



INTERIM BUDGET 2024

Healthcare Sector Expectations from Budget 2024

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The COVID-19 pandemic put a spotlight on healthcare systems across the globe and exposed areas of improvement within the system. Post-pandemic, all nations across the globe, including India, have taken concrete steps to restructure and rejuvenate their healthcare system. The Indian healthcare sector has come out of the pandemic stronger, more resilient, and more patient-focused than ever. The Government of India (GoI) has been a proactive stakeholder by providing all the tools necessary for the sector to continue its growth trajectory. One of the significant instruments of GoI support has been the annual budget. The GoI has been consistently increasing allocation for the healthcare sector over several years, although it has still not reached its target of 2.5% of the GDP. In addition to the budget announcements, the GoI has also taken policy initiatives such as the Production Linked Incentive (PLI) schemes, the Promotion of Research & Innovation in Pharma/MedTech (PRIP) scheme, and scaling its flagship Aayushman Bharat Initiative. Furthermore, the newly introduced policies including the New Medical Device Policy 2023 and the Draft National Pharmaceuticals Policy, showcase the GoI's clear vision for the sector.

Budget 2024-25 will be different from previous years as this will be a 'Vote-on-Account' or 'interim budget' as India is due to conduct general elections across April and May 2024. In these types of budgets, governments generally refrain from announcing revolutionary or big-ticket policy announcements and instead focuses on short-term issues, allowing a smooth transition of power to the next elected government. Post-elections, the new GoI will present a full budget where it will outline its vision for the next five years along with specific areas it aims to focus on. However, even in an interim budget, the GoI can address some long-term demands and resolve technical/procedural issues that the industry is facing. We have compiled a list of industry expectations from Budget 2024-25 below:

Increased Expenditure on Health Infrastructure

The GoI needs to significantly increase its expenditure on healthcare with a particular focus on creating healthcare infrastructure, especially in rural and tribal areas. Enhanced allocation to upgrade primary healthcare centers and provide the necessary healthcare professionals will go a long way in increasing access to healthcare services. Furthermore, incentivizing the private sector to create infrastructure by providing viability-gap funding or other similar mechanisms may be crucial.

In the past, Public-Private Partnerships (PPPs) were also explored, however, they have not scaled to the level required.

Higher Deduction for Insurance Premiums

The GoI covers the bottom of the pyramid through Pradhan Mantri Jan Arogya Yojana (PM-JAY), but the rest of the population is spending on healthcare out of pocket. An increase in deductions for health insurance premiums will encourage insurance adoption and penetration, leading to increased access of healthcare and reducing instances of catastrophic financial burden due to a healthcare event.

Rationalizing GST

Healthcare services are exempt from GST. However, the service provider must pay the GST on the procurement of goods such as medical devices, diagnostic kits, or services. This is an additional cost to hospital operations and increases the cost of care. Hence, if healthcare services are zero-rated, the input tax credit chain remains intact, thereby reducing healthcare costs for the patients.

Inadequate Healthcare professionals

While the recent announcement of 157 nursing colleges is a welcome step, there is still a severe shortage of healthcare professionals across the industry. India still does not have a promising doctor-to-patient ratio and requires more paramedics and other allied healthcare staff to manage the existing capacity. With new investments in healthcare infrastructure coming online, the need for healthcare professionals will be even greater. Hence, it is crucial to build capacities and the GoI will need to play an important role in this goal.

Rationalizing Custom Duties and Health Cess

The medical device industry is import-dependent when it comes to critical devices. Even today, more than 70% of critical medical devices are imported. Hence, rationalizing duties can reduce costs for patients. In addition to customs duties, medical devices also attract a 5% health cess. This adds to the cost of operations for hospitals, which is then passed on to the patient, increasing the cost of care. It is important to understand that high duties and taxes impact access to new devices for Indian patients, which can prove fatal in some instances. For the pharmaceutical industry, rationalization of custom's duty on life-saving drugs is a long-term request that the industry hopes will be addressed.

Promotion for R&D and Innovation

The GoI has taken a welcome step by introducing the PRIP scheme. However, to create a culture of research and innovation in the country, the GoI should contemplate extending the benefits of Section 115BAB of the Income Tax Act, 1961 to companies explicitly engaged in R&D and should not restrict it to only manufacturing companies.

Focus on Preventive Care

India is a resource-starved nation and it is imperative for it to move from curative to preventive care. The GoI needs to invest in creating a program for screening of high incidence Non-Communicable Diseases (NCDs) for better disease management and to reduce the burden on the healthcare ecosystem. Additionally, it will also reduce the cost of healthcare for patients.

Improving and Harmonizing Quality Standards

The pharmaceutical industry globally is witnessing significant improvement in quality standards, and India, being the 'Pharmacy to the World', needs to adhere to them. The GoI needs to support investments made to improve quality across the chain. Furthermore, the GoI has mandated adherence to ICMED 13485 for medical device manufacturers. However, its acceptance internationally is still not widespread. This creates a bottleneck for domestic manufacturers looking to export products with certifications required in each country. The CDSCO needs to work with other global regulators to bring ICMED on par with other global standards.

Conclusion

The demands from different segments in the sector address its major challenges. Increased investment in developing healthcare infrastructure, professionals, and the overall ecosystem is the need of the hour to cater to the existing demand. Furthermore, the GoI needs to ensure that the industry is given all the tools to fight a future pandemic and demonstrate that it has learned from COVID-19. The National Health Policy states that the government expenditure on healthcare should increase to 2.5% of the GDP. It is time to meet this target as it will be pivotal in addressing the above-mentioned demands from the industry. While this is an interim budget, the GoI can certainly show intent and direction to fulfill some, if not all, of the industry's requests.



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