Expectation from the Union Budget for the year 2020 – 2021 on Healthcare

India's fast-growing economy has led to a noteworthy increase in demand for modern healthcare facilities, rise in awareness about diseases, health consciousness among people, increase in per capita income, changing lifestyle and most importantly a transition in disease profile from communicable to non-communicable diseases like cardiac and diabetes. With the government promising that it will be doubling its public health spending to 2.5 per cent of gross domestic product (GDP) by 2025 from 1.15 per cent at present, all eyes are on the healthcare sector as Union Budget 2020 is concerned.

Last year has been a challenging one for India's private healthcare providers, with multiple headwinds impacting growth and profitability. The overall sector has become less attractive for investments without which growth gets hindered significantly. Even the existing players are slowing down their CAPEX plans. In this context our hopes and expectations are very high on the forthcoming union budget.

1. Access to Capital at Lower rates:
    a. Healthcare should be declared as a National Priority sectors on the same lines as Agriculture (priority-sector lending). The status will provide the banks flexibility to lend to private healthcare institutions on longer tenures and at lower rates.
    b. Government should design a package of incentives to encourage FDI inflows to the sector. Through regular interactions the ministry should reassure the investor community that it welcomes such investment.
2. Tax Reforms
    a. My another expectation is government should consider zero rating of health care services which will not only make sure that the credit chain is intact but also ensure that the input taxes are not loaded into the cost of healthcare services. Input tax credit will also be available as a refund for the healthcare service providers. This option will help in reducing the cost burden for healthcare providers and give them the ability to pass on the benefit directly to the consumers.

    b. Since health care service is an exempted service under GST regime. GST paid by the branches/ head office on such inter–unit transfers also accumulate as ineligible credit. Such exemption will help in reducing the cost burden for healthcare providers and give them the ability to pass on the benefit directly to the consumers.

3. Specific Tax relief:
    a. Hospital capital spending comprises 80% of real estate component and as a result the all commercial property related taxes are levied on hospitals. Property related taxes have a huge impact on hospital finances. Exception in Stamp duty, Municipal / Corporation Taxes will also boast investment in Healthcare as the main component of investment is Real Estate.
    b. Ambulances are the key ancillary service provided by the hospital and often consider as key medical emergency support in between life and death. Unlike all other vehicles on road the healthcare providers are liable to pay all the motor vehicle taxes and fees for their ambulances which should be exempted.
    c. Similarly power tariff contributes 25 -30% of hospital operating cost and cause a huge impact of patient billing. Hospitals due to their sensitive societal role should get exemption from paying commercial rates and all applicable surcharges in respect to power tariff.

4. Emphasis on CGHS Rates and payment
    a. CGHS rates for empanelled hospitals was last revised in 2014 and on the contrary the hospital operational expenses like the cost of manpower, medicines, consumables and taxes has increased over the years. We would like to see an urgent revision of the CGHS rates in forthcoming Union Budget.
    b. The process of CGHS billing and payment to empanelled hospital is very time consuming. The entire payment cycle generally takes 3 to 11 months. Due to such huge delays and outstanding payments, private hospitals are facing huge financial difficulties in meeting their obligations to suppliers and third-party (vendors). Government should initiate appropriate steps to reduce the payment cycle and allocate more funds in the Budget to clear the impending dues.