

Healthcare sector responds to Union Budget 2018

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Finance Minister Arun Jaitley has announced two new initiatives under the Ayushman Bharat Program in the Union Budget 2018.



“The Union Budget 2018 has taken a huge step in making healthcare affordable and accessible by launching the world’s largest healthcare scheme. It is indeed heartening that 40 per cent of India’s population will be covered under an insurance scheme. The payor problem demanded urgent attention and the government has paid heed. If the Flagship National Health Protection Scheme to cover 10 Cr poor and vulnerable families with upto 5 Lakhs per family per year for secondary and tertiary care hospitalisation is properly implemented and monitored we would have taken an important step in creating a Swasth Bharat. Effectively this initiative which amounts to \$800 billion dollars tops even the US’ Medicaid programme which amounts to \$550 billion.”

Suneeta Reddy, MD, Apollo Hospitals

“My heartiest congratulations to this government for investing in creating a Swasth Bharat by launching the Ayushman Bharat programme. Such ambitious out of the box thinking was a burning need of the hour and the government has not disappointed. The initiative to cover 10 crore families with 5 lakh per family/per year WITH INSURANCE COVER FOR SECONDARY AND TERTIARY HEALTHCARE will be a game changer.”

Dr. Prathap Reddy, Chairman, Apollo Hospitals

"The government's focus on rural development and agriculture is a welcome step. The long overdue emphasis on our rural economy and agriculture will stimulate demand. The announcement of the Aayushman Bharat program for healthcare is a game changer and the coverage of ten crore people under the National health protection scheme is commendable. This will give an impetus to healthcare benefits for people in the most deserving sections of society.

Overall, while the budget appears to be a progressive one, it was disappointing to note that the reduction in corporate tax was offered only to companies with a turnover under of Rs. 250 crores."

Satish Reddy, Chairman, Dr. Reddy's Laboratories

"We applaud the announcements made by the Government in the Union Budget 2018 which has indeed addressed a lot of issues that will help the economy to prosper. It aims in creating the largest healthcare blanket for the biggest democracy of the world. The Government's initiative of setting up 1.5 lakh health facilities across the country will help bring healthcare closer to homes of the people, and will enable them to receive medical help within the golden hour hence improving the chances of survival.

Granting 50 crore beneficiaries and 10 crore families, 5 lakh rupees per year cover secondary and tertiary hospital expenses is a breakthrough move and the world's largest government-funded healthcare program . This will allow the poor to access world class healthcare facilities which was not affordable or available earlier. Also, the announcement of setting up one medical college for every three parliamentary constituencies is great as this will help in training the emergency medical technicians which will, in turn revolutionize the quality of care of the emergency medical response services in the country."

Mr. Naresh Jain, CEO, Ziqitza Healthcare Ltd

"The government has reiterated its commitment to 'Universal Healthcare' and has announced flagship schemes to provide better healthcare to people at bottom of the pyramid – National Health Policy and Rashtriya Swasthya Bima Yojana. These schemes will expand the reach of basic healthcare facilities in the country. While access to basic healthcare is an important determinant of Universal Healthcare, another critical factor is quality of healthcare. The latter requires access to advance healthcare technology for best health management of patients. The government should have looked at incentivising import of advance medical devices into the country by bringing down the customs duty.

There is also a need to undo the un-nuanced price control imposed by NPPA as the move is leading to unintended consequences on the healthcare ecosystem without any significant reduction in the cost of patient. The current price control regime has also lead to a drastic fall in foreign direct investment in healthcare sector from \$417 million in April-September 2017 against \$173 million in the same period in 2016, a reduction of 59 per cent.

Under the current ecosystem where more than 70 per cent of medical devices have to be imported from abroad, a balance approach to reduce cost to patient is trade margin rationalization for distributors, gradation in pricing thereby allowing a higher price bracket for superior medical devices, and lower customs duty. These measures will reduce the cost to patient without dis-incentivizing technical innovation by medical device manufacturers."

Mr. Pavan Choudary, Chairman & DG, Medical Technology Association of India (MTAI)

"It is really encouraging to see that the government has laid strong emphasis on Healthcare by announcing the World's Largest Health Protection Plan. We are confident that progressively, similar importance will be given to Home Healthcare which is fast becoming an important element in the health Management value chain"

Mr. Rajiv Mathur, Founder, Critical care Unified (CCU)

"Budget 2018 has definitely added significant impetus to the healthcare sector with emphasis on the elderly and underprivileged. The biggest declaration by the Hon'ble Finance Minister was the health protection scheme where 10 Cr poor families - for secondary and tertiary treatment - will get 5 lakhs per family. This announcement could be the first steps towards Universal Healthcare in India. The Finance Minister announced that 24 new government medical colleges will be set-up and this could be a big incentive for medical education in the country. The allocation of Rs. 1200 Cr towards health & wellness centres and Rs 600 Cr towards nutrition for patients suffering from Tuberculosis are positive steps.

We were pleased to hear in the Budget that the Government has allowed Senior Citizens to claims benefits of Rs 50,000 as part of medical insurance - earlier this was Rs 30,000. However, the government's discontinuing of Rs 15,000 per annum for medical benefits to salaried employees - as per today's Budget announcement, is unfortunate.

We welcome an increase in the cess from 3% to 4% as tax revenues - slated to be around 11,000 Cr, is welcomed and we are looking forward to seeing how the government intends to utilize and distribute the revenues collected from this cess increase."

Mr Mustafa Daginawalla, CFO, Saifee Hospital

"Overall, this has been a pro-people and a pro-poor budget. For the first time, Universal Health Care has got the impetus it needs. I am quite happy with the government's plan to introduce 24 new medical colleges. That is the only way to address the glaring lack of talent in the industry. The 1.5 lakh centres which will provide free essential drugs and diagnosis is a welcome move and a step towards boosting the Government's National Health Policy. The flagship national healthcare protection scheme which will cover 10 crore, underprivileged families, is a highly commendable initiative. Through the budget, the government has definitely shown its interest in making healthcare more accessible and affordable through the Ayushman Bharat programme.

Another highlight of the budget has been the focus on fighting the ever-growing hazards of pollution from crop burning, promotion of gas connection in houses using wood fire for cooking, among others. By not just talking about healthcare, but its indicators as well, the government is definitely on the right track towards improving the sector across the country.

We truly hope that going forward, the government also has plans for utilisation management, financial monitoring, audit mechanisms and accountability".

Ms. Ameera Shah, Promoter and Managing Director, Metropolis Healthcare Ltd.

"The life sciences (LS) sector today is at crossroads; on one hand there is increasing lifestyle diseases and a fast-improving awareness about health, and on the other hand we have a sector facing intense competition, pricing and regulatory pressure both in the domestic and international market.

Life sciences had great expectations from the Budget not only from the fiscal incentives perspective, but also from a regulatory angle, given how crucial the sector is not only from a healthcare standpoint but from an economic and social development perspective. Further, the sector was bullish given the government's vision of making India one of the top-three pharmaceutical markets by 2020.

The proposed National Health Protection Scheme (NHPS), the world's largest government-funded, universal healthcare programme is a tremendous revolution which will drive greater investment in hospital infrastructure in tier-2 and tier-3 cities and also lead to evolution of existing business models to address health needs of people covered under this scheme. Higher healthcare consumption will be positive for life sciences industry and is likely to boost demand; this may however require companies to invest in increasing the depth of their distribution networks. The abolition of Education cess of 3% along with introduction of Social Welfare Surcharge @10% on custom duties would have a negative impact on this industry.

The private sector has been asked to partner the Government by adopting centres under the Rashtriya Swastha Bima Yojna and also contribute in the NHPS by offering free essential drugs and services.

While the move to provide nutritional support to tuberculosis patients; 24 new medical colleges are welcome, the Budget has not specifically addressed imminent challenges directly affecting the life sciences sector. In order to stay competitive in the overseas market and given the uncertain global climate, it was expected that specific impetus or incentives would be given to research and development to promote innovation in the form of weighted deduction; capital linked subsidy schemes to upgrade MSME units; incentives for bulk drugs, patents, clinical trials etc. These demands remained largely unaddressed, giving no specific reason to cheer for the sector as a whole in 2018–19."

Santosh Dalvi, Partner and Head-Indirect Tax - West India, KPMG in India

"The budget addressed a few aspects at a very high level, the creation special hybrid vehicles which would optimize taxation for foreign investors is very welcome news. All other aspects was addressed at a very high level, including the mention of a new regulatory body under SEBI. Unless there is more clarity provided very soon, the situation will not be optimal for both start-ups and investors. For example, GST norms have to be relaxed, in terms of reduced rates for start-ups, as well as the ability to file on an annual basis, there was no mention of this. There was no mention of not implementing angel taxes, no mention of giving the angel investors vehicles towards reduced taxes or no taxes if they could roll over gains to other start-ups. Most countries allow this as it keeps a perpetual line of early stage funding open to start-ups.

It also appears as if more regulatory bodies are being set up like the body under SEBI, hopefully this does introduce more processes which may not bode well for start-ups, and funds. It is good to note that there is a focus on technology, especially AI/ML, details unfortunately were also missing, Would there be special government funds focusing on AI/ML which VC funds could leverage, would there be a focus around skills development for the next generation to take advantage off. Once again, clarity would be most welcome, and that too in a timely manner.

In conclusion, the next level of details need to be articulated soon with a focus on helping start-ups attract investments, optimize their cash flow and scale. This is very critical for the future if we want start-ups to be the back bone of our new economy."

Dr. Srikanth Sundararajan, Partner, Ventureast

"The Union Budget 2018 has taken a step towards making health care more accessible with it's flagship National Health Protection Scheme initiative which provides upto Rs 5 lakh per family per year, for hospitalization. However, the devil is in the detail as the million dollar question that prevails is - will these benefits be cascaded to the common man? On the business front, unfortunately, there has been no special mention of health-tech startups in general. Private healthcare sector should have been provided subsidy and exemption from GST to facilitate the greater spread of business and enable government's push to make healthcare accessible to all. Furthermore, on one hand, the government is talking about going digital, however, it has not supplemented the act by connecting it the digital drive with certain sectors such as healthcare and education which serve to be the backbone for the upliftment of well being of the society as a whole."

Ravi Virmani, CEO & Founder, Credihealth

Healthcare Industry: "Fueled by the 1200 Cr allocation for healthcare, what is exciting is the 1.5 lakh new healthcare centers that are going to be initiated. For a country that presents the highest number of patients in area of Breast Cancer and Head and Neck (Oral) Cancer cases in the world, these centers needs to be equipped with primary Onco scanning and treatment options. An early detection and treatment option would reduce healthcare cost burden on the Indian exchequer by several thousand crores in terms of disability adjusted life years (DALY)".

Biotechnology Industry: "Biotech industry expectations for dedicated research funds in the area of Biosimilars development and Regulatory Ecosystem remains unattended. India definitely requires financial focus to ramp up this area and craft out its position in the world healthcare scene".

Debayan Ghosh, Founder & President of Epygen Biotech Pvt Ltd

“A mere 11.5 per cent increase in budgetary allocations for health from Rs. 47,353 crore from previous year to Rs. 52,800 crores is disappointing and discouraging especially with the announcement of schemes that require large sums of money. The budgetary allocations are clearly mismatched with the stated policies goals despite the political commitment to increase investments in health (National Health Policy 2017), family planning, and achieve better health outcomes (SDG Goals). The continuing trend in lower budgetary allocations for health reinforce the fact that, while there is the intention and attempt to improve the health status in the country, the financial commitment continues to be missing for translating these goals into action.

The allocation for family welfare schemes under central sector schemes/projects, which is meant for procurement and distribution of contraceptives have increased only marginally by 2 per cent (Rs. 770 crore) over the budget (Rs. 755 crore) last year. This will be insufficient not only to meet the future demand but will also fall short of the current demand for contraceptives and for improving the much needed quality of services.

The Ayushman Bharat initiative and the National Health Protection Scheme announced by the Finance Minister is a welcome move for the country's healthcare development as they intend to significantly reduce the cost of healthcare borne by the households on medicines, diagnostics and hospitalisation. While both these schemes are conceptualised with good intentions, the government has to match up with a strong regulatory framework and clear financial outlays and implementation plans.

While universal access to health care services remains a distant dream with the current allocation strategies of the government, resource prioritisation is the key to effectively utilise the available budgets for primary health care. To quote an example, prioritising critical elements of reproductive health care for instance can reduce large expenses incurred on incentives and compensation. Rather, these amounts can be used more productively to improve the quality of care and strengthen health service delivery”.

Poonam Muttreja, Executive Director, Population Foundation of India

“Healthcare sector has been a clear priority in budget 2018. There has been a good balance on short term respite from out of pocket health costs & building capacity in the long term.

The Ayushman Bharat the scheme to provide health cover to 50 crore Indians of Rs 5 lakhs is simply audacious in scale and reach and could be a game changer. Healthcare needs to be universally accessible and also start from preventive care. This should be taken care of with the proposed 1.5 lakh health & wellness centres.

The idea to increase the number of doctors is good with the 24 district hospitals being upgraded, however strengthening of the other post graduate programmes like the DNB course would also need to be done simultaneously. Health can be one of the key job creators. More focus from the Skill India initiative with these announcements should see this sector contribute in this area too.

We hope that other announcements like the Pradhan Mantri Research Fellowship & the Research allocation would also spur healthcare research. With 1200 crores to the National Health Policy , we look forward to a continued impetus to the National Programme for Control of Blindness which is one of the most successful Public – Private healthcare programmes.

It would be interesting to see how these would be funded, the finance minister indicated a widening of the tax base and an additional 1% cess, we only hope that the 3.5% fiscal deficit does not force a rethink on these allocations later. Also it would be good to expand the ease of doing business to ease of working with insurance & schemes and simplifying the process for health care providers.”

Dr. Kaushik Murali, Paediatric Ophthalmologist & President, Sankara Eye Hospital

“The proposed union budget for 2018 seems promising. I'm elated to learn about the ample attention that has been given to the healthcare sector. Healthcare, agriculture, and education are fundamental tenets of the country, concentrating on the

development of these three sectors is the need of the hour; and the budget would definitely augment the growth and development of the said sectors.

The allocation for the health insurance sector seems propitious. Statistics reveal that an alarming 7% of the population is pushed below the poverty line due to the direct consequence of an unseen medical emergency; Even with these alarming numbers, a mere 20% of the population is covered, either, by public or private insurance. Healthcare is one of the key factors responsible for throwing people into abject poverty and putting them in dire financial conditions. It is critical and the country needs to act up on working towards the betterment of this particular arena. The National Health protection scheme, covering 10 crore families and providing Rs 5 lakh cover per family per year for the medical treatment, is a commendable effort to tackle this mammoth issue.

All of us, in the healthcare startup circle, were vying for the government's attention towards digital healthcare as it is the only way to make world-class healthcare accessible to the masses. The rationale behind this is, 72% of the primary health care issues can be solved online without physical presence of the patient; whereas secondary and tertiary healthcare require the patient to visit the facility. Even post-op activities, like follow-ups, can be undertaken online ruling out the need to travel far and wide to for a routine visit. DocsApp serves over 2000 people every day, 40% of these people hail from villages and towns falling below tier 3 cities; this highlights the need for enhancement and development of digital solutions.

Digital healthcare solutions help to minimize infrastructure costs, they're the most effective way to ensure delivery of world-class healthcare in the underserved parts of the country. The boost given to telecom infrastructure and the move to establish wi-fi centers is a clear indicator of the shift from offline to online facilities. Every service, from healthcare to education, will be easily accessible to the people of the country. DocsApp is keen to work with government to make universal health care available to the masses in the near future."

Satish Kannan, CEO & Co-founder DocsApp

"Today's budget has definitely boosted the spirits of the healthcare sector. The announcement around the National Health Protection Scheme, which will provide Rs. 5 lakhs medical reimbursement for the poor will be beneficial to nearly 50 crore people. The lack of clarity in processes was also witnessed with the Ayushman Bharat program as the tertiary healthcare sector was not touched upon. The government also took a massive stride in making medical education more accessible, by setting up 24 government colleges and hospitals. The effort would see more traction by joining hands with the private sector to implement colleges that can provide aspiring doctors with quality learning. We hope that in the coming months, this ambiguity is resolved to make quality healthcare available to the masses, in a clear and structured way".

BS Ajaikumar, Chairman & CEO, HealthCare Global Enterprises Ltd

"The Budget is very much in line with the expectations of FICCI. It will drive consumption in a big way, thus helping growth in other related sectors.

Additionally, the attention to the MSMEs through better access to finance or lowering of the corporate tax rate would also help spur both employment and growth in this vital segment of the economy.

FICCI also believes that the stress on jobs in the Budget will help generate meaningful employment going ahead.

Another path-breaking announcement in the budget relates to the new National Health Protection Scheme under which an annual health insurance cover of Rs 5 lakh will be provided to nearly one third of the households.

This is the world's largest government funded healthcare programme and would lead to a clear increase in demand for quality healthcare facilities and services and to match this rise in demand, several measures have also been announced to improve supply of quality health services in the country.

However, given the performance on the disinvestment front this year, there were hopes that the government would be more ambitious in terms of setting the target for the next year - the Rs 80,000 crore target for disinvestment receipts in FY19 is a bit conservative in FICCI's view.

The continuation of STT even while re-introducing LTCG will put some additional burden on the market participants. This, however, should not impact markets in the long-term. With the markets giving a compounded return of 15-16% over the last

20 years, a tax impacting 1.5% return should not affect the domestic investor appetite for equity investment.

Finally, while consolidation process for the public-sector insurance companies has been indicated, FICCI hopes that a similar plan for the banking sector as was widely anticipated ahead of the budget will also be announced soon."

Mr. Rashesh Shah, President, Federation of Indian Chambers of Commerce and Industry (FICCI)

"Healthcare is a big winner in this budget with an emphasis on reaching the unreached. It is encouraging to see that the Government has announced the largest government-funded healthcare program insurance scheme of up to Rs 5 Lakh per year for secondary and tertiary care hospitalization. This scheme will also create new jobs in the healthcare sector and will result in opening of healthcare centers in small districts, towns and villages. This scheme will further empower the poor and under privileged to avail medical services."

Dr Somesh Mittal CEO, Vikram Hospital

"The budget rightly provides a focus on Agriculture, Healthcare & Education. The big move towards the path of Universal Healthcare Coverage under the flagship National Health Protection scheme which will bring 50cr citizens with Rs 5 lac/family for secondary and tertiary care hospitalisation is transformational for the country. The question to answer is how will the scheme be funded and executed given the fact that health is also a state subject. This move coupled with the announcement of 24 additional govt medical colleges and hospitals gives healthcare the centre stage in this budget. In addition the increase in tax exemption for senior citizens on health insurance premium and medical expenditure is a good move. This was also the opportune time for the FM to give infrastructure status to the healthcare sector and provide the much needed acceleration to capacity creation in the sector.

The reduction in corporate tax for SME businesses with revenues up to Rs 250cr is a step in the right direction to push the agenda of their growth and the Rs 10k cr outlay for the telecom infrastructure under Govt projects including the support for establishment of indigenous 5G centres with IIT Chennai is an excellent move.

Overall a budget that's high on promise and execution will hold the key."

Vishal Bali, Co-Founder & Chairman, Medwell Ventures

"There are two announcements which will impact the healthcare delivery industry. The Suraksha Bima Yojana enhanced limit of 5 lakh rupees per family is yet to be launched, so the details and capital allocation will only be known when it is launched. However, the intent is quite positive, as almost 40% of underprivileged population would be able to access the secondary and tertiary care healthcare, and this would increase the market size for healthcare providers radically. The second scheme is for 1.5 lakh healthcare centres, where the budgetary provisions are only 1200 crores. However, it may be a good beginning for creating healthcare accessibility to the rural poor.

The investment in hospitals is a subject matter of viability, so it is yet a bit premature to assess the investment potential of the schemes announced. However, if the prepositions are commercially viable, these would be opening a vast market for the investments to flow in."

Ms. Zahabiya Khorakiwala, MD, Wockhardt Hospitals group