Industry Expectations Riding Higher Than Ever

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Certain reforms in Budget 2023-24 can be a game-changer for the life sciences sector. Like last year, the pharma, healthcare and med tech industry is expecting certain other reforms that can provide an impetus to the sector. Putting forth their recommendations, industry experts and associations are looking ahead to this year's budget.

The much anticipated Union Budget 2023-24 is knocking on the door and there are high aspirations from the finance ministry. The life sciences industry is hopeful that the government will consider certain recommendations being put forth by various healthcare and pharma companies and promote the growth of the sector.

Despite the Union Budget 2022-23 allocating Rs 86,200 crore to the Ministry of Health and Family Welfare, the industry is crying for more budgetary allocation from the finance ministry. However, certain sections within the sector were critical of the allocations made across the sector during the last year's budget.

More support from government

India is known as the 'pharmacy of the world' and the right investments in R&D will help in propelling the sector forward. Indian pharma manufacturers were able to provide life-saving medicines at affordable prices to countries during the COVID-19 outbreak.

Dr Sudarshan Jain, Secretary General, Indian Pharmaceutical Alliance (IPA), urges, "The budget should outline supportive policies, simplified regulations, and simple goods and services tax (GST) norms to aid in the development of the pharmaceutical industry. Measures to facilitate the ease of doing business will increase investment and contribute to the industry's long-term growth."

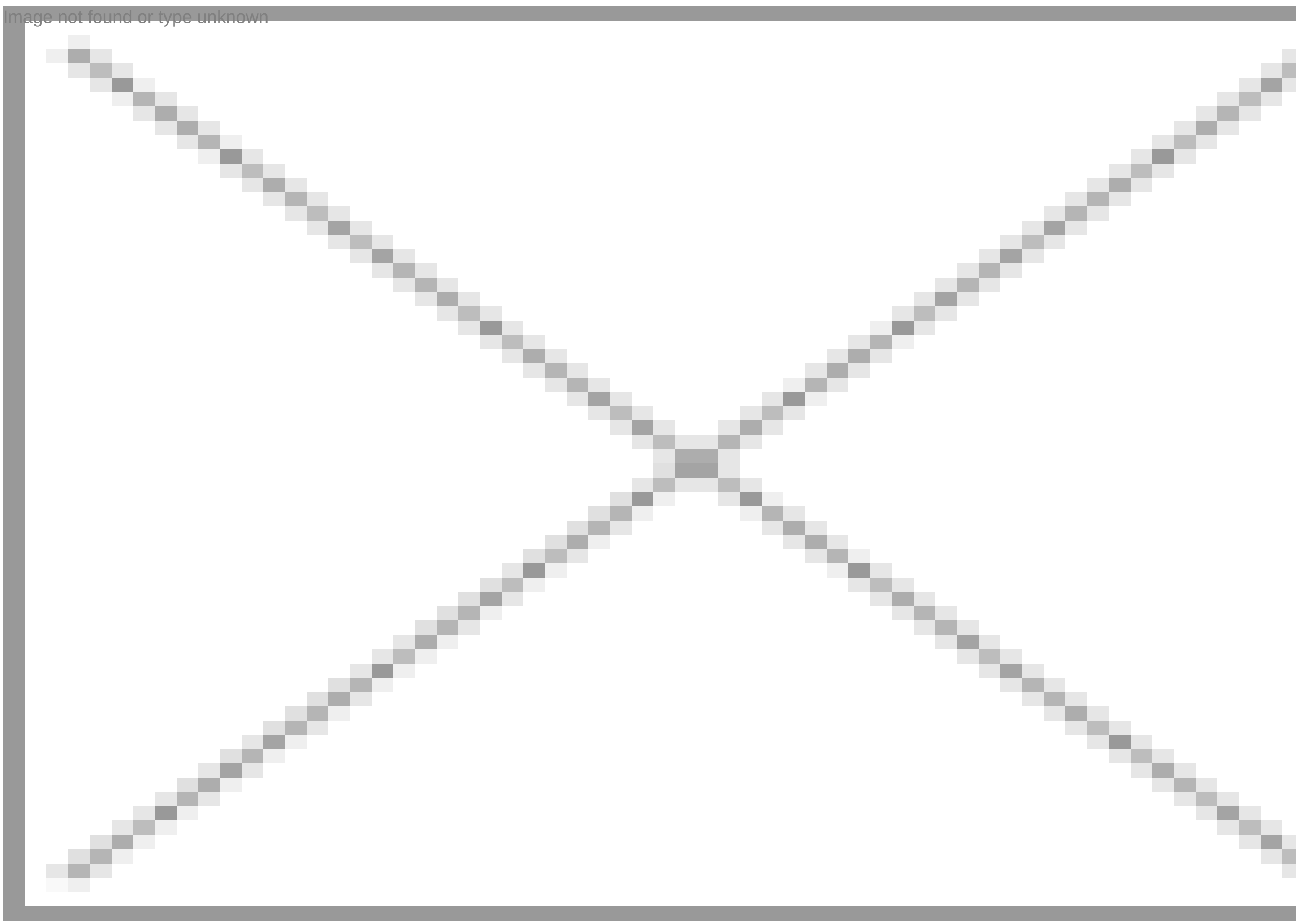
He goes on to add that following the 'Vasudhaiva Kutumbakam' principle, the industry is poised to shift from Make in India to Discover and Make in India.

The government should take the growth story of the Indian pharmaceutical industry to an all-new high. This calls for building upon the manufacturing and research capabilities of the pharma sector with a focus on self-sufficiency in active pharmaceutical ingredients (APIs) and value creation through cutting-edge R&D.

Talking on similar veins, **Saransh Chaudhary, President, Global Critical Care, Venus Remedies and CEO, Venus Medicine Research Centre (VMRC)** says, “The government should announce incentives and grants for cost-intensive research, particularly in critical care segments. All the material procured by pharma firms for R&D purposes should be exempted from both GST and customs duty. Strategic measures should be announced to capitalise on emerging opportunities for global value creation. Offering incentives to domestic API manufacturers on one hand and bringing about a reduction in GST and import duty on APIs on the other is the need of the hour. "

Similar to the pharma sector, the healthcare sector also needs some budgetary push to sustain itself in the long run. Experts also point out the need to focus on affordable healthcare with the help of digital technologies.

Upendra Nath Sharma, Partner, J Sagar Associates, expects the government to increase allocation to the sector considerably and continue to provide other sops for the industry. He says, “It is expected that the Central Government will formulate new and effective models to encourage private investments in R&D, ensure a simpler and less time-consuming regulatory processes for speedier approval of new drugs, improve ease of doing business in India, provide incentives to healthcare startups, strengthen higher education system and promote digital interventions in manufacturing facilities and in the supply chain.”



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Emphasising training, skills and capacity building

The healthcare sector, particularly the hospital, doctors and nurses were overburdened during the COVID-19 pandemic. Considering the pandemic which wreaked havoc and now with Omicron BF.7 spreading across certain parts of the world, the budget should focus more on prevention. Emphasis should be made on providing formal training to doctors and enhancing skills to boost the sector. The budget also needs to pay attention to building capacity for intensive care, upgrading the infrastructure at primary healthcare etc.

Dr Alok Khullar, CEO, Gleneagles Global Health City, Chennai explains, “Healthcare sector needs to be considered as a priority and an essential service. Various subsidies and benefits should be given on land rates and other necessities such as electricity, as it will pave for accessible and affordable healthcare with better infrastructure and high-quality treatment improving access to care and better patient outcomes.”

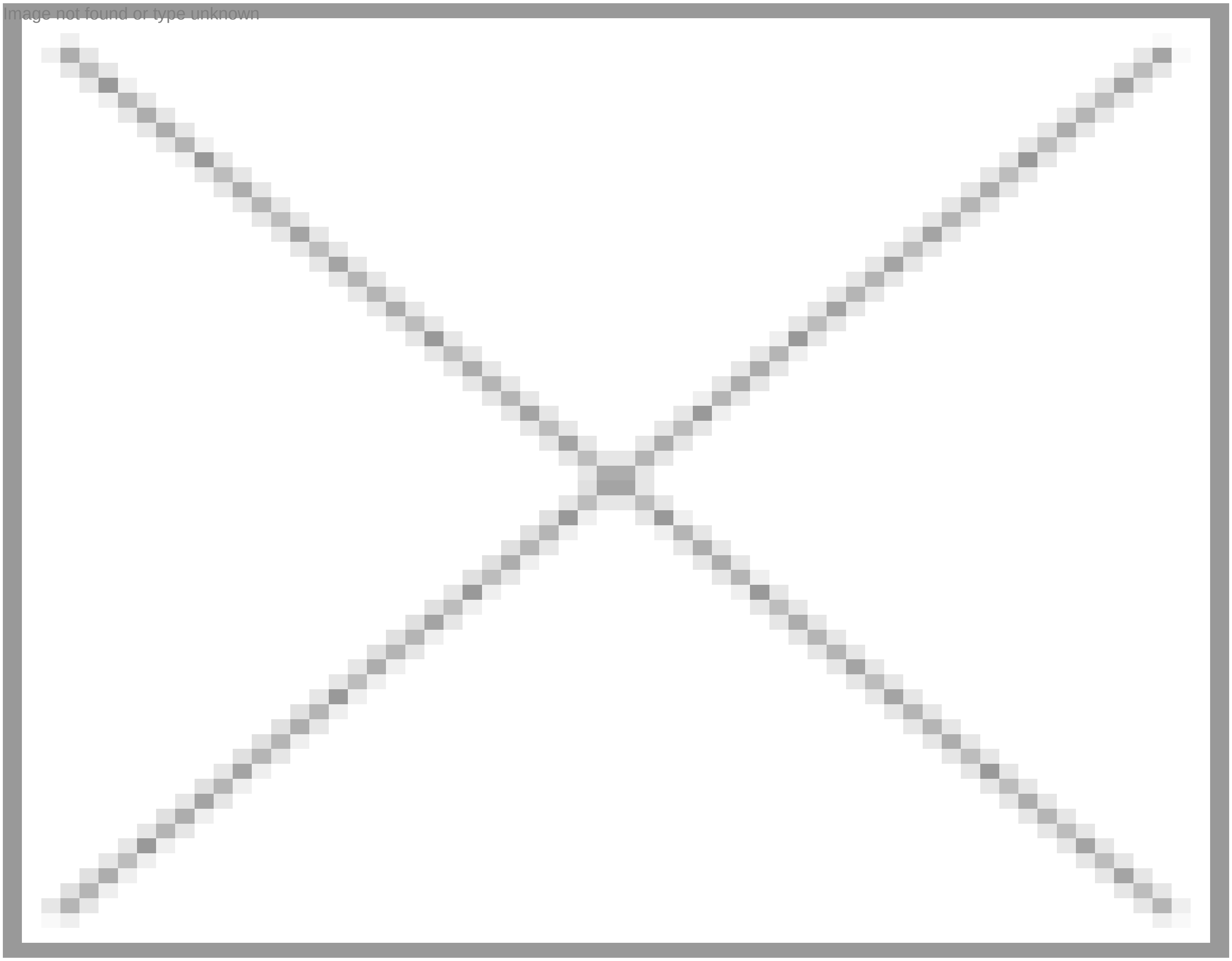
Apollo Hospitals has classified its expectations into three categories, all of which addressed two key concerns. The three categories are incentivising health-seeking behaviour, promotion of healthcare infrastructure and capacity building and GST. Apollo wants mandatory health insurance introduced to ensure universal healthcare access, enhancement of health insurance premium exemption, increase in tax exemption on preventive health check-ups and expansion of the Pradhan Mantri National Dialysis Programme to all the districts.

Dr Sangita Reddy, Joint MD, Apollo opines that there should be no capital gains tax incidence at the time of setting up a Real Estate Investment Trust (REIT)/Business Trust as well for individual investors on the income distribution by the REIT/Business Trust. She mentions, "We are in favour of the provision of 150 per cent depreciation on new investment and infrastructure and permit depreciation charges over an accelerated time frame. An import duty relief for life-saving equipment; and a three-year extension for claiming Export Promotion Capital Goods (EPCG) credits given that the COVID years impacted international travel is recommended."

While exhorting about the GST, Apollo recommends that the government may levy 5 per cent GST on the composite service and allow input credit. It also wants a GST waiver for supplies of goods and services between the head office and branch offices.

Highlighting the need of enhancing the role of the private sector in increasing the capacities of healthcare professionals to address the shortage of healthcare professionals NATHEALTH has emphasised GST reforms, transitioning to a new Income tax regime and health financing.

Dr Shravan Subramanyam, President, NATHEALTH, shares, “It is imperative to build infrastructure capabilities so that people have greater access to quality and critical healthcare services. Viability gap funding by the government is essential to set up hospitals in Tier-II and Tier-II cities, encouraging increased investment in healthcare infrastructure. Uniform adoption of the Ayushman Bharat Digital Mission is another imperative which calls for clearly defined delivery models for innovative modules developed by private players. We are also witnessing a significant impact on the cost of running the business which will affect the sustainability of MedTech organisations. If all payment backlogs both for providers and suppliers under insurance and public procurement are cleared, it would significantly improve the availability of healthcare infrastructure. As we prepare for the post-pandemic era, stable policy frameworks and incentives to help the healthcare sector remain viable-investment via Foreign Direct Investment (FDI), expanding reach, investing in technology and innovation, reinforcing patient safety and adding to the skilled professionals of India.”



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Reducing import dependence

The med tech industry has been vocal about strengthening the finances of medical device manufacturers. The sector believes in creating a suitable environment for R&D by redesigning financial models.

The Association of Indian Medical Device Industry in its pre-budget recommendations wants the government to end the 80-85 per cent import dependence and an ever-increasing import bill of over Rs 63,200 crore. It urges the government to consider shifting from an 8 Digit HS Code to a 10 Digit HS Code as done by the US and Europe to give more granular data for enabling better analysis and policy making.

It further goes on to add that the government should protect the manufacturing base in India by increasing basic custom duty on the import of medical devices to at least 10 to 15 per cent from the current 0-7.5 per cent duty though WTO Bound rate is mostly 40 per cent; the GST needs to be a flat 12 per cent for all medical devices and trade margin monitoring.

Rajiv Nath, Forum Coordinator, Association of Indian Medical Device Industry (AiMeD) says, “If the government implements even 70 per cent of the recommendations recently made by the Parliamentary Committee on Health, we can see a reversal on the import dependence and growth of the domestic industry which will bring in affordable wider access to medical devices leading to better healthcare delivery.”

For a country that relies heavily on imports to meet its healthcare needs, an additional tax threatens to not only dent the access to advanced medical equipment coming to India but will also leave patients bearing the brunt of these additional costs adding to the inflationary spiral.

As **Pavan Choudary, Chairman and Director General, Medical Technology Association of India ((MTaI)** points out, “A separate budget of $1-5 million needs to be allocated for the promotion, advertising and marketing of the Indian medical device industry globally. This will help strengthen ‘brand India’ and get greater acceptability of India-made medical devices in overseas markets which will further the government's vision of ‘Make in India for the world’. It will also help in the promotion of India as a destination for manufacturing and R&D in MedTech."

Lastly, Choudary recommends that the free medical device samples must be exempt from TDS.

Burden of high-cost diagnostics

Similar to the med tech sector, driving down the cost of diagnostics should be crucial. Expanding the number of diagnostic facilities will eventually raise the standards.

Says **Narendra Varde, MD, Roche Diagnostics India & Neighbouring Markets**, “Free package of basic diagnostics in public healthcare facilities would not only lessen the burden on the poor and the vulnerable but also make them available to middle-class sections who are struggling financially because of the high cost of healthcare diagnostics. The PPP model can be leveraged to scale up diagnostics infrastructure in the form of centres of excellence for infectious disease or NCD management in tier II & III cities.”

He also opines on the need for greater and standardised regulations governing the accreditation of labs.

Expecting a proactive budget

Every year, the life sciences sector comes up with certain recommendations, however, which of these comes under the ministry’s notice remains a big question.

Considering all the above recommendations, it can be understood that the life sciences sector is looking ahead for certain big reforms. A lot of discussions are the need of the hour where the finance ministry needs to sit with the sector and look in depth about what needs to be done to overcome the situation where India can hold its head high in healthcare with its large population base.

With COVID-19 again in news across China and US, Japan is concerned, India needs to take decisive steps to ensure that a fruitful budget presents a win-win situation for both the government and industry at large. A proactive budget focusing on healthcare is an all around industry consensus.

Key Budget Expectations

- Supportive policies, simplified regulations, and simple GST norms
- Formal training to doctors and enhancing skills
- Various subsidies and benefits should be given on land rates
- Promotion of healthcare infrastructure and capacity building
- Universal healthcare access
- Enhancement of health insurance premium exemption

- Increase in tax exemption
- Import duty relief for life saving equipment
- Three-year extension for claiming Export Promotion Capital Goods credits
- 5 per cent GST on composite service and allow input credit
- Exemption of free medical device samples from TDS
- Standardised regulations governing the accreditation of labs

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