

Personal Finance

● BUDGET ROADMAP 2021: HEALTH INSURANCE

GST rate cut can act as a booster dose

Raising tax deduction limit on premiums paid for health insurance will lead to people buying adequate cover



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GIVEN THE GRAVITY of this whole Covid-19 pandemic situation, there has been an increased awareness of the importance of health insurance and the consumer mind set has undergone a tectonic shift from looking at health insurance as a priority to seeing it as a necessity. Whether it is the government, bureaucracy, industry, media or common man, we are all now discussing protecting lives and financing for the same in the form of health insurance. Thus, in the upcoming Union Budget 2021, we do expect finance minister Nirmala Sitharaman to announce various measures for the health insurance sector.

Reduce GST rate on insurance

In the hierarchy of needs, health today is 'top of mind' and health insurance is more relevant than ever. Health insurance has become an essential commodity and needs to be slotted in the 5% GST tax slab along with commodities such as food



ILLUSTRATION: SHYAM KUMAR PRASAD

items to make it more affordable for people to get access to quality healthcare care.

Here's where GST rate cut from 18% to 5% on health insurance premiums will be a huge respite, especially for senior citizens who are struggling to meet the rising healthcare costs. At present, on most insurance products, the GST is 18% which thrusts the premium to 118% for the end-user. The abolition or at least a sizable reduction in the GST on all personal lines of products—from the existing 18% to 5% will encourage more people to buy health insurance.

Increase in tax deduction limit

Further, the increase in the limit of tax deduction in Section 80D of the Income Tax Act can help better penetration of health insurance. Currently, under Section 80D, an individual can claim up to

₹25,000 deduction for self and family. This limit should be increased. It is a fact that one major illness in the family can drain entire savings, and can push the family into a debt trap. Hence, adequate health insurance cover and the right health insurance product is a necessity.

There has also been an extraordinary increase in the incidence of critical illnesses in the country, where the cost of treatment for such diseases is a curse for people living in the lower and middle-income group. This definitely calls for a higher tax deduction limit for health insurance plans.

Healthcare financing

Special focus should be given on easier access to healthcare financing with regards to affordability, predictability and simplicity. In recent times, both the

national and state-level government bodies are making targeted efforts to improve the healthcare scenario. Also, the Insurance Regulatory and Development Authority of India (IRDAI) in its continuous efforts to make health insurance products more standardised, has rolled out affordable standardised health insurance products such as Arogya Sanjeevani, Corona Kavach and Corona Rakshak health insurance plans. This has brought about huge awareness of health insurance and the government should continue to take specific steps to increase health insurance literacy.

Access to health insurance can help more people become part of the health care system and get quality treatment. Lack of health insurance can make it difficult for patients to get the health care they need and when they do get it, it burdens them with huge medical bills. We expect the government to announce effective measures in the Union Budget for greater access to health insurance.

The government needs to come up with several changes in the regulatory framework to ensure the majority of the population comes under the ambit of insurance. Covid-19 pandemic has revealed the serious gap between supply-demand imbalances, this is a lingering issue that needs to be addressed with a structural course of action. We hope that the upcoming Budget comes up with a series of measures to boost this sector. The healthcare sector must be supported and encouraged to expand and thrive so that it can make a real difference to the country's economy and employment.

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