The Impact of GST on Elder Care Services in India

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Abstract

India has the second largest elderly population in the world and according to the United Nations (2017) India would be the most populous country in another seven years. The proportion of the elderly population currently in India is 103.2 million. An increasing elderly population has a significant impact on the country's economic growth, social security systems, labour markets and healthcare delivery systems. The most profound impact would be on the existing health care delivery system and elder care services because health needs of the elderly population is growing to be the most important concern and the currently available healthcare infrastructure in India will have to revamp itself to cater to the needs of the healthcare needs of the elderly people. The public health care delivery system in India is not adequately equipped to meet the geriatric (elderly health) needs and therefore majority of the elderly population depend on private health care. Private health care is out-of-pocket and is profit motivated rather than service motivated. In a situation where the cost of health care is already very expensive and has to be met from their own pockets, the elderly population in India and their families will find the new goods and services tax system, the GST, an additional burden, thereby putting the healthcare needs of the elderly people in jeopardy.

Keywords
Elderly population, healthcare, eldercare services, geriatrics, Goods and Service Tax, residential care, retirement communities, health insurance, service accounting code (SAC)

1. Introduction

The United Nations in its "Revision to World Population Prospects 2017" says that India will be the most populous country in another 7 years with approximately 1441.5 million people. At present India has the second largest population of elderly people (103.2 million) in the world with 8.6 per cent of its population aged 60 years and above. Increasing elderly population has a profound impact on the social, economic and health status of a country. In India only 28.9 per cent of elder persons have a pension and 90 per cent of elders work in the unorganised sector without any pension or provident fund according to the Global Age Watch Index. Nearly 80 per cent of elders depend on others for their day to day maintenance (52nd Round of NSSO), which reveals a high economic dependency ratio. Taking all these circumstances of the elderly population into consideration, the Goods and Services Tax (GST) launched on 1st July, 2017, has created an apparent impact on the elder care services in India. With the implementation of the GST, the elderly people now have to pay more tax on several products and services that they utilize.

2. Statement of the Problem

Goods and Services Tax (GST) is an indirect tax which was introduced in India on July 1, 2017 and applicable throughout India replacing multiple cascading taxes levied by the central and state governments. The amalgamation of various indirect taxes into a single GST was done to eradicate double taxation. Considering that, the services sector currently makes up for 60% of the GDP, the GST is likely to have a deep impact on this sector. The life insurance industry and the health industry form a part of the service sector, which, as a result, will also be greatly affected by the GST. Health insurance currently sees a very low penetration in India along with an increase in health care costs. Keeping in view that the burden of indirect taxes is passed on to the end consumer, the increased tax rates under GST is only likely to make health insurance as well as certain health care services all the more inaccessible to a larger number of consumers, especially the elderly people. Similarly, elder care services such as old age homes, retirement communities, specific type of medical and health services meant for the elderly will also be affected by the new GST regime. This study based on secondary data throws light on the impact of GST on some of the most important needs of the elderly population of India.

3. Indispensable concerns of the Elderly and the Impact of GST

3.1 Elder Care Homes

Elder Care Homes nomenclatured as Old Age Homes in India provide residential care, assisted living, a home for destitute and abandoned elderly people. These services were charged 12-15 per cent services tax prior to the GST. The cost of residential care services as well as non-residential care services have increased after the implementation of the GST. This has increased the economic burden of not only the elder members but their families as well. The increase in taxation has also affected the service providers who, as a result, have increased their charges on the services provided by them. The table below gives a picture of the taxation of elder care services under the GST.

Table1-1: GST Rate for Medical, Hospital and Doctor Services with their respective Service Accounting Code (SAC)

Heading No: 9993 – Human Health and Social Care Services			
	SAC	**Human Health Care Services**	**GST Rate**
Group 99931	999311	Inpatient Services	18%
	999312	Medical and Dental Services	18%
	999314	Nursing and Physiotherapeutic Services	18%
	999315	Ambulance services	18%
	999316	Medical laboratory and diagnostic imaging services	18%
	999317	Blood, sperm and organ bank services	18%
	999319	Other health services – homoeopathy, unani, Ayurveda, naturopathy, acupuncture etc	18%
Group 99932		**Social care services – Residential care services for the elderly and disabled**	
	999321	Residential health care services other than by hospitals	18%
	999322	Residential care services for the elderly and persons with disabilities	18%
Group 99934		**Social Services without accommodation for the elderly and disabled**	
	999341	Vocational rehabilitation services	18%
	999349	Other social services without accommodation for the elderly and disabled	18%
Group 99933		**Other Social Services with accommodation**	
	999333	Residential care services for adults suffering from mental retardation, mental health illness or substance abuse	18%
	999334	Other social services with accommodation for adults	18%

Source :https://taxguru.in/goods-&-services-tax/taxability-health-care-services-gst.html

From Table-1, it is evident that the GST is higher than the earlier levels of taxation for all social and health related elder care services. This means that with a GST of 18 per cent on such services, elderly people will have to pay more for all kinds of care services provided by elder care homes even if they are charity based.

The cost of residential care services ranged from INR (Indian Rupee) 500 to INR 1200 per day and the cost of non-residential care services ranged between INR 400 and INR 900 per day. Now with 18 per cent GST being implemented on these services, families utilizing these facilities will have to shell out INR 1400 per day per elder person. Sailesh Mishra, the founder president of an elder care home 'Silver Innings' in Mumbai, says that these services are usually availed by families that have elderly patients suffering from dementia, Alzheimer's, Schizophrenia and so on or whose children are abroad. He further adds that elder care homes which are payment based will also come under 18 per cent GST. They charge from INR 10,000 to INR 15,000 per month. As most of these facilities are provided by private institutions, 18 per cent GST will make it near impossible for the families to bear the costs of care. One must bear in mind that such elder care homes are usually utilized by the poor and destitute elders.

To illustrate the payment structure in an elder care home, the basic pricing structure of EPOCH Elder Care based at Gurgaon and Pune is provided below:

Type of Occupancy	**Duration of stay**	**Cost and GST**
Single occupancy	Short term	INR 1,20,000 + 18% GST per month
Single occupancy	Long term	INR 90,000 + 18% GST per month
Double occupancy	Short term	INR 1,60,000 +18% GST per month
Double occupancy	Long term	INR 1,30,000 + 18% GST per month
Twin sharing	Short term	INR 85,000 + 18% GST per month
Twin sharing	Long term	INR 70,000 + 18% GST per month
Day time attendant	12 hours	INR 15,000 + 18% GST per month
Day & night attendant	24 hours	INR 30,000 + 18% GST per month
Night time attendant	12 hours	INR 15,000 + 18% GST per month

Source: compiled by author from EPOCH website

Residents will have to pay INR 2,00,000 as one time refundable security deposit. Petty cash, travel, medical fees and other such expenses are not included and are billed separately.

3.2 Retirement Communities (RCs)

Residential Communities are residential complexes designed specifically for elder people who are generally able to take care of themselves – with assistance from home care agencies. Single houses and flats are available inside such gated communities. These facilities are utilized by elders who can afford to own such properties and are left behind by children working abroad. The RCs catered to the needs of middle and upper middle-income groups among elders. Some of these RCs provide for care for elder persons as well as their children with disability

(Persons with Disability-PWDs). The PWDs are taken care of by the RC management through a unique residential model, after the demise of the elder parent/s until the death of the PWD. This unique concept is a Make in India initiative not available elsewhere in the world.

Prior to the GST, 15 per cent service tax was levied for maintenance charges towards provision of labour for house-keeping, security, catering, gardening, medical care and so on, along with the maintenance charges for commonly used amenities within the RC. There was no service tax on the food provided. Now along with the levy of 18 per cent GST for maintenance charges, another 5 per cent is charged for catering services with a turnover of less than 75 lakh rupees and 12 per cent for those with a turnover of more than 75 lakh rupees. Consequentially, on an average, an elder inmate will have to pay an additional INR 600 per head per month. Under the GST system, elder inmates will now have to pay more for themselves and for the care of their PWD children along with saving additionally for the lifetime of the PWD/s.

3.3 Health Care Services

Health care is the most important, unavoidable need of all elder people. The GST has led to an increase in the prices of some essential drugs, cost of surgeries has gone up, cost of diagnostic imaging services and medical equipment and devices have also increased causing concern on their impact on the elderly population who are the most inevitable users of these health care services. It must be remembered that all the elderly people are vulnerable to health issues that require the purchase or utilization of healthcare and medical services that are brought under GST. Despite services by way of healthcare by clinical establishment, an authorised medical practitioner or paramedics being fully exempted from the GST, the higher levels of taxation on other healthcare services through the new tax system has led to an escalation of healthcare costs. This increase in healthcare costs will certainly affect the healthcare spending of the elderly population.

A high rate of morbidity and mortality prevails due to infections and non-communicable diseases among the elderly population, which require life-long drug therapy and long term rehabilitation. Lack of availability, accessibility and affordability plagues the healthcare system currently in place for the elderly, especially for the elderly belonging to the lower rungs of society. A list of few medical equipment, hospital and diagnostic services under the GST has been tabulated to get a bird's eye view of the situation after the adoption of the GST.

Table1-2: Taxation before and after GST for medical equipment, hospital and diagnostic services (in Percentage)

Sl. No.	Item of Taxation	Prior to GST (%)	Post GST (%)
1.	Blood clotting bag	0.0	12.5
2.	Blood carrying bag	0.0	12.0
3.	Platelet carrying bag	5.5	12.0
4.	Haemoglobin kit	5.5	18.0
5.	Glass slide	14.0	18.0
6.	Test tab	14.5	18.0
7.	Tracer tape	5.5	12.0
8.	Banded	5.5	12.0
9.	Hospital and diagnostics	12-15	18.0
10.	Hospital bed charge	11-16.5	18.0
11.	Oxygen cylinder	5-6	18.0
12.	Disposables, drugs and reagents for surgery	2-5.5	12.0
13.	Dialysis	5.0	12.0
14.	Heart treatment with pacemaker	5.5	12-18.0
15.	Heart treatment with ICDs	5.5	12-18.0
16.	Eye treatment (lens alone)	9.0	12-18.0
17.	Eye treatment with lens + surgery	9.0	12-18.0
18.	Orthopaedics (support devices)	5.0	12-18.0
19.	Orthopaedics (surgery)	7.0	28.0
20.	Cancer treatment (other than blood cancer)	5.0	7-12.0
21.	Surgical products	5.5	12.0
22.	Wing scale	5.0	28.0
23.	Hot water bag	5.5	28.0
24.	Wheel chair	5.0	18.0
25.	Some essential drugs	9.0	12.0
26.	Select medicines like insulin	12.0	5.0

Source: Compiled by author from saginfotech.com

Table-2 is just an illustration of the pre and post GST scenario on the medical equipment, hospital and diagnostic services. It is not an exhaustive list of items for which GST is higher than the earlier taxes. Yet it is noticed that of the 26 items listed in the table only item number 26 (select medicines like insulin) is made cheaper by the application of GST, with the reduction of tax from 12 per cent to 5 per cent. This means that with the increase in the taxes for these and such similar items that are used in delivering healthcare treatment has gone up thereby raising their prices and in turn making healthcare costlier than before the GST. Higher taxes in the form of GST will therefore lead to the increase in the cost of dialysis, surgeries, medical equipment and therapeutic drugs which are an inevitable part of elder health care.

3.4 Health Insurance for the Elderly

Protection against health hazards is very vital for an elder person because as person ages, one becomes more and more susceptible to various diseases related to lifestyle changes, infections and non-communicable diseases that tend to become chronic in nature. Therefore, to provide for future costs of healthcare all the elderly people need to be insured. Health insurance gives an opportunity to protect and provide for future healthcare needs. In India health insurance penetration among the elderly population is significantly very low. It is estimated that the cost of healthcare is rising at 20 per cent per annum (Economic Times Online, June 30,2017). A Deloitte study on insurance penetration among the elderly in India shows that only 1.6 per cent elderly are covered by health insurance. The report also states, "This low insurance penetration amongst the elderly is further exacerbated by inadequate coverage provided to the insured, in terms of both amount and type of services covered." (Times of India online, Dec 6, 2014). Insurance penetration both public and private for the elderly population is estimated to be between 0.5-0.8 per cent according to an Insurance Information Bureau official (*Times of India*, March 1, 2017).

Health insurance for the elderly comes at a high premium and increases with increase in age as well as with disease vulnerability. Even before the GST came into practice, the insurance companies had increased the rate of premiums due to two reasons – (1) withdrawal of 15 per cent discount offered on no-claim premiums during a policy year and (2) withdrawal of a family discount of 10 per cent given to a minimum of 2 family members seeking insurance cover. So, a total of 25 per cent discount to policy holders in terms of premium was discontinued in 2016 following an Insurance Regulatory and Development Authority (IRDA) ruling in 2013. The ruling stated that policy holders who had made claims on their policies should not be charged greater premiums. This ruling applies to all ages including elderly policy holders. Now with a GST rate of 18 per cent charged on health insurance in the place of 15 per cent taxed earlier, the elderly people will find it all the more difficult to access and afford an insurance cover for their health needs. For example, if an elderly person spends INR 40,000 in a year on insurance, excluding service tax, the current premium would be taxed at 18 per cent GST – INR 7,200 instead of the earlier 15 per cent – INR 6,000. This means that an additional amount of INR 1,200 has to be paid from the elder’s pocket.

4. The Union Budget 2018

Credit must be given to the Government for announcing the world's largest government-funded healthcare programme – an insurance scheme that would provide a cover of INR 5 lakhs per year for 10 crore families (40 per cent of India's population).

The national budget for 2018 has given some relief for the elderly population through tax deductions and insurance covers. The following are the concessions given to the elderly citizens –

1. The limit under Section 80 D of the Income Tax (IT) Act relating to deduction in respect of health insurance premium has been increased from INR 30,000 to INR 50,000.
2. Deductions under Section 80 DDB of the IT Act relating to medical treatment is proposed to be raised to INR 1 lakh.
3. Tax exemption limit for interest income from banks and post offices has been raised from INR 10,000 to IN R 50,000 for the elderly depositors.

All said and done, according to Kamesh Goyal, Chairman, Digit Insurance, "The challenge is that as people are growing older, premium goes up dramatically." (*Times of India*, Feb. 2, 2018). Compared to the previous year's (2017) revised estimate, the healthcare hike in the budget has been a mere 2.4 per cent according to Dr. Ravi Duggal, Country Coordinator for International Budget Partnership (*Times of India*, Feb. 2, 2018). According to the Father of Geriatrics in India, Dr.V.S. Natarajan, these announcements will benefit only those who pay tax, those who have an insurance (*Times of India*, Feb. 2, 2018). The budget does not have much for the elderly belonging to the lower socio-economic strata of society who neither pay tax nor have an insurance cover.

5. Conclusion

The budgetary announcement for the elderly citizens made on Feb. 1, 2018 is a welcome move envisaged by the Government. Hopefully, if these announcements fructify in the coming years, certainly atleast a portion of this population would stand to gain. With a GST of 18 per cent levied on almost all elder care services right from social care, economic benefits and healthcare, the deductions announced in the Budget of 2018 may get eroded and the burden of high GST would still weigh down upon the financial resources of the elderly people and their families. In the present day, context of nuclearization of families, elders are left alone to fend for themselves on all counts – be it social, economic or healthcare. "Most of the elderly care centres are run by private institutes. And 18 per cent tax will make it almost impossible to manage costs for the family," explained Sailesh Mishra, founder- president of Silver Innings. Therefore, the government needs to understand the true needs of the elders and reconsider the current levels of GST on elder care services so that the elders in India can live a dignified life for the rest of their lives in peace and harmony and not in penury.

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