creative solutions to overcome funding constraints and reduce the risk of uncertain outcomes for public funds.

Hospital executive and clinician/provider engagement are critical. Current system innovation depends on individuals at independent institutions collaborating and going above and beyond their job descriptions without direct incentives to do so. To address particular capacity challenges, the government could create time-limited incentives and complementary implementation guidance and resources that target specific goals.

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