

Healthcare sector likely to get more funding in upcoming Budget

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Industry experts hold that the healthcare sector is in focus for the past two years since the COVID 19 epidemic hit the country and is expected to receive increased allocation of funds in the upcoming budget for vaccine services and infrastructure boosts.

In its report on the pharmaceuticals and healthcare sector, Brickwork Ratings said that government expenditure on the healthcare industry went up by 130% during the last budget, beating market expectations.

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

In the upcoming budget for pharmaceutical and healthcare, funding allocations are expected to be driven by the government's focus on vaccinating the entire population. Additional funds are expected to be allocated towards the COVID-19 vaccine programmes, including the booster dose and vaccine for children, according to the report.

It is expected that the government will increase export incentives as a step towards achieving the goal of becoming the pharmacy market of the world. Industry expectations for lower GST rates for critical life-saving drugs and devices under zero-tax slab and tax benefits on R&D expenditure in key raw materials and new drug discovery are important for the upcoming budget and are considered crucial to boost local manufacturing and achieve self-sufficiency, even though expectations on tax reforms in the pharmaceutical sector remain unmet in the last budget.

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

At Rs. The budget allocation for healthcare in FY 2022 fell by 9.8% compared to the Revised Estimates for FY 2021, as the budget allocation for healthcare fell by 74,602 crores. Another credit rating agency said that it expects a large increase in grants to the sector in the upcoming budget due to the ongoing pandemic. A higher allocation is needed to enable the government to achieve its target spending of 2.5% of GDP on healthcare by the year 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 will be part of the upcoming budgetary allotment towards the sector.

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

We expect the 2022 – 23 Union Budget to focus on investments in digital tools to support patient care and hospital workflow. In 2022, the MedTech sector will be filled with a waiver of duty and CESS, and releasing sectoral payment fees will free up the working capital for investments in critical spare and lifesaving equipment, said Dr Shравan Subramanyam, Managing Director of Wipro GE Healthcare.

In the year 2022, experts believe that it will be critical to encourage and support local manufacturing of healthcare equipment and devices to achieve the goal of increasing healthcare spending to 3% of the country's GDP. Opportunities for large-scale manufacturing in India have been provided by disruption in the global supply chain. Subramanyam said that India would become self-reliant because of the continued focus on innovation and R&D, local manufacturing and digital technologies.

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

Healthcare should be granted priority status so that the sector can benefit from the GST transition and providers and healthcare service delivery institutions can avail loans at lower rates and extended tenure. He said it is important that the Government reduces duty and cess for critical care and life saving equipment and drugs to reduce costs for both providers and patients.

Ameera Shah, the promoter of Diagnostics chain Metropolis Healthcare, argues that this year's budget focuses more on healthcare than any other sector because of the ongoing Covid 19 pandemic.

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