

Union Budget 2018-19

Our Point of View

Healthcare



A big step towards universal health coverage in India

Budget analysis and impact

The Union Budget 2018-19, through renewed government support, provides a big opportunity to the Healthcare industry and allied services to address the healthcare needs of a large population of the country. As envisioned under the National Health Policy, 2017, the Union Budget 2018-19 has taken a long stride towards Universal Health Coverage, with focus to increase the health coverage for the under-privileged and the bottom-of-pyramid section of the society. This sees an increase of 11.5 per cent in the outlay for health and family department (from INR42,353 crore in 2017-18 to INR52,800 crore in 2018-19).

The Budget is in line with industry expectations of increase in insurance coverage, especially for those below the poverty line. Under the cover of 'Ayushman Bharat' the government has announced measures to holistically cover primary, secondary and tertiary care services. At the forefront of this is the National Health Protection Scheme. This scheme will cover 10 crore families with an annual coverage of 5 lakh per family. This is a significant increase from the coverage under the 'Rashtriya Swastha Bima Yojana', benefitting 45-50 crore families in providing access to secondary and tertiary care services. The proposal of setting up 1.5 lakh health and wellness centers will bring primary healthcare to every household by providing essential drugs and diagnostics free of cost.

By increasing government support and coverage, this will boost demand of medical services in the country, giving an opportunity to healthcare providers and insurance companies to partner with the government. It will also reduce the financial and mental burden of healthcare costs on the less privileged. Reduction in household Out-of-Pocket (OOP) expenditure on healthcare will lead to increased disposable income which with time will give an impetus to the economy. Support for Tuberculosis (TB) patients during period of treatment will further lead to increase in demand for nutritional supplements and is a welcome step to ensure a TB-free India.

The Budget also proposes steps to address the shortage in qualified medical personnel. It propagates setting up of at least one medical college for three parliamentary constituencies and one Government college per state. Further, 24 new government medical colleges and hospitals will be established by upgrading existing district hospitals. This will further enhance quality and accessibility of medical education and healthcare.

Amidst all the initiatives, more clarity is required regarding the breakdown of allocated Budget and a road map to implement these plans. Convergence with existing government schemes needs to be considered to reduce hurdles during implementation. Barring the announced efforts to increase medical colleges, more efforts are required to reduce the existing manpower and skill gap. There was also no mention of measures to support investment and collaboration with technology to upgrade quality of care. The government needs to incentivise healthcare providers to imbibe technology and digitise the healthcare sector.

Overall, the Budget proposed measures to address long anticipated demand for increase in healthcare coverage. This will provide a big boost to the healthcare industry and allied services in India. Implementing these measures at such a scale will require close coordination of the center, state, and districts with healthcare and insurance providers. There is need to ensure adequate quality measures are adopted and adhered to.

Budget impact

- Flagship National Health Protection Scheme with focus on 50 crore beneficiaries, will provide health coverage up to INR5 lakh per family per year for secondary and tertiary healthcare services.
 - NHPS will help in reducing OOP expenditure for secondary and tertiary healthcare services in poor and vulnerable section of the society
 - Boost to healthcare sector including hospitals, pharmaceutical and medical devices with expected increase in patient inflow due to increase in coverage and access to healthcare services.
- INR1200 crore allocation for 1.5 lakh health and wellness centers to provide free essential drugs and diagnostics, and preventive health services
 - There is increased focus on providing wellness and primary care services to the society
 - This will lead to increase in government spend on primary care infrastructure, procurement of medicines and supplies giving a boost to pharmaceutical firms manufacturing essential drugs
 - There is also opportunity for diagnostic service providers to partner with the government to provide diagnostic services to a large population
- INR600 crore allocation to provide nutritional support for Tuberculosis patients at INR500 per month during treatment period
 - This will increase continuum of care for TB treatments and increase adherence to treatment plan
- Upgradation of existing district hospitals to establish 24 new government medical colleges and teaching hospitals
 - The proposal to set up new medical colleges will boost availability of doctors mainly in rural part of India
 - Opportunity for private players to engage with the government for opening up of new medical colleges and hospitals.

Key announcements

Tax

- Increased deduction on medical insurance for senior citizens from INR30,000 to INR50,000. In case of critical illnesses, deduction increased to INR100,000 for senior citizens
- Existing education cess of 3 per cent replaced with a new health and education cess of 4 per cent to fund the education and healthcare needs of below poverty line population
- Exemptions on medical reimbursements for salaried class removed in lieu of standard deduction
- Benefits provided to start-ups extended further by a two year period. Further, definition of eligible start-up has been widened to include high potential of employment generation
- Cash payments by charitable institutions exceeding INR10,000 not to be considered as application of income
- Charitable institutions failing to comply with withholding tax provisions specified will face a disallowance of 30 per cent of the expenditure

Indirect tax

- Introduction of new levy by the name Social Welfare Surcharge (SWS) at the rate of 10 per cent on imported goods in lieu of Education Cess (2 per cent) and Secondary and Higher Education Cess (1 per cent) resulting into marginal increase in effective Customs Duty rate for most products
- Reduction in basic Customs Duty rate from 2.5 per cent to Nil on raw materials, parts or accessories for manufacture of Cochlear Implants.



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