

### Healthcare & Insurance: Industry Reacts To Union Budget 2020



#### **Nirmala Konjengbam - 01 February 2020**

**Mumbai, February 1:** Finance Minister Nirmala Sitharaman, while presenting Union Budget 2020, has focused on improving healthcare needs of the masses, MSME, generation of employment and inclusive growth through increased expenditure on rural economy and economic development.

Experts feel this will enable quality healthcare in Tier II and III cities.

“The allocation of Rs 69,000 crore to healthcare will enable further reforms in the sector, and create employment opportunities. The larger focus on Ayushman Bharat and Mission Indradhanush will increase access to quality healthcare services, particularly in Tier II and III cities. The government’s move to expand Jan Aushadhi Kendras will make medicines more affordable and will certainly improve health and longevity in the country going ahead,” said Prasun Sikdar, MD & CEO, ManipalCigna Health Insurance.

The measures proposed in the budget will support to regulate the gap and play an important role in making health a priority for one and all and creating further awareness for health insurance.

“The clear focus of the budget is to make healthcare more accessible with increased infrastructure, as the investment in healthcare sector has gone up from the previous year. The expansion of Ayushman Bharat Scheme is another big step to fulfil the need gap in secondary and tertiary care, especially for the economically weaker sections of the society. The scheme has benefited many people since its launch who needed medical care however, didn’t have adequate funds to support. Ayushman Bharat scheme has also played a huge role in increasing awareness and acceptance of health insurance amongst all sections of the society,” added Ashish Mehrotra, MD & CEO, Max Bupa Health Insurance.

Further, the setting up of more hospital infrastructure in Tier-II and III cities under PPP model via viability gap funding, will further be a boost for the healthcare ecosystem and benefit the underprivileged families which were devoid of basic medical facilities. India has recorded the highest out of pocket expenditure on healthcare, as compared to other developing countries. The measures proposed in the budget will support to regulate the gap and play an important role in making health a priority for one and all and creating further awareness for health insurance.

“However, the budget didn’t address the long pending request of the health insurance industry to remove or minimise GST slab for health insurance premiums paid. As health insurance penetration is still low in the country, change in the GST slab could have been a big driving factor for consumers to invest in health insurance,” noted Mehrotra.

“I believe that kind of healthcare facilities in a country determine the life expectancy of its citizens. By setting up viability fund to develop and empanel more hospitals in Tier II and Tier III cities through PPP model under AB-PMJAY and allocating Rs 6,000 crore for the same, will allow beneficiaries to access quality medical treatment. Thus, providing a much-needed boost to penetration of health insurance,” added Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance.

Finance minister also proposed to sell a part of government stake in insurance behemoth, Life Insurance Corporation of India (LIC) stake sale will happen through an Initial Public Offer (IPO).

“Listing of LIC is a good move which will bring focus on the life insurance sector, other expectations of sector could have been met better. The insurance industry will be watchful of the implication of the direct tax changes in the new tax regime,” said Kamlesh Rao, CEO Aditya Birla Sun Life Insurance.

“The government’s decision to list LIC is a welcome move. This will result in better governance and greater transparency given the disclosure requirements of listed entities. It will also contribute materially to the efforts of the Government to raise funds through divestments,” added Sandeep Ghosh, Partner & Leader - Financial Services Advisory, EY India.

With more tax benefits, the common man can focus more on investing and insuring the future digitally. The new budget offers tremendous tax benefits to the average taxpayer helping him lower his tax liability considerably. Moreover, with the different social welfare schemes promised by the Finance Minister, the outlook looks positive.

“The insurance industry is also expected to see major impacts with the disinvestment in LIC. It would bring in fresh capital for the company helping it to make strategic future plans. The emphasis on digitization, tax benefits promised to companies, MSMEs and start-ups and the lowering of the tax rates would result in higher disposable incomes in the hands of tax-payers thereby promoting insurance investment. Thus, the insurance segment is poised to grow with the changes announced in the budget and the economy might also recover from the slowdown,” said Dharendra Mahyavanshi, Co-Founder, Turtlemint

The income, expenditure and deficit numbers for FY21 are realistic and achievable. Dividend Distribution Tax removal is a positive, but the proposal to now tax dividend at the marginal rate takes some of the sheen off that.

“Taxing dividends in the hand of the investor may have a marginal long-term impact on REIT and InVIT valuations. No significant incentives for infrastructure and real estate is a disappointment. Outlay for rural and Agri sectors are less than expectations. Budget reflects the constraints of the sluggish economy within which FM has had to operate,” commented Mihir Vora, Director & Chief Investment Officer, Max Life Insurance.