

Budget 2022: Experts call for increased allocation for health and pharma sector

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Credit Rating Agency Brickwork Ratings in its report on the pharmaceuticals and healthcare sector released on Friday noted that during the last budget, government expenditure on the healthcare industry rose by 130% year on year, beating market expectations.

Given the continued pandemic conditions, this year too, government spending on the healthcare sector is expected to increase and be around 2% to 2.25% of the GDP from the current levels, in line with the government policy to increase healthcare spending to 3% of the GDP.

“Fund allocations in the upcoming budget towards pharma and healthcare are expected to be driven, inter alia, by the government’s focus on vaccinating the entire population. Additional funds are expected to be allocated towards the COVID-19 vaccination programmes, including the booster dose and vaccination for children,” the report said.

It is also expected that the government would increase export incentives as a step towards achieving the goal of becoming the pharmacy market of the world. Although the expectations on tax reforms in the pharmaceutical sector remained unmet in the last budget, industry expectations on lower GST rates for critical life-saving drugs and devices under the zero-tax slab and tax benefits on R&D expenditure in key raw materials and new drug discovery (including for new COVID variants) still continue for the upcoming budget and are considered crucial to boost local manufacturing and achieve self-sufficiency.

The pharma and healthcare sector has benefitted from the various government schemes, including the Aatmanirbhar Bharat initiative introduced in the last budget, and the fund allocation of Rs.64,180 crore under the initiative. “It is expected that the government would look at covering more areas under the Aatmanirbhar Bharat plan for maximum benefit to the players in the pharma and healthcare sectors, with enhanced investments for capacity expansions in areas where dependence on imports is still high,” the report said.

At Rs. 74,602 crores, the budgetary allocation for healthcare in FY2022 dropped by 9.8%, if compared to the Revised Estimates for FY2021. Given the ongoing pandemic, ICRA, another credit rating agency said that it expects a sizeable increase in grants to the sector in the forthcoming budget. Higher allocation is also necessitated to enable the government to achieve its target spend of 2.5% of GDP on healthcare by 2025, from the current sub 1.5% levels.

With a resurgence in Omicron cases, ICRA said that the partial cost towards children’s vaccination and booster shots for the adult population to be a part of the upcoming budgetary allotment towards the sector.

Health industry experts believe that the pandemic has significantly shifted the dynamics of the healthcare sector, bringing to the fore the impending need for developing the medical infrastructure in India for improved access and operations. Recognizing the gaps in the sector, the government has already launched several short-term and longer-term measures for the health system including the PLI scheme for boosting domestic manufacturing of medical devices under the Atmanirbhar Bharat initiative.

“We are expecting the 2022-23 Union Budget to also focus on investments in digital tools to support patient care and hospital workflow. To provide a fillip to the MedTech sector in 2022, waiving off the duty and CESS, and releasing sectoral payment dues will free-up the working capital for investments in inventory of critical spare and lifesaving equipment,” said Dr Shravan Subramanyam, Managing Director of Wipro GE Healthcare.

Experts believe that encouraging and supporting local manufacturing of healthcare equipment and devices will be critical in 2022 to achieve the target of increasing healthcare spending to 3% of the country’s GDP. “Additionally, disruption in the global supply chain has now provided opportunities for large-scale manufacturing in India. We believe that continued focus on innovation and R&D, local manufacturing and digital technologies will enable India to become self-reliant,” Subramanyam said.

Other experts, like Dr Ashutosh Raghuvanshi, Managing Director and CEO, Fortis Healthcare, are of the view that the Budget should accord the healthcare sector a primary status so that derive benefit from the GST transition.

“Healthcare should be accorded priority status so that the sector can derive benefit from the GST transition and providers and healthcare service delivery institutions can avail loans at lower rates and extended tenure. It is also essential that the Government reduces duty and cess for critical care and life saving equipment and drugs to reduce costs for both providers and patients,” he said.

Similarly, Ameera Shah, the promoter of diagnostics chain Metropolis Healthcare, argues that the ongoing Covid-19 pandemic would entail, much like last year, that this year’s Budget focuses more on healthcare than any other sector.

“While we still battle the mutations to the COVID-19, the upcoming budget might comprehensively cater to healthcare sector. R&D in India and around the world has been ever developing solutions to address the existing issues and has been preparing for the anticipated ones. Technological intervention has increased digital and home-based healthcare ecosystem ensuring a reliable healthcare solution for the nation. However, training, and medical infrastructure needs to be nurtured. The Centre’s current expenditure on healthcare is estimated at 1.2% of the GDP(as per National Health Accounts, 2016-17) and envisioned to touch 2.5% by 2025,” she said.