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FICCI lauds the strategic reforms announced for public health infrastructure

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Dr. Alok Roy, Chair-FICCI Health Services Committee & Chairman, Medica Group of Hospitals shares his views on recently announced economic package and reforms by the Government

The industry body FICCI welcomes the steps announced by the Finance Minister for augmenting public health infrastructure in the country. These are long awaited reforms for addressing various challenges of the health sector that FICCI had been advocating for over past few years.

While these are commendable steps towards Atma-nirbhar Bharat, it is crucial that they are put into immediate implementation so that their impact can be realized in next 3-5 years. The increase in public spending on healthcare should be increased to at least 2.5% of GDP, which has been assured in the National Health Policy 2017.

The well-thought-out strategy for creating public-private infrastructure of hospitals, public funded labs across the country, emphasis on preparedness for infectious diseases at block level as well as greater importance to research and digital health will indeed form the pillars of growth for the sector. These are crucial for enhancing healthcare delivery across the continuum.

Provision of 30% viability gap funding (VGF) for PPPs for hospitals in tier- II & III cities is also a welcome step. Last year, the government had announced the 20% VGF scheme, which has not seen many takers. It is important to understand that VGF for only capex is not viable for the healthcare sector, and should be considered for both capex as well as op-ex financing.

However, all these announcements are only long-term steps that will help enhance the healthcare capacity of the country, but do not provide any respite from the crisis owing to the COVID-19 pandemic.

The industry was hopeful of a relief package for the health sector that has faced acute financial as well as physical stress over the past couple of months. While the government has been considerate towards agriculture, one of the key pillars for economic growth of a country, but the health sector that is the epicenter of the ongoing crisis has been ignored.

The hospitals that were already financially fragile over past few years, have been stressed with the unplanned investments for COVID-19 preparedness and response; and have seen their revenues topple due to 60-80% decline in patient footfalls, leading to estimated operational losses of 4500 crores per month (at 50% revenues and 35% occupancy levels). Many small hospitals and nursing homes in tier II & III cities had to down their shutters due to the challenges of liquidity and cash flow.

FICCI has repeatedly recommended to the government for some immediate measures for the health sector to help bring them out of these severe headwinds. Some of these recommendations are:

- Support through Liquidity infusion for financing of the operating losses through short term interest free/ concessional interest rate loans to address the liquidity gap to the tune of Rs 14,000 -24,000 Cr
- Unutilized past MAT credit while transitioning to new Income tax regime
- Indirect tax reliefs/ exemptions/ waivers like- recoup amount equivalent to ineligible GST credits paid on procurements for a stipulated period
- Customs duty / GST exemption on essential medicines, consumables and devices for treatment of COVID patients
- Waiver or reduction of health-cess on all essential medical devices
- Extension of time for a period of 3 years needs to be provided under the EPCG scheme for fulfilment of existing export obligations for the healthcare sector given that international patient traffic flow has completely stopped
- At least 50% rebate on the current Commercial Rates of Power currently being paid by hospitals, to ensure sustenance of business