

## Government spending on healthcare

*By Armando Duke*

June 19, 2009 - (AXcess News) Houston - President Obama could learn a thing or two on government spending on healthcare by looking at a Canadian program making investments in early stage companies. Just ask PharmaGap (TSX: GAP.V ; OTC: PHRGF.PK), one of five companies Canada's National Research Council (NRC) holds an equity stake in, if government-backing works.

NRC, a Canadian government organization which provides research and development support, has helped early stage companies grow from a concept to full-fledged operations and according to its 2007-2008 annual report, holds equity stakes in five companies that have shown a better than \$3.5 million profit on those shares after one company's IPO.

According to its annual report, "The nature of NRC's activities permits NRC to generate revenues in order to reinvest in its operations." Dependence on external sources of income has climbed from 11% in 1991-1992 to 24% in 2007-2008, according to NRC's Annual Statement. While in the US, the Congressional Budget Office (CBO) warns the Obama healthcare plan will only cut existing programs while passing billions on for taxpayers to foot the bill.

CBO Director Douglas Elmendorf said in a letter to Senate budget leaders, "Without meaningful reforms, the substantial costs of many current proposals would be much more likely to worsen the long-run budget outlook than to improve it."

NRC's Annual Report disclosed a \$392,933 equity stake in PharmaGap which, according to the biotechnology company's President, Robert McInnis, "played a key roll in developing the Company." That stake in today's market value has increased more than 50% compared to its March 31, 2008 share price which in turn gives a boost to potential returns for Canadian taxpayers, unlike the Obama administrations' cost-cutting measures as noted by the CBO Director.

PharmaGap, which is developing a cancer targeted therapy drug, PhG-alpha-1, had conducted early tests on mice in 2008 that showed an 80% effective rate in combating breast and colon cancer. The Ottawa-based pharmaceutical company announced in early May that the U.S. National Cancer Instituted would begin testing PhG-alpha-1 in Bethesda, MD in the NCI's human cell line cancer screen.

Early this morning PharmaGap announced the completion of a private placement, raising \$861,000. Had it not been for early government backing, the cancer drug might never have made it to human cell line testing at NCI. While PharmaGap is far past dependence on government funding, in the U.S., the Obama administration could learn a thing or two about spending taxpayer healthcare dollars where it can show the promise of a return.