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FUNCTIONING OF EMPLOYEES' STATE INSURANCE CORPORATION (ESIC)

MINISTRY OF LABOUR AND EMPLOYMENT

PUBLIC ACCOUNTS COMMITTEE 2007-2008

FORTY-EIGHTH REPORT

FOURTEENTH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

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PUBLIC ACCOUNTS COMMITTEE
(2007-2008)

(FOURTEENTH LOK SABHA)

FUNCTIONING OF EMPLOYEES' STATE INSURANCE CORPORATION (ESIC)

MINISTRY OF LABOUR AND EMPLOYMENT

Presented to Lok Sabha on 21.08.07
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LOK SABHA SECRETARIAT
NEW DELHI
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(2007 – 2008)

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INTRODUCTION

I, the Chairman, Public Accounts Committee, as authorised by the Committee, do present this Forty-eighth Report relating to "Functioning of Employees' State Insurance Corporation (ESIC)" on Chapter I of the Report of Comptroller and Auditor General of India for the year ended 31 March, 2005 (No. 2 of 2006), Union Government (Performance Audit-Civil-Autonomous Bodies).

2. The Report of the Comptroller and Auditor General of India for the year ended 31 March, 2005 (No. 2 of 2006), Union Government (Civil-Performance Audit), was laid on the Table of the House on 19 May, 2006.

3. The Committee took evidence of the representatives of the Ministry of Labour and Employment and Employees' State Insurance Corporation on the subject at their sitting held on 16 October, 2006. The Committee considered and finalised this Report at their sitting held on 18th July, 2007. Minutes of the sittings form Annexures to the Report.

4. The Committee would like to express their thanks to the officers of the Ministry of Labour and Employment and Employees' State Insurance Corporation for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

5. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

6. The Committee also place on record their appreciation for the invaluable assistance rendered to them by the officials of Lok Sabha Secretariat attached with the Committee.

NEW DELHI;
24 *July*, 2007
02 *Sravana,* 1929 (*Saka*)

PROF. VIJAY KUMAR MALHOTRA,
Chairman,
Public Accounts Committee.

REPORT

PART I

Background Analysis

I. Introductory

With a pioneer objective of extending comprehensive social security for workers in India, the Parliament had promulgated Employees' State Insurance (ESI) Act in 1948. The ESI Scheme (ESIS) was framed in 1952 under the ESI Act. Employees' State Insurance Scheme (ESIS) is an integrated social security scheme to provide social protection to workers in the organized sector and their dependants in contingencies, such as, sickness, maternity, death and disablement due to employment injury or occupational disease. The scheme tailored to suit health insurance requirements of workers provides full medical facilities to insured persons and their dependants, as well as, cash benefits to compensate for loss of wages or earning capacity in different contingencies. The ESI Act applies to non-seasonal factories or manufacturing units located in a geographical area notified for implementation of the Scheme and employing ten or more persons in a power using factory and twenty or more persons in a non-power using factory. The wage ceiling for the purpose of coverage is revised from time-to-time. Employees drawing wages upto Rs. 6,500 per month from 1 January 1997, Rs. 7,500 per month from 1 March, 2004 and now Rs. 10,000/- per month from 1st October 2006 are entitled to health insurance Scheme under the ESI Act.

2. Under section 1(5) of the Act, the Scheme has also been extended gradually to other establishments such as shops, hotels and restaurants, road and motor transport undertakings, cinema halls and newspaper establishments employing 20 or more persons. The ESI Act is, however, not applicable to factories or establishments run by the State Governments/Central Government whose employees receive other social security benefits. All the States except Nagaland, Manipur, Tripura, Sikkm, Arunachal Pradesh and Mizoram and the Union Territories of Delhi, Chandigarh and Pondicherry have been covered under the Scheme. Besides the Headquarters Office at New Delhi, the Corporation has 23 Regional Offices and 11 Sub-Regional Offices at Vijayawada, Surat, Hubli, Pune, Nagpur, Coimbatore, Madurai, Tirunelveli, Noida, Varanasi and Barrackpore besides it has 1084 Local Offices across the country for the administration of the Scheme.

3. ESIS is a self-financing health insurance scheme in which contributions are raised from covered employees and their employers as a fixed percentage of wages. From 1 January 1997 covered employees contribute 1.75 per cent of wages and the employers contribute 4.75 per cent of the wages of the covered employees. Employees earning less than Rs. 40 per day, as daily wage, are exempted from payment of their share of contribution. The State Governments are required to bear one-eighth share of the expenditure on medical benefit, within the per capita ceiling of Rs. 750 per annum

with effect from 1 April, 2004 (Rs. 600 *w.e.f.* 1 April, 1999, Rs. 700 *w.e.f.* 1 April, 2003 which has now been increased upto Rs. 900 from 1 April, 2005) and the whole of any additional expenditure beyond the ceiling. The contributions paid by the employees and the employers are deposited in a common pool known as the ESI Fund, which is utilized for meeting the administrative expenses as well as cash and medical benefits to the insured persons* (IP) and their dependents.

4. An elaborate machinery is provided in the ESI Act 1948 for effective administration of ESI Scheme, the apex body being the ESI Corporation, subordinate to which are the Standing Committee and Medical Benefit Council. The Corporation with its Chairman appointed by Central Government and members consist of employee, employer, State Government representatives and members of Parliament. The Standing Committee constituted from amongst the members of the Corporation acts as the Executive Body for the administration of the Scheme. The Medical Benefit Council advises the Corporation on matters connected with the provision of Medical Benefit. The Director General (DG), ESIC is *Ex-officio* member of the Corporation. The DG ESIC is the Chief Executive Officer of the Corporation and is assisted by Financial Commissioner, Insurance Commissioner and Medical Commissioner, who have powers and duties as prescribed by the Director General and specified in the Employees' State Insurance (Central) Rules 1950.

5. This Report is based on Chapter 1 of Report No. 2 of 2006 of the C&AG of India for the year ended March 2005 (Performance Audit), Union Government (Civil-Autonomous Bodies), relating to "Functioning of Employees' State Insurance Corporation." *(Appendix-I)*

II. Audit Appraisal

6. The accounts of the ESIC are audited by the Comptroller and Auditor General of India under section 19(2) of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 read with section 34 of the ESI Act, 1948.

7. The performance audit review covered the functioning of the ESIC Headquarters, Regional Offices, Sub-Regional Offices, Local Offices, Hospitals and Dispensaries during the period 1999-2000 to 2003-2004. Statistical figures have been updated to 2004-05 wherever available. Records maintained at the ESIC Headquarters, 38 Regional Offices/Sub-Regional/Divisional Offices, 261 Local Offices (24 per cent coverage), 118 Hospitals (83 per cent coverage) and 319 Dispensaries (22 per cent coverage) were test checked in audit during the period from April 2004 to July 2004.

8. The audit objectives covered:—

(i) The extent to which the ESIS has achieved its objective of providing the full range of medical care;

(ii) Adequacy of ESIC's financial management;

(iii) Extent to which eligible establishments and workers were covered in ESIS;

(iv) Economy, efficiency and effectiveness of ESIC's construction and procurement activities; and

---

* Insured person is/was an employees in respect of whom contributions are/were payable under the ESIC Act and who is/was entitled to the benefits under this Act.

(v) Extent to which the model hospitals met their objectives.

9. Main findings of Audit are:—

(i) Good Corporate governance practices were not followed. There was a shortfall of 25 per cent in the number of meetings held of the Standing Committee and 50 per cent in respect of the Medical Benefit Council, during the years 1999-2000 to 2003-04 as compared to prescribed requirement.

(ii) The rise in income of ESIC by 42.45 per cent in the year 2004-05 over 1990-2000 was not utilised to commensurately increase the benefits to the insured persons.

(iii) Despite setting up a revenue recovery machinery, the outstanding arrears of contribution increased from Rs. 524.79 crore in March 2000 to Rs. 1015.14 crore in March 2005.

(iv) There was a shortfall in coverage of 3.91 lakh employees in 117 new areas under the Scheme upto the year 2003-04.

(v) Due to deficient internal control mechanism, cash benefits were misused in the States of Andhra Pradesh, Assam, Delhi, Maharashtra and Orissa.

(vi) Plots of land acquired by ESIC from different State Governments for constructing hospitals, dispensaries and staff quarters were not utilized for periods ranging from two to thirty seven years resulting in blocking of funds and defeating the very purpose for which the land was acquired.

(vii) Deficient management of hospitals and dispensaries resulted in under-utilisation of beds, idling of equipment, injudicious purchase of medicines and procurement of sub-standard drugs.

(viii) Out of a target of establishing 25 model hospitals to improve the quality of medical care provided to the beneficiaries and to serve as benchmark for upgrading other hospitals by the State Governments, only 16 could be established and these too lacked proper facilities.

(ix) Improper implementation of the project on prevention and control of HIV/AIDS resulted in under utilization of aid from World Bank. The utilization of available funds during the years 1999-2005 ranged between 6.27 per cent and 33.06 per cent.

10. The Committee's examination of various dimensions of the subject as also various issues arising out of aforesaid Audit Paragraph are dealt with in the succeeding paragraphs.

III. Functioning of Committees/Councils/Boards of ESIC

11. According to Audit ESIC, carries out its various schemes/programmes as contained in the ESI Act, 1948, Rules and Regulations thereof in addition, the Standing Committee, ESIC and Medical Benefit Council lays down certain policy guidelines.

(a) Constitution of Regional Boards

12. According to Section 25 of ESI Act 1948, the ESIC may appoint Regional Boards, Local Committees and Local Medical Benefit Councils as per its regulations.

13. Audit has pointed out that Regional Boards were not formed in the States of Chhattisgarh and Jharkhand.

14. When asked about the constitution of Regional Boards in the States of Chhattisgarh and Jharkhand, the Ministry of Labour, in a written note, replied as under:—

> "(a) **Jharkhand:** Proposal since received from State Government is being submitted to Chairman of the Corporation for approval;
>
> (b) **Chhattisgarh:** The Government of Chhattisgarh submitted a proposal for constitution of Regional Board and the same was submitted to the Ministry of Labour and Employment in the meanwhile, the Government of Chhattisgarh has submitted another proposal which contains only the names of representatives of employees and employers, without mentioning the trade union and the organization they represent. Hence, clarification has been sought from the Government of Chhattisgarh which is awaited."

15. Audit scrutiny further revealed that although the State of Uttaranchal was formed in November, 2000, the Regional Board was formed only on 26.02.2004. In Tamil Nadu, no meeting of the Regional Board took place after November 2000. After the change of State Government in May 2001, the Chairman, Regional Board desired that the Board be reconstituted. But this was not done. The empanelment and selection of official and non-official members of the Regional Board was still under consideration of the State Government.

16. Asked about the reasons for it, The ESIC stated:—

> **"Uttaranchal:** The constitution of the Regional Board was notified on 26/02/2004 after approval of the Chairman, ESIC.
>
> **Tamil Nadu:** The terms of the Regional Board, Tamil Nadu had expired on 25/05/2003. The proposal for reconstitution of Regional Board has since been received from the State Government. Proposal received from Tamil Nadu State Government is under correspondence for due representation to National Level Trade Unions in the Board. State Government follow-up action has since been indicated *vide* its letter dated 14.9.2005 Final proposal is awaited from State Government".

(b) Association of Members of Parliament to Regional Boards

17. During evidence, the Committee enquired about associating the Members of Parliament to the Regional Boards. The Director General of the ESIC explained as under:—

> "The constitution of the regional boards is also given under Rule 10 of the ESIC. We will be very glad to associate the Hon'ble Members of Parliament, but unfortunately I cannot do it unless the recommendation is made by the concerned State Governments. These powers, apart from the *ex-officio* Members, are constituted on the recommendations of the State Governments. If I do not get

recommendations from the State Government, I naturally cannot forward these to the Ministry for notifying these powers".

(c) Reasons for short falls in the meetings of ESIC/Standing Committee/ MBC/R Bs.

18. The ESIC is required to meet at least twice in a year, the Standing Committee four times in a year and Medical Benefit Council twice in a year to monitor the implementation of the scheme and to take policy decisions. Audit scrutiny found that while there was no shortfall in holding the meetings of ESIC, there were shortfalls of 25 per cent in holding the meetings of Standing Committee during the years 1999-2000 and 2001-02 and 50 per cent in respect of Medical Benefit Council meetings during 1999-2000, 2002-03 and 2003-04.

19. As per the information received from the Ministry of Labour and Employment, the details of the meetings of Standing Committee, Medical Benefit Council, Regional Board and Local Committee during the last three years are shown at *Annexures I, II and III.*

20. When asked to explain the reasons for shortfalls in the meetings, the Ministry of Labour, in a written note, explained as under:—

> "The reason for shortfall in meetings of the ESI Corporation and Standing Committee as pointed out in audit para was that the dates of the meetings are to be decided as per the convenience of the Labour Minister and Secretary being Chairman of ESIC and Standing Committee respectively. There was no shortfall in holding meetings of the ESI Corporation and Standing Committee during the year 2004-05. .....Against the requirement of meetings twice in a year, meetings of the ESI Corporation were held on 17-12-2004, 1-2-2005 and 27-02-2005 during the year 2004-2005. Against the requirement of meeting four times in a year, meetings of the Standing Committee were held on 23-04-2004, 08-06-2004, 17-12-2004 and 01-02-2005 during the year 2004-2005. Thus, there was no shortfall in holding meetings of the ESI Corporation and the Standing Committee during the year 2004-2005. Medical Benefit Council has also been constituted by notification dated 31-03-2006. State Governments as well as Regional Directors are requested from time-to-time to hold meetings of the Regional Boards as per the prescribed schedule".

21. There were shortfalls in the meetings of Regional Boards ranging between 25 and 95 per cent during the period 1999-2000 to 2003-04. On being asked about the steps taken by ESIC to ensure that the meetings of the above stated bodies are held according to the prescribed periodicity, the Ministry, in a written note, replied as under:—

> "All the Member Secretaries have been advised *vide* letter No. V-33(13)11/1/ 95-E.IV, dated 13.7.2006 to ensure that the Regional Board and Local Committee meetings are convened as per Regulations. As regards Standing Committee and Medical Benefit Council, the Chairman concerned shall decide date, time and place of every meeting and ESIC would endeavour/arrange to hold meetings of these bodies in future as per rules/regulations".

IV. Measures taken to strengthen ESIC

22. Regarding adapting new business processes in consonance with the changes occurring in the labour market, the Ministry, in a written note, informed of the following measures that are being taken by ESIC to adopt market/business processes to deliver better services to insured persons:—

(1) ISO certification for various offices of the Corporation under 9001-2000 series

The ESIC has engaged National Productivity Council, New Delhi as consultant for obtaining ISO certification for its various offices/institutions under 9001-2000. In the first stage 21 offices which includes ESI Hospital, Basaidarapur and ESI Hqrs. have been awarded ISO certification *w.e.f.* 14.09.2006.

(2) Work Study for staff by IIM (A)

ESIC in its meetings held on 07.07.2005 decided to entrust work-study of personnel related issues of both Medical and non-Medical employees of Corporation to Indian Institute of Management (Ahmedabad) and its report is under examination.

(3) RTI Act

The Right to Information Act, 2005 was enforced *w.e.f.* 12.10.2005.

(4) ESIC goes online

In its endeavour to serve its Insured Persons and the employers covered under the Scheme, the ESIC has launched a project to provide Information Technology (IT) enabled Services through National Informatics Centre (NIC), Ministry of Information Technology, Government of India. Initially the pilot project of IT enabled services has been launched in Delhi and Faridabad.

(5) Toll Free Number

The ESI Corporation has started Toll Free Number (1800 112 526) for providing information to its clients.

23. On being asked whether any review has been conducted by the Ministry to assess the functioning of the ESIC and implementation of various schemes, the Ministry, in a note, informed as under:—

> "The Committees set-up by Government of India have reviewed ESI Scheme from time-to-time. Last review were taken by Sh. M.C. Verma Committee on the Functioning of ESI Scheme in 2002. The Committee had suggested various measures for implementing new policies and future development of Scheme. Satyam Committee's short-term recommendations have been fully implemented. Two of the long-term recommendations have also been implemented".

24. In reply to a further query the Ministry, stated that they were satisfied with the performance of the ESIC as a whole. On being asked whether the Ministry have mooted any proposal for making amendments in ESIC Act to strengthen the ESIC, the Ministry, in a written note, replies as under:—

> "Yes, a proposal for making amendments in ESI Act is under consideration of ESIC."

V. Financial Management

25. According to section 26 of the ESI Act, 1948, all contributions paid under this Act and all other moneys recieved on behalf of the ESIC are paid into a fund called the Employees' State Insurance Fund, which is held and administered by the ESIC for the purpose of this Act.

26. Under section 39 of the ESI Act, principal employer is responsible for depositing the employees' and employers' contribution @ 1.75% and 4.75% of the wages respectively in respect of employees drawing wages upto the prescribed limit. With effect from 1.4.2004 the wage ceiling for coverage of employees was Rs. 7500/- per month which has now been increased to Rs. 10,000 per month *w.e.f.* 1.10.2006.

27. The ESIC is required to frame a budget every year and maintain correct accounts of its income and expenditure in the form and manner prescribed by the Union Government. As per the audit analysis, the details of budget estimates and actual expenditure during 1999-2000 to 2004-2005 are as under:—

(Rupees in crores)

Year	Budget estimates	Actual expenditure	Savings	Percentage of saving
1999-2000	1132.61	1068.40	64.21	5.67
2000-2001	1163.28	1082.58	80.70	6.93
2001-2002	1287.39	1104.12	183.27	14.23
2002-2003	1401.02	1118.32	282.70	20.17
2003-2004	1498.20	1170.48	327.72	21.87
2004-2005	1484.07	1258.20	225.87	15.21
Total	7966.57	6802.10	1164.47	14.62

28. It may be observed from the above that the savings were high during the years 2002-03, 2003-04 and 2004-05 indicating inadequate budget formulation.

29. The Ministry of Labour and Employment, in a note, furnished the budget allocation and the expenditure for the last three years *i.e.* 2003-04, 2004-05 and 2005-06 under the various major heads as follows:—

(Rupees in crore)

	2003-04	
	Revised Estimate	Actual Expenditure
Medical Benefit	875.11	620.38
Cash Benefit	314.20	274.78
Administration Exp.	215.68	182.77
Provision	93.21	92.55
Total	1498.20	1170.48

(Rupees in crore)

	2004-05	
	Revised Estimate	Actual Expenditure
Medical Benefit	827.64	686.37
Cash Benefit	322.94	265.50
Administration Exp.	231.83	199.96
Provision	101.66	106.36
Total	1484.07	1258.19

(Rupees in crore)

	2005-06	
	Revised Estimate	Actual Expenditure
Medical Benefit	874.43	724.11
Cash Benefit	484.00	274.71
Administration Exp.	214.08	210.96
Provision	72.40	69.18
Total	1644.91	1278.96

30. An analysis of the main components of the income and expenditure, as compiled by Audit on actual basis, is given below:—

(Rupees in crore)

Sl. No.	Income	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
1	2	3	4	5	6	7	8
1.	Contribution Income	1257.77	1255.44	1249.91	1302.38	1380.72	1689.09
2.	Interest and Dividend	267.39	242.95	397.28	326.98	513.34	486.25
3.	Rent, Rates and Taxes	43.82	57.17	56.96	58.75	57.62	55.29
4.	Fees, fines and forfeitures	2.60	3.18	3.08	3.30	5.69	5.84
5.	Other income*	5.17	5.54	22.96	13.40	18.27	9.60
	Total	1576.75	1564.28	1730.19	1704.81	1975.64	2246.07
	Expenditure						
1.	Medical Benefits	534.80	542.29	543.37	565.20	620.37	686.38
2.	Cash and other benefits	278.25	286.41	300.94	286.41	274.78	265.49
3.	Administrative expenditure	175.38	170.95	176.44	177.22	182.78	199.97
4.	Provision etc.	79.97	82.93	83.37	89.49	92.55	106.36

* Other income includes State Government share towards medical expenditure initially incurred by ESIC compensation from State Government and other miscellaneous income.

1	2	3	4	5	6	7	8
5.	Total Expenditure	1068.40	1082.58	1104.12	1118.32	1170.48	1258.20
6.	Excess of income over expenditure	508.35	481.70	626.07	586.49	805.16	987.87
	Total	1576.75	1564.28	1730.19	1704.81	1975.64	2246.07

31. Audit analysed that the income of ESIC had risen by 42.45 per cent in 2004-05 over the level of 1999-2000, which included the increase of 34.29 per cent in the contribution income and rise of 82 per cent in the income from interest and dividend from investment of ESIC. However, there was no corresponding increase in providing medical and cash benefit to the IPs and the expenditure on these components increased merely by 17.07 per cent in 2004-05 over the level of 1999-2000. Also, ESIC did not enhance the facilities to IPs commensurate with the financial resources accrued during the above period. Moreover, there were delays in providing cash benefits to IPs despite the fact that ESIC had increase of income over expenditure from Rs. 508.35 crore in 1999-2000 to Rs. 987.87 crore in 2004-05.

32. Replying to the above, the Ministry of Labour and Employment, in their written reply, stated as under:—

"The budget framed by the ESI Corporation are revised during the course of the year taking into account the expenditure actually incurred. The percentage of savings with reference to the Revised estimate are as follows in respect of various years pointed out by Audit:—

Year	Budget Estimate (Rs. in Crore)	Revised Estimate (Rs. in Crore)	Percentage of savings with reference to Revised Estimate
1999-2000	1132.61	1069.74	0.12
2000-2001	1163.28	1179.03	8.18
2001-2002	1287.39	1176.77	6.17
2002-2003	1401.02	1164.52	3.96
2003-2004	1498.20	1323.78	11.95
2004-2005	1484.07	1372.18	8.31
Total	7966.57	7286.02	6.64

From the above, it is seen that the percentage of savings are only 6.64% on an average which cannot be termed to be very high."

33. Replying further, the Ministry stated as under:—

"There has been increase in payment of medical benefit to the Insured Persons by 28.34% during the year 2004-05 as compared to the year 1999-2000. As

regards Cash Benefits and other benefits, the audit paras itself highlights the reason for reduction in expenditure which is non-revision of wage limit for coverage from January, 1997 to March, 21st 2004 and resultant reduction in coverage of Insured Persons. Besides this the incidence of sickness has consistently been decreasing due to various measures adopted to control lax certification resulting in reduction of expenditure. The ESI Corporation in its 136th Meeting held on 15.06.2006, however, has approved the proposal for enhancement of wage ceiling for coverage under the ESI Act from Rs. 7,500/- to Rs. 10,000/-. This is likely to result in greater coverage of insured persons and, consequently, rise in expenditure on providing benefits to them."

34. When the Committee desired to know as to why measures were not adopted for realistic budgeting so as to avoid wide gap between income and expenditure, the Ministry of Labour and Employment, in a written note, submitted as under:—

"The savings with reference to revised estimate are only 6.64% on an average which cannot be termed as very high. However, efforts are being made to work out budget realistically taking into the account the past expenditure and the future outflow so that the budgeted figure and the actual expenditure match each other."

35. On being asked about imprudent financial management, the Ministry of Labour and Employment, in a written note, submitted as under:—

"The contribution income has been increasing year after year due to effective control mechanism to realise the dues and to recover the arrears from the employers covered under the scheme by enforcing strict discipline and closely monitoring the progress of recovery. The reduction of expenditure is due to avoiding of wasteful/infructuous expenditure, economizing the expenditure by following the rules and regulations strictly for various items etc. without sacrificing the quantum of benefit paid to the beneficiaries of the scheme. Hence the surplus of income over the years can not be termed as imprudent financial management".

36. They further added that:—

"Every year we are transferring a surplus of income over expenditure to the General Reserve Fund Account. Audit has not pointed out any wasteful/ infructuous expenditure in medical benefit payment and/or payment towards cash benefit. As such the question of any imprudence in financial management does not arise".

VI. Recovery of Arrears of Contribution

37. Audit Review revealed that contribution amounting to Rs. 918.47 crore were in arrears as on 31 March 2004. This amount was recoverable from 1,03,636 defaulting establishments, of which 1,02,227 were in the public sector and 1,409 in the private sector. Rs. 259.97 crore due from private sector units constituted 28 per cent of the total recoverable amount.

38. Audit has further highlighted that even after setting up its own recovery machinery by ESIC, the outstanding arrears increased from Rs. 524.79 crore in March, 2000 to Rs. 1015.14 crore in March, 2005.

39. The Ministry of Labour and Employment, in a written note, submitted the current status of the recovery of outstanding arrears as below:—

"The total arrears as on 31st March, 2006 is Rs. 1140.87 crores.

The break up is as under:

(Rs. in Crores)

(A) Arrears Recoverable	Private	Public	Total
Amount pending with Recovery Officers	379.78	63.83	443.61
Total	379.78	63.83	443.61
(B) Arrears Not Recoverable For The Present			
(i) Amount of arrears disputed in Courts	337.28	108.10	445.38
(ii) Amount due from Factories/Establishments which have gone into liquidation	87.25	15.91	103.16
(iii) Amount pending with Claim Commissioner	1.21	8.15	9.36
(iv) Amount due from Factories/Establishments which have closed and whereabouts of employers not known	14.38	0.01	14.39
(v) Decree obtained and execution proceedings in progress	0.09	-	0.09
Total (i to v)	440.21	132.17	572.38
(C) Dues From Sick Industries/Exemption Granted By State/Central Govt.			
(i) Factories registered with BIFR but rehabilitation scheme yet to be sanctioned	39.58	6.62	46.20
(ii) Factories/establishments which have been declared sick and rehabilitation scheme sanctioned by BIFR	7.72	3.50	11.22
(iii) Closed unit in respect of which particulars of employer is known/available	33.37	5.52	38.89
(iv) Dues from Factories/Establishments where exemption granted by State Government. and arrears continued to be shown.	0.20	28.37	28.57
Total (i to iv)	80.87	44.01	124.88
GRAND TOTAL (A+B+C)	900.86	240.01	1140.87

Out of the total arrears of Rs. 1140.87 crores only an amount of Rs. 443.61 crores is currently recoverable.

The arrear for the year 2005-06 alone works out to **Rs. 229.08** crores only."

40. In reply to a specific question by the Committee about the factos responsible for the huge growth in the outstanding arrears from Rs. 524.79 crore in March, 2000 to Rs. 1015.14 crore in March, 2005, the Ministry, in a written note, replied as under:—

"Statement showing year-wise contribution realized *vis-a-vis* dues outstanding and the percentage thereof is stated as under:—

Sl. No.	Year	Contribution realized (Rs. in crore)	Dues for the period	%age
1.	2002-03	1302.39	93.95	7.21
2.	2003-04	1380.72	109.20	7.91
3.	2004-05	1689.08	186.00	11.01
4.	2005-06	1933.56	229.08	11.85

It may be seen that the percentage of dues for the year is very less as compared to the contribution realized during the year.

The following factors may be attributed for the growth of arrears:—

- Following enhancementin wage ceiling from Rs. 3000/- to Rs. 6500/- p.m. w.e.f. 01.01.97, a good number of employers across the country had approached the High Courts and obtained stay against operation of the government Notification. Those court cases were later decided in favour of the Corporation by the High Court/Supreme Court from 1998-99 onwards resulting in accumulation of arrears.
- Increase in the rate of Interest from 12% to 15% per annum w.e.f. 01.09.94 on the defaulted amount has pushed up the total figure of recoverable amount.
- The rate of contribution (both employer's and employee's) enhanced from 5.5% to 6.5% w.e.f. 1.1.97.
- Enhancement in the wage ceiling from Rs. 3000/- to Rs. 6500/- has been made effective w.e.f. 01.01.97.
- Enhancement in the wage ceiling from Rs. 6500/- to Rs. 7500/- has been made effective w.e.f. 01.04.04 and further to Rs. 10,000 w.e.f. 1.10.2006.
- Most of the traditional labour intensive units using old machinery have gone sick and/or are lying closed."

41. When asked about the remedial measures to check the growing arrears, the Ministry, in a note, submitted as under:—

"At the end of each contribution period *i.e.* April-September and October-March, Defaulter lists are prepared by the Regioana Directors for *ad hoc* assessment of contribution and final determination of the same under Section 45A of the ESI

Act followed by issue of Recovery Certificate to the Recovery Officers. Assessment of Contribution u/s 45A of the ESI Act is also done on the excluded wages pointed out in the Inspection Reports. The Corporation has already prescribed a time schedule for taking action against the defaulters to ensure timely action for recovery of dues."

42. When the Committee desired to know as to what action including legal action has been taken so far for recovery of the arrears, the Ministry of Labour and Employment in a written note replied as under:—

"Before setting up of revenue recovery machinery of ESI Corporation, the recovery of dues from the defaulting employers was done through the District Collectors of the concerned States. The progress in recovery through District Collectors was not encouraging. The position of recovery made through the District Collectors over the years is as under:—

(Rs. in crores)

Year	Recovery made through District Collectors
1984-85	4.74
1985-86	5.43
1986-87	4.29
1987-88	5.62
1988-89	9.17
1989-90	7.81
1990-91	8.95
1991-92	10.47
Total	56.48

In order to accelerate the pace of recovery, new provision namely Sec. 45-C to 45-I were added in the Act by the ESI (Amendment) Act, 1989, enabling the Corporation to set-up its own recovery machinery for recovery of ESI dues. Accordingly, the Corporation's revenue recovery machinery has come into existence in phases from January 1992 onwards in all the Regions. The recovery machinery of the Corporation has been able to recover a sum of Rs. 956.08 crores till 31-03-06. The year-wise recovery position is as under:—

(Rs. in crores)

Year	Dues recovered through Recovery Machinery of ESI Corporation
1	2
1992-93	12.15
1993-94	16.90
1994-95	21.40

1	2
1995-96	23.45
1996-97	28.68
1997-98	37.51
1998-99	54.88
1999-00	65.17
2000-01	67.50
2001-02	72.59
2002-03	88.03
2003-04	131.50
2004-05	176.10
2005-06	160.22
TOTAL	956.08

Besides recovery action, prosecution action under Section 85 and 85C are also launched against defaulting employers".

43. The Ministry further added that:—

"Towards recovery of the outstanding arrears, target for recovery is fixed at the beginning of each financial year with individual targets for each region and the performance of the Recovery Officers/Machinery is monitored on month-to-month basis with quarterly assessment of the performance.....In addition, the following measures have been taken to maximize recovery of dues:—

1. The position of recovery of dues of the Corporation is reviewed and monitored on periodic basis by the Insurance Commissioner/Director General. The position is also reviewed in the meetings of Standing Committee/Corporation, periodically.
2. The Regional Directors have been advised to pursue the cases of major defaulters who owe huge amounts.
3. The Zonal Meetings were held with the Secretaries (Labour/Health) of all the Governments for impressing upon them the need to pay the dues in respect of State Public Sector Units.

All the above actions go to show that all possible steps apart from utilization of the legal provisions regarding attachment and sale of movable and immovable property have been taken to reach higher recovery targets. Moreover, in the recently held meetings of the Regional Directors/Joint Directors, Insurance Commissioners and Recovery Officers on 20th and 21st April, 2006, the Recovery Officers have been advised to maximize cases of attachment of moveable/immovable properties for effecting better recovery."

44. On being asked about the special drive launched by ESIC for recovery of arrears, if any, apart from the conventional systems of review and fixing targets, etc., the Ministry of Labour and Employment, in a written note, informed as under:—

"Special Drive undertaken to accelerate the pace of recovery is enumerated below:

- ESI Corporation has declared an amnesty scheme for the period from 1-08-2006 to 31January, 2007. Under the scheme the defaulting employers can apply for withdrawal of prosecution cases launched against them on payment of dues in full for the material period.
- A special drive for recovery of dues is undertaken during the month of December to March, 2006. As a result of concerted efforts by all the field units, recovery of Rs. 79.19 crores could be made during the special drive period resulting in a total collection of Rs. 160.22 crores in the last financial year 2005-06.

  Again in the current financial year, a special drive is in progress from Nov., 2006 to March, 2007 to boost up the recovery of maximum dues. Active persuasion with the nodal Ministries controlling the defaulting CPSUs (through Ministry of Labour and Employment) is underway to recover the CPSU dues. Similar action is also under process to recover the dues from SPSUs".

VII. Coverage of ESI Scheme

45. ESIS was first introduced in 1952 at Kanpur and Delhi and was later extended to other parts of the country. Audit depicted the coverage of the ESIS during the years 1999-2004 as below:—

Sl. No.	Type	As of March 1999	As of March 2000	As of March 2001	As of March 2002	As of March 2003	As of March 2004
1.	States/U.T/covered	22	22	25	25	25	25
2.	Implementing Centres	642	655	677	678	687	689
3.	Employees Covered*	8085200	7862050	7754450	7159350	7000350	7082300
4.	Insured Persons**	8819050	8601100	8493500	8003800	7828150	7912700
5.	Beneficiaries***	34217900	33372250	32954800	31054750	30373200	30701300

* Employees covered:— Employees as defined under Section 2(9) of the ESI Act, covered by the ESI Scheme.

** Insured Persons:— A person who is or was an employee in respect of whom contributions are or were payable under this Act and who is by reasons thereof entitled to any of the benefits provided under the ESI Act.

*** Beneficiaries are the persons (insured persons and their entitled dependent family members) benefited by the ESI Scheme.

46. Audit pointed out that on one hand the number of States covered and ESIS centres increased as of March 2004 by 13.6 per cent and 7 per cent respectively over the level in March 1999 and on the other, the number of employees covered, insured

persons and beneficiaries decreased by 12 per cent, 10 per cent, and 10 per cent respectively. The ESIC attributed (August 2004) the decrease to the closure of factories, mills and establishments and increase in wages of some industrial workers above the eligibility limit of Rs. 6500 per month.

47. Audit also highlighted the shortfall in State-wise progress of implementation of ESIS in new areas as shown below:—

Sl. No.	State/U.T.	Target for the period 1999-00 to 2003-04		Achievements		Shortfall	
		Areas	Employees	Areas	Employees	Areas	Employees
1.	Andhra Pradesh	48	77248	45	64736	3	12512
2.	Assam and Meghalaya	2	2166	2	2400	-	-
3.	Bihar	6	9200	-	-	6	9200
4.	Gujarat	5	44550	3	24402	2	20148
5.	Haryana	13	14643	12	18435	1	-
6.	Himachal Pradesh	4	2200	3	4350	1	-
7.	Karnataka	23	41800	17	14070	6	27730
8.	Kerala	2	1250	35	10036	-	-
9.	Madhya Pradesh	19	46720	2	1660	17	45060
10.	Orissa	11	15410	12	7150	-	8260
11.	Maharashtra	36	193980	-	-	36	193980
12.	Pondicherry	3	3180	2	2550	1	630
13.	Punjab	17	23380	10	17640	7	5740
14.	Rajasthan	28	33940	8	4640	20	29300
15.	Tamil Nadu	49	87615	39	88220	10	-
16.	Uttar Pradesh	13	33365	15	42535	-	-
17.	West Bengal	12	57280	5	18480	7	38800
18.	Chhattisgarh	-	-	2	5855	-	-
19.	Uttaranchal	-	-	3	2250	-	-
	Total					117	391477

48. The Ministry of Labour and Employment submitted to the Committee the figures showing the total number of ESIS Centres set up, Employees covered, Insured Persons (IPs) and Beneficiaries covered in respect of various States/UTs during the last five years which is shown in *Annexure IV & V.*

(a) Coverage of ESI Scheme to organised sector

49. According to the Ministry of Labour and Employment, out of 28 million workers in organized sector, the ESI Scheme presently covers around 9.1 million (i.e. around 32.5% of organised sector) workers and 35.49 million beneficiaries.

50. The Ministry, in a note, stated as under:—

"Under Section 1(13) of the ESI Act, unless medical arrangements are made by the State Governments, the Scheme cannot be implemented. Since, the

requirement of medical arrangements could not be fulfilled by the State Governments due to their various constraints; the target fixed could not be achieved in some areas. However, ESI Corporation is vigorously pursuing all such cases with the State Governments."

51. Replying further, the Ministry stated as under:—

"There is a distinct improvement in coverage of Insured Persons and Employees in the year 2005-06 as compared to the previous years (2000-2001 to 2003-04). In the year 2005-06, 84.98 lakhs Insured Persons and 329.73 lakhs Beneficiaries were covered under the ESI Scheme as against the number of IPs/Beneficiaries from 31/03/01 to 31/03/04 as mentioned in the audit para".

52. During evidence, the Special Secretary, Ministry of Labour and Employment also deposed before the Committee as under:—

"As far as the coverage part is concerned, primarily the medical cover which is the core activity of the ESIC on the medical side, bulk of it is catered to and handled by the State Governments who are the appropriate Governments for providing medical cover to the insured persons. So far as ESIC is concerned they are only running 22 of their own hospitals".

53. When the Committee desired to know the reasons as to why commensurate increase in coverage of IPs did not take place with reference to the growth of industrial activity in the country during the years 1999-2000 to 2004-05, the Ministry, in a note, submitted as under:—

"Its reason is that workers drawing wages above Rs. 7500/- are not coverable under the ESI Act. That is why wage ceilings for coverage of insured persons is proposed to tbe enhanced from Rs. 7500/- to Rs. 10,000/. Besides, a large number of industrial units are operating in areas where ESI Scheme has not been implemented".

54. They further stated that:—

"The coverage under the ESI Scheme is based on geographical implementation which is being undertaken after confirmation by the State Governments about making the madical arrangements both for out-door and indoor facilities".

(b) Coverage of ESI Scheme to unorganised Sector

55. On the issue raised by Audit that as per a survey of ESIC itself, 9.78 lakh eligible employees were yet to be covered as on 31st March, 2004, the Ministry of Labour and Employement, in a note, clarified as under:—

"So far as coverage of 9.78 lakh workers is concerned, it is stated that these workers are engaged in the factories and establishements in the non-implemented areas (where the Scheme has not been implemented/extended). The potential areas where the Scheme can be implemented, the medical arrangement is required to be made by the State Govt. and thereafter, the Scheme is implemented by issue of a Notification".

56. The Ministry further stated that:—

"Non-coverage of 9.8 lakhs eligible employees as on 31/03/2004 is due to lack of creating infrastructure for medical care by the State Govts. Apart from this, in some areas most of the employees/industries are scattered in very small numbers over a large area. As per guidelines, a minimum of 3000 employees are required to start a dispensary for providing medical treatment. Therefore, some of the areas may not qualify for implementation even after industrial growth, because industries therein are scattered".

(C) *Steps taken to cover the maximum no. of employees under ESI scheme*

57. On being enquired about the steps taken by the ESIC to bring more and more employees under ESI coverage, the Ministry, in a note, stated as under:—

"Periodically action is being taken by ESIC for implementation of ESI Scheme to new areas. Routine surveys and suprise inspections are carried out from time to time to curb violation of ESI Act 1948, and for coverage of new units and additional workers. Implementation of the scheme to new areas is given top priority and due importance. A phased programme is drawn by fixing a target for implementation of the scheme to new areas in consultation with the State Governments, for the current year as well as for the following year. Wherever the target is not achieved or laxity is noticed in implementation of the scheme by the States, the issues are discussed at the top level. The implementation solely depends upon creating infrastructure of medical arrangements by the State Governments in the areas proposed to be implemented and which is a pre-requisite. The State Governments have their own constraints in creating additional infrastructure. However, various measures such as bearing the entire cost of medical care for the initial period of three years or providing medical care by the ESIC directly are being taken by the Corporation. In addition for extension of the Scheme to new sectors of employment, Corporation has requested the State Governments to extend the Scheme to educational institutions and private medical institution under Section 1(5) of the Act. Seven States have already extended the Scheme to educational institutions and 1 State has extended to private medical institutions".

58. On a specific question by the Committee regarding arrangements made for periodical surveys for implementation of ESIS in new areas and the monitoring mechanism available for following-up with the State Governments to avoid delays in extending coverage of ESIC, the Ministry, in a note, replied as under:—

"The potential area for implementation of scheme are identified by the Regional Director/State Govt. on the basis of information/representation received from trade union, employer, etc. The Regional Director arranges for surveys in such areas and follow-up with State Govt. for providing medical arrangements. The Hqrs. office of ESI Corporation draws-up phased programme for implementation every year in new geographical areas and pursue with respective State Govt. vigorously. The issue is also discussed by Senior State Medical Commissioner, Regional Director and Hqrs. office with Secretaries of State Govt. in various meetings".

59. Regarding providing adequate medical facilities in the newly surveyed areas, the Ministry, in a note, informed as under:—

> "In the newly surveyed areas, the medical facilities are to be made by the State Govt. concerned. Depending upon the number of workers in the new areas, State Govt. has the option of establishing its own dispensaries or to go in for panel system i.e. Insurance Medical Practioners. For indoor facilities, State Govt. may make tie up arrangement with the private/Govt. institutions. The ESI Corporation issues notification only after the medical arrangements are complete. To ensure this, State Medical Commissioner, who is an Officer of ESI Corporation, confirms the arrangements made by the State Government".

60. On a suggestion given by the Committee to take over medical services from State Governments, the Special Secretary, Ministry of Labour and Employment explained during the evidence as under:—

> "Recently, the ESIC board took a decision that we may ask the State Governments to hand over this activity to the ESIC and in gradual course our intention is that if the States agree, then we would like to deliver the services directly through the hospitals of ESIC rather than having this dual mechanism of having the States doing this job and then getting reimbursement from us".

61. The Ministry of Labour and Employment, in a written note, submitted the following further measures taken to bring about expansion of ESI Scheme:—

"(a) The ESI Corporation in its 136th meeting held on 15/06/2006 has approved the take over of the Administration of ESI Medical Scheme in the States, wherever the State Govt. is willing to handover.

(b) The ESI Corporation in its 136th meeting held on 15/06/2006 has approved the proposal for enhancement of wage ceiling for coverage, under ESI Act, from Rs. 7,500/- to Rs. 10,000/- per month. It is expected that through this enhancement, near about 5 lakhs additional workers will come under the coverage.

(c) In order to accelerate the pace of implementation of the Scheme to new areas, the Corporation bears the entire expenditure in respect of newly implemented centers for an initial period of three years and for North Eastern States for five years.

(d) The ceiling of expenditure on full medical care has also been raised from Rs. 750/- to Rs. 900/- per Insured Person Family Unit per annum w.e.f. 01/04/2005 so that the State Govt. will get more funds and can create infrastructure in new areas.

(e) The ESI Corporation in its meeting held on 21/02/2003 and 27/02/2005 has approved extension of ESI Scheme to educational institutions and medical institutions. A notification Under Section 1(5) of the ESI Act is required to be issued by the respective State Governments. for this extension after seeking

the approval of the Central Govt. (Ministry of Labour & Employment). Some States like Rajasthan, Bihar, Pondicherry, Uttaranchal, Chhattisgarh and Jammu & Kashmir have issued the final notifications for coverage of educational institutions and the other States are likely to follow in the near future".

VIII. Benefits to Insured persons

62. The ESI Scheme provides not only medical care for the Insured Persons (IPs) and their dependents but also Cash benefits for physical distress suffered by the workers due to sickness and disablement, maternity benefits, dependents' benefit and funeral expenses.

63. ESIC provides Cash Benefits relating to medical care, sickness and maternity, dependents' benefit and employment injury benefit to insured workers in consonance with the policy of ILO and as provided in section 46 of the ESI Act, 1948. These payments are made at the Branch Offices and Pay Offices set up by the ESIC in areas where ESIS is in operation. Audit scrutiny of the cash benefit payments revealed that in Assam 3487 medical reimbursement claims of Rs. 22.82 lakh were pending (May, 2004) for period ranging between 5 to 68 months. In six Local Offices of Delhi, 27 cases of accident claims were pending since 1999. In Rajasthan, in four out of five districts headquarters test checked, 20,549 cases of medical claim of Rs. 62.01 lakh were paid late to the IPs. The delay was attributed to poor progress in disposal of claims combined with poor accounting and documentation, non-availability of funds want of manpower etc.

64. Responding to the above stated Audit findings, the Ministry of Labour and Employment, in a note, clarified as under:

"The reimbursement of medical claims is done by State Government, ESIC will be requesting the Government of Assam to expedite the settlement of pending reimbursement claims. To expedite the reimbursement of medical claims, scheme of Revolving Fund has been evolved under which the money is kept with the office of SSMC/RD and payment of medical reimbursement claims in respect of super speciality and other claims are made by SMC/RD's office on receipt of valid sanction from the State Government. As regards 27 cases of accident claims pending in six local offices of Delhi region, the Regional Director, Delhi has intimated that at present there is no case pending."

65. The Committee desired to know whether ESIC had evolved a Management Information System for ensuring timely settlement of the claims of the beneficiaries. The Ministry, in a note, replied as under:—

"ESIC has evolved a system for ensuring timely settlement of the claims of the beneficiaries & cash benefit payments are disbursed through network of 825 branch offices/pay offices round the year. ESI Corporation is also implementing a Pilot Project of I.T. enabled services, which will be extended to all the regions. Cash benefits are part of new I.T. enabled management system."

66. Audit futher pointed out that:—

"Internal Control Mechanism of ESIC was deficient resulting in cases of excess/ fraudulent payment of medical benefits indicated below:—

(Rs. in lakhs)

Sl. No.	State	No. of Local/ Br. Off. involved	Type of Benefit	No. of Cases	Excess amount paid
1.	Andhra Pradesh	7	Sickness Benefit/Temporary Disablement Benefit	266	1.58
2.	Assam	2	Fraudulent Claims and Excess Payment	290	1.26
3.	Delhi	6	Wrong rates and wrong calculation	294	2.07
4.	Maharashtra	12	Over payment to beneficiaries/ Temporary disablement Benefit/ Dependent's Benefit	565	2.23
5.	Orissa	12	Medical treatement availed without entitlement/sickness benefit	1223	4.83
Total					11.97

67. The Ministry, in a written note, has informed as under:—

"The amount of excess payments in 5 regions over a period of 3 years has been said to be Rs. 11.97 lakhs. Against the Cash Benefits amounting to Rs. 273.97 crores paid to Insured Persons (IPs) in one single year 2003-04 , the excess it has been found that this amount pertains to: (i) those Insured Persons (IPs) who were found not entitled due to false declaration/Section-63 (received wages for the period to which sickness benefit was paid) detected later after verification (ii) wrong calculation *vis-a-vis* IPs entitlement (iii) re-assessment of loss of earning capacity of IPs etc."

68. Enquired about the latest position regarding recovery of excess payments in the cases pointed out by Audit, the Ministry, in a note, stated as under:—

"The latest position regarding recovery of excess payment as on 30.11.06 is:— Out of excess payment of Rs. 11.97 lakhs, an amount of Rs. 3,57,846.40 has since been recovered. The other amount of Rs. 2.25 lakhs pertains to medical reimbursement which is to be recovered by the State Govts. Efforts are being made to recover balance excess payments of Rs. 6,29,567.50 from the Insured Persons".

69. The Ministry further stated that:—

"Legal cases are filled against the Insured Persons under Section 84 of the ESI Act. During the year 1999-2000 to 2003-04, 125 & 2004-05, 56 cases were filed under Section 84 of the ESI Act".

70. The Ministry added that:—

"Recently, the Corporation has introduced Amnesty Scheme for withdrawal of prosecution cases filed against insured persions provided the insured person refunds the excess payment and gives an undertaking that he will not indulge in wrong declaration in near future. The Amnesty Scheme has been made effective w.e.f. 01.08.2006 for a period of 6 months".

IX. Hospitals and Dispensaries

71. Section 58 of ESI Act, 1948 provides for full medical care facilities for the IPs and their dependents from the first day of entering insurable employment through a network of empanelled clinics, ESI dispensaries and hospitals.

72. The ESI Corporation constructs hospitals and dispensaries on the basis of requests made by State Governments. These requests are examined on the basis of number of Insured Persons and beneficiaries of ESI Scheme residing in that particular area.

73. As per the information provided by the Ministry of Labour and Employment, norms for construction of hospitals are as under:

"Norms for construction of the hospitals are as under:—

1. 50 bedded hospital	25,000 IP family units
2. 100 bedded hospital	1,00,000 IP family units
3. 150 bedded hospital	1,50,000 IP family units
4. 200 bedded hospital	2,00,000 IP family units
5. 250 bedded hospital	2,50,000 IP family units
6. 300 bedded hospital	3,00,000 IP family units
7. 400 bedded hospital	4,00,000 IP family units
8. 500 bedded hospital	5,00,000 IP family units
9. 600 bedded hospital	6,00,000 IP family units

For opening a dispensary there should be minimum 3,000 IP family units for 2 doctors' dispensary, 5,000 IP family units for 3 doctors' dispensary and 10,000 IP family units for 5 doctors' dispensary".

(a) Procedures for the construction of ESIC hospitals/dispensaries

74. Regarding the procedure followed for construction of hospitals, the Director General of ESIC informed the Committee during evidence as under:—

"The procedure followed is that we get recommendation from the State Government, see whether the norms are fulfilled or not; if the norms are fulfilled, then in principle approval is given to put the hospital. Thereafter, the site selection committee is constituted".

(b) Reasons for not initiating the construction works for ESIC hospitals/dispensaries

75. ESIC acquires land from different State Governments for construction of

hospitals/dispensaries and staff quarters. Audit observed that in the following cases, the construction work had not been started even years after acquiring land that resulted in blocking of funds and defeating the very purpose for which the land was acquired.

76. In Andhra Pradesh, Bihar, Jharkhand, Delhi, Gujarat, Haryana, Kerala, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Pondicherry and Uttar Pradesh, land acquired at the total cost of Rs. 3.68 crore during the year 1967 to 2003 could not be utilised for the intended purpose of construction of hospitals, dispensaries and staff quarters. Reasons for not initiating construction work were not furnished to audit. Further, Audit noted that .

77. In Rajasthan, three plots for construction of 50 bed hospitals (at Udaipur, Bhiwadi and Alwar) and three plots for construction of dispensaries (at Jaipur, Behror and Alwar) were purchased from State Government agencies between 1977and 1994 at a cost of Rs. 2.08 crore. Audit ascertained that no construction work had started till July 2004, risking cancellation of allotment of land by the concerned authorities.

78. A plot allotted by Punjab Small Industries and Export Corporation Ltd. (PSIEC) to ESIC in December 1989 in Ludhiana for construction of a TB hospital was cancelled due to delayed payment resulting in forfeiture of Rs. 25.08 lakh. ESIC stated (July 2004) that a final decision in the matter was awaited from the High Court.

79. In West Bengal, ESIC paid Rs. 20.23 lakh to the Land Acquisition Authority (November 1987) for acquisition of land measuring 9.93 acres at Garhshyamnagar. It spent Rs. 7.04 lakh on construction of a boundary wall on the land. In February-March 2002, ESIC reconsidered the issue of construction of the hospital, due to availability of excess beds in the States hospitals in that area. It, therefore, requested the State Government to take back the land. The State Government had not taken suitable action. Thus, defective planning resulted in unfruitful expenditure of Rs. 27.27 lakh.

80. In Delhi, ESIC purchased land at Arjun Nagar, Mayur Vihar, Narela, Bindapur, Wazirpur and Pappankalan from DDA at a cost of Rs. 32.26 lakh to construct dispensaries during 1986-95. However, construction had not started in any location except Wazirpur.The investment of Rs. 32.26 lakh remained blocked for period ranging from 10 to 19 years.

81. Responding to the Audit findings, the Ministry of Labour and Employment in a note, stated as under:—

> "The plots mentioned in the above Audit para has been acquired by the ESIC since at the point of time there was requirement of construction of hospital/ dispensary. Subsequently, the number of IPs in the above areas declined and the norms for construction of hospitals/dispensaries were not fulfilled. These plots were retained in anticipation of future requirement after ensuring that there were no encroachment. In case, it is found that the plot is not required. Task Force Meetings will be convened and based on the decision taken in the meeting, the land will be surrendered to the concerned Authorities from whom the land was acquired after claiming suitable compensation with interest".

82. On a specific question of the Committee about the reasons for decline in the number of IPs in the areas where the plots were acquired, the Ministry in a note informed as under:—

"(1) Decline in the number of IPs in the areas where the plots were acquired is due to closure of the factories in the areas.

(2) IPs going out of coverage due to increase in wages."

83. As regards the plots specifically referred to in the Audit Report, the Ministry, in a written note furnished the following comments:—

"1. Rajasthan:—

(i) *Udaipur*: The plot is retained in anticipation of future requirements as per decision taken by the Task Force Meeting held on 05.12.2005.

(ii) *Bhiwadi*: ESIC has taken decision to construct the Hospital. For this purpose Govt. of Rajasthan has been requested to give undertaking that after construction they will take over and commission the hospital by posting necessary medical and para medical staff. The reply from Govt. of Rajasthan has not been received inspite of repeated requests.

(iii) *Alwar*: Presently there is no justification for construction of hospital but plot has been retained for future use as decided by Task Force Meeting held on 5.12.05.

2. Punjab:—

Focal Point Ludhiana: The proposal to construct a T.B. Hospital on the plot has been dropped as suggested by State Govt. A Task Force meeting held on 7.6.06 and was decided to give back the plot to M/s. PSIEC Ltd. who had allotted the plot subject to payment of market price. M/s. PSIEC Ltd. has refused to pay the market premium for the plot. The matter is still under consideration with M/s. PSIEC Ltd.

3. West Bengal:—

Garhshyamnagar: State Govt. of West Bengal has not responded to ESIC's request for de-acquisition or taking over plot by State Govt. The matter is being pursued with West Bengal Government.

4. Delhi:—

(i) *Arjun Nagar*: Dispensary could not be constructed due to litigation and the matter is still subjudice.

(ii) *Mayur Viha*r: ESIC has decided to construct National Training Academy and Dispensary in the plot. School of Planning and Architecture has been selected as Architect for the project.

(iii) *Pappankalan*: Dispensary building is under construction and which is expected to be completed by March 2007.

(iv) *Narela*: Proposal for construction of a hospital for Indian System of Medicine has since been dropped. ESIC has now examining the proposal to construct a dispensary there.

(v) *Wazirpur*: The construction of dispensary building is over. The Completion Certificate has not issued by Municipal Corporation of Delhi inspite of repeated requests. This is due to Municipal Corporation of Delhi's inability to provide sewerage connection. The matter is vigorously pursued with Municipal Corporation of Delhi.

(vi) *Bindapur Pocket IV*: ESIC has now proposed to construct a dispensary at Bindapur and for this purpose sought permission of D.D.A., D.D.A. has been approached to extend the permitted period to construct upto 31.12.06 D.D.A.'s permission is awaited"

(c) Reasons For Retaining Plots

84. When the Committee specifically asked the Ministry to state reasons for retaining the plots construction of hospitals/dispensaries for long periods varying upto 37 years, the Ministry in a note replied as under:—

"After plots for construction of hospitals/dispensaries were acquired but before construction of hospitals/dispensaries could commence, the IPs strength in the areas declined and so it was felt that incurring expenditure on construction of hospitals/dispensaries and further expenditure on maintaining the hospitals/ dispensaries will be infructous. The above mentioned plots were not surrendered since it was felt that these plots may be required in future as and when industrialization in these areas take place and insured population increases. Besides, it is also noteworthy that most of the aforesaid plots were obtained through acquisiton proceedings and so they cannot be disposed of the third parties. Instead, these plots have to be disposed off through the lengthy and cumbersome procedure envisaged under the Land Acquisition Act. However, the matter is being reviewed and efforts to dispose off the plots in which construction is not viable is being initiated."

85. The Committee sougth the comments of ESIC with regard to locations of the hospitals which are not easily accessible to the beneficiaries at some places and asked specifically about the constraints in locating the hospitals at places easily accessible to the beneficiaries. The Ministry in a note, explained as under:—

"Although the ESI Hospitals are not located in prime areas, it is submitted the most of the existing ESI hospitals/Dispensaries are located in places accessible to the beneficiaries. It is noteworthy that plots for construction of hospitals are acquired through acquisition proceeding under the Land Acquisition Act and ESI Corporation is unable to find land in prime location by paying substantial amount. However the plot is utilised only after a Site Selection Committee consisting of representatives of the ESI Corporation, State Government, local Committee visit the site and gives recommendations regarding suitability of the plot in all respects. The main constraints in locating the hospitals at places

accessible to the beneficiaries that for construction of ESI hospital substantial land is necessary which will not be available at affordable rates in prime location."

86. On enquired about institutionalized mechanism at Headquarters level for ensuring better coordination with respective State Governments in matters of setting up hospitals/dispensaries, the Ministry in a note stated as under:—

"ESIC has a mechanism for co-ordination with the State Govt. At the Hqrs. office level, ESI Corporation, Standing Committee, Medical Benefit Council have representative of State Governments as Members and the various issues pertaining to States are discussed in the meeting of these bodies. Besides this, Zonal meetings are also held with the Secretaries of the States where the functioning of medical scheme in reviewed. ESIC has also set up offices of SSMCs/SMCs in the States who are regularly coordinating with the State Govts. on functioning of the medical scheme as a representative of ESI Hqrs. Office."

X. Non-commissioning of Hospitals/Dispensaries

87. Section 58 of the ESI Act, 1948 places the responsibility for administration of medical care under the ESIS on the State Government. Audit commented that the ESIC had constructed 23912 beds in 143 ESI Hospitals and 42 ESI Annexes as on 31 March 2004, out of which 20,486 beds i.e. 86 per cent were commissioned. However, the percentage of non-commissioned beds in the ESIC hospitals in **Andhra Pradesh, Chandigarh, Delhi, Gujarat, Haryana, Maharashtra, Karnataka, Madhya Pradesh, Tamil Nadu, Uttar Pradesh** and **West Bengal** ranged from 18 per cent to 100 per cent. The ESIC replied to Audit in August 2004 that the hospitals had been handed over to State Governments after construction for commissioning. It attributed non-commissioning of beds to inadequate doctors/staff, low occupancy etc. Further, 74 hospitals had bed occupancy of less than 50 per cent. The low occupancy was attributed to shortage of medical/paramedical staff including specialists, lack of basic facilities like drinking water in some hospitals, closure of factories, accessibility of other hospitals and other local factors.

88. Explaining their position, the Ministry of Labour and Employment, in a written note, stated as under:—

"Hospitals are constructed on the request and recommendations of the State Government. After construction, ESIC hands over the hospital building to the respective State Government for commissioning. State Government commissions the hospital as per need prevailing at a particular point of time.

In order to ensure optimum utilization of hospitals and dispensaries and commissioning of already constructed hospital buildings, ESIC has issued the following guidelines to the State Governments:

1. Re-organize the infrastructure of hospitals and dispensaries to ensure optimum utilization.
2. Close down hospitals where the occupancy is very low.

3. To open the facilities of hospitals to general public on usual charges and commissioning of hospitals through third party. In this regard, the matter has been referred to the Ministry of Labour and Employment to obtain the legal opinion whether this can be done within the existing provision of ESI Act or amendment is required. The reply from the Ministry is awaited".

(a) Reasons for Non-commissioning of Hospitals/Dispensaries

89. Audit has highlighted that two hospitals, constructed in Punjab and Jammu and Kashmir at a total cost of Rs. 6.36 crore were not commissioned as of June 2004 due to the following reasons:—

Sl. No.	Details	Amount released upto 31.3.03	Date of start of construction	Scheduled date of completion	Date of completion	Reasons for non-commissioning
Punjab						
1.	50 bed ESI Hospital Mandigo bindgarh	2.42	June 1988	September 2001	Completed in 2001	The State Government had agreed in principle to take over the hospital and commission it through third party administration as a pilot project. However, it has not happened as yet.
Jammu and Kashmir						
2.	50 bed ESI Hospital, Jammu	3.94	April 2000	October 2001	Completed in 2003	The Construction was completed but the power connection was still to be obtained.
	Total	6.36				

The reasons indicated poor monitoring and coordination and inadequate planning due to which investment of Rs. 6.36 crore was blocked for periods ranging from 4 to 16 years.

90. Responding to it, the Ministry, in a note, has explained as under:—

"Regarding non-commissioning of the hospitals by the governments of Punjab and Jammu & Kashmir, it is submitted that (1) the State Government of Punjab has decided to commission the Mandigobindgarh Hospital. The building was completed. Thereafter, electric connection was obtained on 16-09-2006 from State Electricity Board. The Building is being handed over to State Government for commissioning. (2) ESI Hospital Jammu has been commissioned by starting

outpatient services. Indoor services will be commissioned shortly. Commission of the hospitals and providing medical care facilities to the IPs through these institutions is the primary responsibility of the State Government. ESIC has been, time and again, requesting the State Government to run these hospitals as they were constructed on their request. ESIC has even conveyed to the State Governments that they are free to commission these hospitals by inviting third party participation."

91. Audit pointed out that ESIC constructed three hospitals at Chinchwad, Bibvewadi and Kolhapur in Maharashtra at a cost of Rs. 25.20 crore. These hospitals were constructed despite objection of the State Government regarding their financial viability, as the expenditure incurred on IPs was far higher than the ceiling fixed by ESIC Though these hospitals were ready for commissioning between September 1996 and November 1996, the State Government did not take their possession. Thus, failure of ESIC. to correctly assess the requirement of a hospital with reference to the number of IPs at each location despite this being pointed out by the State Government, resulted in idling of the investment of Rs. 25.20 crore. Due to the non-commissioning of these hospitals, Pune Zilla Kamgar Union and others had filed a writ petition in Mumbai High Court. ESIC had assured the court that these hospitals would be commissioned with the help of third party participation.

92. Responding to it, the Ministry in a note, informed as under:—

"The Government of Maharashtra has proposed to commission the hospital buildings through third party and is reportedly in the process of finalizing the terms and conditions."

93. Audit has brought out another instance and stated that the work of expansion of ESI. Hospital, Ludhiana was completed in August 1999 at a cost of Rs. 14.92 crore and possession was taken by the State Government in November 2002. The additional building constructed had not started functioning till June 2004 due to shortage of staff in different categories and various other proposals pending sanction of the ESIC Headquarters resulting in idling of the investment of Rs. 15.11 crore (including Rs. 18.53 lakh spent on repair and maintenance).

94. Responding to it, the Ministry in a note, stated as under:—

"ESI Hospital, Ludhiana has been taken over by ESIC to be run as a Model Hospital and the building has been put to use."

95. Audit has commented that in Faridabad, a 200 bed ESIC hospital constructed at a cost of Rs. 8.03 crore was handed over to the State Government in June 1992. An additional expenditure of Rs. 1.19 crore was incurred on repair/special repairs of the building during 1999-2004. However, three floors of the hospital building out of five floors had not been used as of June 2004 due to decrease in number of indoor patients. There was consequential idling of investment of Rs. 5.53 crore on a proportionate basis. Thus, the building was constructed without taking into account the expected number of beneficiaries in the area.

96. When enquired by the Committee, the Ministry in a note, replied as under:—

"The construction of the hospital was based on the number of beneficiaries at the time of planning. Under utilization has been resulted due to the drop in the number if beneficiaries during or after construction of the hospital building. The State Government is considering the opening of services of the hospital to general public on user charges".

97. According to Audit, in West Bengal, a ten-storeyed hospital with 300 beds was constructed at Thakurpukur, Kolkata in February 1994 at a cost of Rs. 14.66 crore. However, only 152 beds could be commissioned. The top five floors remained unutilized as of November 2005, resulting in unfruitful expenditure besides recurring expenditure towards maintenance and security of the entire building.

98. The Ministry, in a written note, replied as under:—

"The hospital facilities at ESI Hospital, Thakurpukur are being upgraded by providing required staff and equipments. ESI Corporation has taken a decision to set up zonal super speciality hospitals in the country and ESI Joka is being considered for coversion into super speciality hospital".

99. Audit has highlighted that ESIC approved in August 2000 special repairs for the three tower blocks of ESI Hospital, Bapu Nagar, Ahmedabad, Gujarat (constructed in 1971) at a cost of Rs. 1.98 crore and Rs. 45.00 lakh was released to a construction agency for special repairs. After the agency started the repair work in 2000 and had spent Rs. 32.76 lakh, it was asked to stop the work following Labour Minister's visit to the hospital in July 2002. A Sub-Committee headed by Minister of State for Labour (July 2003) recommended the demolition of tower blocks itself due to their dilapidated State. Thus the expenditure of Rs. 32.76 lakh incurred on special repairs became infructuous.

100. Respondingto it, the Ministry, in a note, furnished the following information:—

"The special repair for three tower blocks of ESI Hospital, Bapu Nagar, Ahmedabad, Gujarat was sanctioned in the year 2000. However subsequently, due the earthquake, the hospital suffered further damage and tower blocks were declared unsafe and thereafter the decision to demolish the tower block was taken. The damaged hospital building and tower blocks at ESI Hospital, Bapu Nagar, Gujarat have been demolished and plans for new buildings approved".

101. Audit has further pointed out that ESIC released Rs. 35 lakh to the State PWD in May 1996 for construction of 10 staff quarters for ESI hospital, Shahabad, Karnataka at an estimated cost of Rs. 47.54 lakh. Though the construction work started in April 1998 and was nearing completion, further work was held up as the ESI hospital at Shahabad was found to be grossly underutilized since inception. As per Audit, the State Government was considering establishing an Industrial Training Institute in the hospital building. Thus, improper planning resulted in avoidable expenditure of Rs. 35 lakh.

102. The Ministry, in a written note, forwarded the following information:—

"Staff quarters were constructed on the request of the State Government. However the issue relating to the optimum utilization of medical infrastructure and feasibility of opening ESI Hospitals to general public has been sent to the Ministry of Labour for seeking legal opinion as to whether it is permissible under the present ESI Act. The suggestion of the audit is already under consideration and legal opinion has been sought from the Ministry of labour to upgrade the hospital with adequate staff & equipment. Powers have been delegated to Medical Superintendents. To sanction and purchase equipment upto 15 lakhs per unit as per their requirement."

(b) Utilisation of Capacity of ESIC Hospital/Dispensaries

103. The Committee desired to know whether the capacity of the hospitals which was build was being properly utilized. The Special Secretary, Ministry of Labour and Employment in his deposition before the Committee during evidence stated as under:—

"That is the crucial point because somehow in the past the hospitals were opened in the areas which had activity over the years; because the nature of that activity has languished and in some cases completed disappeared. But the hospitals are still there and some of them, rather most of them, were built at high cost. What are we to do with these hospitals is a question which is being addressed to by ESIC and the Government is also cognizant of this fact. We have also made an inventory of their properties throughout the country and we are trying to see in the Medial Committee what can be done in respect of each of these hospitals".

(c) Steps Taken for Optimum Utilization of Capacity of ESIC Hospitals/Dispensaries

104. Enquired about the remedial steps being taken by ESIC to ensure optimum utilization of its medical infrastructure and also the steps taken to resolve the problem of shortage of medical/para medical staff and lack of basic facilities in the hospitals/ dispensaries, the Ministry of Labour and Employment in a note stated that:—

"To ensure optimum utilization of medical infrastructure, ESIC has taken the following steps:—

Re-organisation of hospitals and dispensaries—State Governments have beenrequested to re-organise the hospitals and dispensaries and to deploy the excess staff in the institutions/areas where it is required.

It is proposed to open the unutilized facilities in ESI Hospitals to general public on user charges for which amendments in the ESI Act are required.

To resolve the problem of shortage of medical and para medical staff, State Governments have been asked to fill up the vacant posts and letter have been written by the Union Minister of Labour and Employment and Minister of State for Labour and Employment to the Chief Ministers of the States for filling up the vacancies on priority basis.

To improve the basic facilities in hospitals and dispensaries, powers to sanction new equipments have been delegated to SDMCs/SMC s n the States. Besides this ceiling on the medical care expenditure was increased from Rs. 750/- to Rs. 900/- w.e.f. 1.4.05 and it is further proposed to increase it to Rs. 1000/- w.e.f. 01.04.2007 for which an agenda item has been taken up in the meeting of ESI Corporation to be held on 23.12.2006."

105. On a query of the Committee as to how far the quality of medical service responsible for low bed occupancy, the Ministry in a note submitted that:—

"The reason for low occupancy in ESI Hospitals is due to decrease in the number of IPs attached to the hospitals over the years. The quality of the medical services does have an affect on the utilization of facilities in the hospitals."

106. During evidence the special Secretary, Ministry of Labour and Employment explained as reproduced below:—

"Recently, the amount to be given to the State Governments has also been increased. It used to be Rs. 750 per person. Now we have enhanced it to Rs. 900. But the said part is that very many of the States are not functioning very efficiently and the backlash is that the ESIC gets the bad name most of the time. Some States have been given advance money for two quarters, namely Bihar. But they do not come forward to claim the reimbursement which is reflecting adversely in our utilization pattern".

(d) Extension of the Benefit to Non-insured Persons

107. With regard to extending the underutilized medical facilities to non-insured person, the Director General of ESIC in his deposition before the Committee during evidence stated as under:—

"The problem is that because of various reasons, the bed occupancy in some of the hospitals has gone down drastically. The issue came up; if the beds are lying vacant, it is a national wastage, as the Hon'ble Members have themselves pointed out. We found that we cannot open these beds to non-insured persons within the ambit of the law as it is today. So, we thought it proper to make a formal reference to the Ministry of Labour, which in turn, referred it to the Ministry of Law, which is examining it. I want to make a spciafic reference to two issued-one whether the non-utilised capacity of the existing ESIC hospitals can be utilized by non-IPs on payment of specific user-charges. There will be no charge on the ESIC funds which are based on the direction made by the insurance persons. But the proposal is only to open then non-utilised or under-utilised hospitals' capacities on 'user charges' basis."

108. On the issue of extending medical facilities to uninsured persons and involvement of private parties in providing medical services, the Special Secretary during evidence submitted as under:—

"The Ministry has, in turn, referred two things to the Ministry of Law and Justice for advice. One is whether uninsured persons can be extended the cover

as is available to the insured persons and secondly whether we can have an arrangement of giving some of our properties in hospitals to private persons for operating them because the State Governments are not able to do it and we may not also reach. So, this concept has taken birth very recently. Within the Act, without carrying out amendments, if this is possible—is this possible? This is the advice that we have sought from the Ministry of law and Justice."

109. On being specifically asked by the Committee about proposal, if any, to provide access to the general public of their hospitals where there is low bed occupancy due to non-availability of sufficient IPs, on payment basis, to ensure optimum utilization of bed capacity, the Ministry of Labour and Employment, in a note, gave a negative answer.

110. The Committee subsequently asked whether any legal opinion on the matter of opening ESI Hospitals of low bed occupancy to the general public been obtained. The Ministry, in a note, replied as under:—

"Yes, Sir/ Legal opinion has been received from the Ministry of Labour and according to which the opening of hospitals to general public cannot be made within the existing provisions of the ESI Act. For amendment of the Act, action is being taken".

(e) Private Sectors Participation in Running ESIC Hospitals/Dispensaries

111. When the Committee sought Ministry's view on collaboration with private hospitals in repect of management and use of facilities in its hospitals/dispensaries, the Ministry, in a note, stated as under:—

"For running of ESI Hospitals and dispensaries by private participation, amendment in the ESI Act is required".

112. Explaining it further, the Director General, ESIC made the following statement during evidence:—

"It is Not the intention that we will straightaway take a decision to handover the hospitals to private parties. That is very high impossible because of some provisions. First of all, the state Governments are running these hospitals. We have just asked them as to whether they are in a position to hand over these hospitals to the ESI, who will be running those hospitals. So, the thrust is to first of all upgrade the facilities because we have experience that the State Governments are not really taking requisite interest……..Regarding the private part, we have only referred as to whether within the provisions of the Act such a thing is possible or not. But that is not to say that we are taking the decision to lock, stock and barrel handover our ESI hospitals to private parties. That is not the intention. The intention is that either the State Government cannot run or we are not able to. We are just toeing with the idea of exploring the possibility and potential to put to use the ideal capacity. Some of the buildings are very good. They are in very good areas. Their need is also there. Would it be possible, feasible legally to take this kind of decision? This is only on the anvil. As the Hon'ble Chairman said, we will not just handover without nitty-gritty being

worked out because there are lot of issues. You have rightly said that even those hospitals which are in existence and are private hospitals not all is well with them. Therefore, we will not like this kind of thing to be in the context of ESI hospitals. This will have to be seen and MoU will have to be developed which protects the rights of the labour also and ensure easy access to injured persons and others…We have got enough money in our kitty; we have got an amount of around Rs. 12,700 crore in our kitty. We can spend any amount to upgrade the facilities of these hospitals, if the States hand them over to ups."

113. The Committee desired to know the response of the State Governments to the proposal for running the hospitals through third party participation. The Ministry, in a note, informed as under:—

"Some of the State Governments are agreeable to the proposal of running ESI Hospitals through third party participation and have sought approval of ESIC for the same but as per the legal opinion from the Ministry of Labour/ Law, the same is not permissible as per the existing provisions of the ESI Act. At present, none of the ESIC Hospital is being run under third party arrangement."

114. The Committee desired to know the criteria for selection of hospitals for treatment of patients in referral cases. The Ministry, in a note, informed that:—

"The State Governments are empowered to make tie up arrangement with Government/Private hospitals for the facilities which are not available in the ESI Hospitals. The patients can go to any private/ Government Hospitals with which the State Government has made a tie up arrangement."

115. Regarding advance payment to private hospitals, the Ministry submitted as under:—

"The advance payment is made to the hospitals with which the tie up arrangements exists on receipt of estimates. The advance is paid as per the estimate given for treatment in individual cases depending upon the ailment of the patients."

116. Enquired about the alternative arrangement made by ESIC for benefit of its subscribers where the facilities of ESIC do not exist, the Ministry, in a note, informed as under:—

"In the areas where the facilities of ESIC do not exist, State Governments have been asked to provide these services by outsoucing through private medical practitioners and also by entering into tie up arrangement with Govt./non Govt. institutions in the areas. IPs can avail the facility of private hospitals/clinics with which the States have got tie up arrangement. In case of emergencies, patient can get the treatment in private hospitals and there is provision for reimbursement of such expenditure subject to the ceiling prescribed by the State Government"

(f) Amendment of the ESI Act to take over the Hospitals/Dispensaries

117. The Committee further raised a query whether ESIC had proposed to amend the ESI Act so as to take over the hospitals/dispensaries presently run States and whether

State Governments have agreed to the proposal, the Ministry in a note explained that:—

> "As per the present provision of Section 59 of ESI Act, ESIC can take over the administration of hospitals and dispensaries from the States on the specific request of the State Govt. ESIC has taken decision, in principle, to take over the ESI Medical Scheme in the States wherever the State Govt. request for the same. The detailed modalities and feasibility of take over including the economic viability are beign worked out."

XI. Status of Model Hospitals

118. The ESIC decided in February 2001 to set up one Model Hospital in each State with a view to improving the quality of medical care provided to the beneficiaries and to serve as the benchmark for up-gradation of other hospitals by the State Governments. Under the scheme, the ESIC had to renovate and expand the buildings, provide equipment and staff as per its norms and bear the entire expenditure of running these hospitals. Audit ascertained in November 2005 that of the 25 Model Hospitals to be set up in the States/(UTs), only 16 had been set up in the States of Andhra Pradesh, Assam, Jharkhand, Karnataka, Kerala,Orissa, Punjab, Rajasthan, Uttar Pradesh, Bihar, Tamil Nadu, Maharashtra, Madhya Pradesh, Delhi, Chandigarh and West Bengal.

119. Audit review has revealed that in **Andhra Pradesh,** ESI Hospital, Nacharam was taken over by the ESIC in August 2002 for developing it as a model hospital. However, the hospital lacked proper facilities like staff and equipment, due to which 1102 cases were referred to other hospitals during August 2002 to April 2004. A blood bank refrigerator and a Dark Field Microscope costing Rs. 0.49 lakh and Rs. 4.03 lakh respectively procured in March 1999 and April 2002, were not put to use. Besides, in **Rourkela, Orissa,** a 50-bed hospital constructed at a total cost of Rs. 4.27 crore in May 2001 was selected as a model hospital by the standing committee of ESIC (July 2001). The hospital, however, could be commissioned only partially from May 2003. ESIC attributed the partial commissioning to the ban on the creation of posts by the Union Government. The reply was not tenable as when the work was awarded in December 1993, ESIC was fully aware of the ban on recruitment.

120. Responding to the Audit observation the Ministry of Labour and Employment, in a note, replied as under:—

> "Model Hospital at Bari Brahmana in Jammu & Kashmir has also been commissioned in addition to the 16 Model Hospitals already set up. Further, the State Government of Himachal Pradesh and Pondicherry have not given their consent for handing over the hospital to the ESI Corporation to be set up as Model Hospital. In the remaining States/UTs where the ESI Scheme is implemented, the number of Insured Persons does not justify setting up of Model Hospital as per norms of ESIC."

121. Replying further, the Ministry stated as under:—

> "ESI Corporation has taken several steps to upgrade the Model Hospitals with staff and equipments as per the norms. The ESIC Corporation has sanctioned

the staff as per the norms and the process of recruitmetn has already been initiated. Besides this, the hospitals are beign technically upgraded with latest equipments as per the requirement of the various hospitals."

122. When the Commitee desired to know the progress with regard to development of Model Hospitals in various States, the Ministry, in a note, informed that:-

"As on 31.06.2006, 17 hospitals are being run by ESI Corporation as Model Hospitals in the various States. All these hospitals are being technically up graded with requisite staff and equipments as per norms laid down by ESIC. Out of the 17 Model Hospitals, the hospital at Nagda was unviable and instead ESI Hospital at Indore is proposed to be taken ovr from the State Government. and Nagda Hospitals will be handed back to State Govt. of Madhya Pradesh. In Uttar Pradesh, ESI Hospital Noida has been made Model Hospital in place of ESI Hospital, Sahibabad which has been handed back to the State Govt. It is also under consideration to down grade ESI Hospital Rourkerla into a Diagnostic Centre as the hospital at Rourkela is unviable and take over ESI Hospital, Kansbhal/Bhubaneshwar to be run as Model Hospital. Further Standing Committee of ESI Corporation has taken a decision in its 169th meeting held on 02/06/2005 that no more Model hospital will be taken over by ESIC till March, 2007 and based on the experience gained from existing model hospitals further action will be taken."

123. On being asked about the reasons for the shortfall in setting up of Model Hospitals, the Ministry, in a note, state that:—

"Model Hospitals have been established in all the States where consent was given by the State Govt. In some of the States, where ESI Scheme is implemented, the number of insured persons does not justify setting up of model hospitals as per norms of ESIC. The position is received from time to time".

124. The Committee raised a query whether ESIC evaluated the beneficiary satisfaction in the Model Hospitals *vis-a-vis* its other hospitals, the Ministry, in a written note, submitted as under:—

"No Sir. However, ESI Corporation is in the process of getting its hospitals graded/ ISO certified. Till now seven ESIC Hospitals have been got graded with respect to the quality of service being provided. Besides this one ESIC Hospital *i.e.* ESI Hospital Basaidarapur and one Dispensary *i.e.* ESIC Dispensary, Factory Road in Delhi have been awarded ISO certification 9001: 2000."

125. Enquired about the position with regard to establshing/developing Super Speciality Hospitals, the Ministry, in a written note, furnised the following information:—

" As per the decision of ESI Corporation regarding setting up of zonal super specialty hospitals as a pilot project, HSCC was given the task of preparing detailed project report for super specialty hospital at Hyderabad. HSCC has submitted the final report. In the report, HSCC has suggested that to have a review of the decision by ESIC, as the super specialty hospital will not be

financially viable. Accordingly, the matter is being taken up before the ESI Corporation for further decision."

XII. Idle Equipment

126. Audit scutiny revealed that equipment purchased for hospitals and dispensaries remained unutilised in many cases for want of medical staff, lack of repair and maintenance, mismanagement and improper planning, State-wise details are given below:—

(i) In Delhi, solar heating systems for heating water for clinical purposes costing Rs. 26.20 lakh were installed at I.G. Hospital, ESIC, Jhilmil in 1988 and ESI Hospital, Okhla in 1995 respectively. The systems were never made functional due to non-award of AMC with installation agency or with CPWD in Jhilmil and acute shortage of water in Okhla.

(ii) In **Uttar Pradesh,** ESIC provided (1999-2000) Rs. 74.60 lakh for purchase of dental equipment for ESI hospitals. However, the equipment could not be utilised effectively as the post of dentist remained vacant for most of the time. In **Haryana,** Ultra sound machines were lying idle in ESIC Hospital Faridabad since April 2002 for want of repairs and non-availability of Radiologist in Bhiwani and Jagadhri hospitals. In ESI Dispensary, Hisar an X-ray machine was lying idle since April 1995 for want of a technician. In ESI hospital, Jagadhri, the X-ray machine was lying idle since January 2003 for want of repair and non-availability of technical staff.

(iii) In **Himachal Pradesh,** an Ultra Sound machine at ESI hospital, Parwanoo remained out of order for 38 months from March 2001 to April 2004. A Cardiac Monitor purchased in March 1995 for Rs. 0.52 lakh, was installed only in July 2003. The concerned SMO stated (June 2004) that the monitor could not be installed in time due to non-posting of technical staff and doctor.

(iv) In **Maharashtra,** it was noticed that equipment costing Rs. 48.34 lakh acquired between 1994 to 2003 were lying unutilised for want of repairs, In **Orissa,** a departmental review of medical facilities available in six ESI Hospitals revealed that more than 50 per cent of the essential equipment and instruments were not available and there was a gross mismatch between equipment and staff available.

(v) In **Delhi**, there were delays ranging upto 49 months in purhcase of various essential equipments worth Rs. 2.41 crore resulting in hardship to the patients and additional expenditure on providing treatment from outside agencies.

127. The Ministry of Labour and Employment, in a written note, explained their position as under:—

"Under the ESI Act, State Governments are primarily responsible for providing medical care to the Insured Persons. ESIC constructs the hospitals and provides

equipments outside the ceiling as per requirement of the State with reference to norms and standards formulated in this regard. Equipments are sanctioned after obtaining an undertaking from the State Government that the same will be put to use after purchase. Whenever any complaint regarding non-utilisation of equipment is received, the concerned State is advised to put the same in use as per the terms and conditions of sanction.

To ensure that the equipments procured for ESI Hospitals and Dispensaries by the State Government are optimally utilized, ESIC has prescribed a format for sanction of equipments in which the State Government has to give the detailed justification for purchase of equipments along with the availability of trained medical and technical staff for operation of the equipment. Further for new equipments, the State Governments have been instructed to include the Annual Repair and Maintenance clause in the terms and conditions of tender enquiry/purchase order itself. Regarding equipments already purchased, ESIC has earlier fixed a sub-ceiling of Rs. 20/- for Annual Repair and Maintenance. Now the sub-ceiling has been removed and State Governments are free to allocate any amount for repair and maintenance of the equipments as per the requirement of the States. Further to ensure optimal utilization of the facilities already created in the hospitals, State Governments have been asked to re-organise the hospitals and dispensaries and re-deploy the resources of staff and equipments as per the requirement in various Hospitals and Dispensaries. To monitor the functioning of the Hospitals and Dispensaries and liaison with the State Government, Sr. State Medical Commissioner/State Medical Commissioner offices have been established in each State who are regularly reviewing the functioning of Hospitals and Dispensaries with the State Government."

128. The Committee desired to know about the utilization of money for technical upgradation and purchase of equipments in the hospitals and dispensaries in the States. The Ministry of Labour and Employment, in a note, explained as under:—

"ESI Corporation sanctions equipments costing more Rs. 25000/- per unit and the expenditure on this is provided outside the ceiling to the State Government. While sanctioning equipments, an undertaking is obtained from the State Government that the technically skilled staff is available for operating the equipments and the same will be put to use after purchase. The money for equipments is released after the actual purchase and in case where advance payment is made, the same is adjusted on receipt of actual expenditure. If the equipments are not purhcased, the amount is deducted from on account payment."

129. When asked to explain the extant system for monitoring procurement, use and repair in respect of equipments acquired in hospitals/dispensaries, the Ministry, in a note, stated as under:—

"The purchase of equipments is decentralized and is done by the State Government directly. The streamline the purhcase of equipments, before sanction the State Governments have to give an undertaking that the skilled manpower is available and the equipment will be put to use after purchase and

also ensure that the equipment is under annual maintenance contract. For new equipments, the clause of getting into ARM for first five years is to be included as a part of the tender."

130. The Ministry further stated that:—

"The use of maintenance of the equipment is the responsibility of the State Government ESIC has established mechanism of SSMC/SMC in the States who are regularly reviewing with the State Govt. by visits to hospitals and dispensaries, monthly meeting with the Secretaries of the States."

131. Enquired about the remedial measures taken by ESIC in respect of the cases of idle equipment as pointed out by Audit, the Ministry replied in writing that ESIC had asked the State Government to take urgent action to make equipments functional and report the compliance to the Audit/ESIC.

132. The Committee queried as to why did the system not work properly in the cases indicated by the Audit, the Ministry informed that:—

"There has been some failure in the system at the State level as pointed out by the Audit and State Governments have been asked to streamline the same."

XIII. Injudicious Purchase/Supply of Drugs

133. With regard to purchase/supply of drugs, Audit highlighted irregularities in the following States:—

(i) In **Maharashtra,** drugs were being regularly purchased by the Medical Superintendent ESI hospital on rate contract fixed by ESIC. In March 2000 Hepatitis B vaccine was issued to all the hospitals without any requisition. Consequently, vaccine costing Rs. 10.66 lakh, supplied to 5 hospitals at Thane, Andheri, Vashi, Pune and Kandivali could not be used before their expiry date (January 2003)

(ii) In **Orissa,** 1120 Phenformin capsules, which were banned (October 2003) by the Union Government, were distributed in Kansbahal Hospital between October 2003 and February 2004. There was delay in communication of the ban from the State Government and no responsibility had been fixed for the same as of December 2005.

(iii) In **Tamil Nadu,** according to the instructions of the State Government, the medicines required were to be purchased from the Tamil Nadu Medical Services Corporation (TNMSC) and only items not available with it were to be purchased from the firms that had been awarded Running Rate Contract (RRC) by ESIC. However, Audit noticed that medicines which were available with the TNMSC were purchased from firms with running rate contract against the prescribed procedure during the years 2002-04, resulting in excess expenditure of Rs. 32.56 lakh.

(iv) In **West Bengal,** medicines worth Rs. 8.10 lakh were held over beyond their expiry date during 2000-04. Out of these, medicines worth Rs. 6.85

lakh were purchased during 2003-04. The ESIC centre stated, (June 2004) that procurement of medicines would be done more judiciously in future.

1.34. The Ministry of Labour and Employment, in a written reply, clarified as under:—

"The drugs are purchased by the States directly as per the need and requirement of the hospitals/dispensaries. State Governments have requested to follow scientific inventory control methods for estimating the requirements so that the possibility of expiry of drugs in reudced to the minimum. State Governments are being asked to closely monitor the purchase of drugs as per the requirement so that the drugs purchased are used wtihin their shelf-life and the possibility of expiry of drugs is minimized. As far as sub-standard drugs are concerned, there is a clause n the terms and conditions of the Rate Contract finalized by the ESIC, Hqrs. Office and circulated to the State Governments wherein defaulter firms have to either replace total quantity of the batch of drugs declared sub-standard or pay the money in lieu thereof. State Governments have to take action for return of sub-standard as per this clause."

135. The Committee enquired as to how the medicines/vaccines are purchased in ESIC hospitals. The Ministry, in a written note, replied as udner:—

"In ESIC hospitals, medicines are being purchased on the basis of ESIC's centralized rate contract. Besides this, a tie up arrangement has been made with local chemist for purchase of urgent requirement of drugs which are not available in the hospitals and the dispensaries. The details of the total amount of medicines purchased by ESI Hospital during the last three years is being collected and will be submitted subsequently."

136. The Committee further sought information about the guidelines/rules formulated for procurement of medicines. The Ministry in a written note furnished the following information:—

"The ESIC is forwardiang the copy rate contract for drugs and dressings to the State for purchase of drugs. A purchase procedure has been laid down for purchase of drugs and has been circulated to all ESIC institutions."

137. On being asked about the other systems of medicine apart from allopathic system being provided in ESIC hospitals/dispensaries, the Ministry informed that:—

"ESIC is providing both Allopathic and Ayurvedic drugs for which the rate contracts are formulated from time to time and given to the dispensaries and hospitals."

XIV. Status of World Bank/NACO project awarded to ESIC

138. ESIC has been awarded a project by World Bank/NACO for the prevention and control of HIV/AIDS amongst ESI beneficiaries. The project envisaged setting up of 85 Sexually Transmitted Diseases (STD) Clinics, 73 STD Laboratories and 35 Voluntary Testing Centres.

139. As per Audit, funds released during 1999-2000 to 2004-2005 and expenditure incurred was as under:—

Year	Opening Balance	Funds released by World Bank/NACO during the year	Total funds available	Expenditure incurred during the year (Percentage)	Closing Balance
1999-2000	-	121.54	121.54	40.19 (33.06)	81.35
2000-2001	81.35	40.00	121.35	38.76 (31.94)	82.59
2001-2002	82.59	120.97	203.56	12.78 (6.27)	190.78
2002-2003	190.78	150.00	340.78	23.16 (6.79)	317.62
2003-2004	317.62	200.00	517.62	34.44 (6.65)	483.18
2004-2005	483.18	-	483.18	46.67 (9.66)	436.45

140. Audit analysed that the utilization of available funds during the year 1999-2005 was poor and ranged between 6.27 to 33.06 percent. Audit noted that as against a target of 85 STD clinics, only 42 clinics were set up as of March 2004 and as against a target of 73 STD laboratories no laboratory was set up. Similarly, no Voluntary Testing Centre had been set up during the period from 1999 to 2004 against the target of 35. The ESIC state to Audit that funds were being released to the State Governments, which were not in a position to utilize the same.—

141. The Ministry in a note replied as under:

"Steps are being taken to speed up the implementation of activities under the NACO project. to ensure speedy implementation of the activities under the HIV/AIDS control programme, regular review and monitoring is being undertaken. To increase the awareness, Voluntary Blood Donation and World AIDS Day are celebrated on 1st October and 1st December every year. On the World AIDS Day various activities such as Health Melas, awareness programmes and training programmes are being organized to increase the awareness about HIV/AIDS in the general public, employees of ESI Scheme, employees of various establishment has been set up. Blood Bank has been established in the 9 ESIC run hospitals."

142. On being asked the current status of setting up of STD clinics, STD laboratories and Voluntary Testing Centres, the Ministry of Labour and Employment in a note stated as under:—

"A total of 42 STD clinics and 35 VCTC centres have been set up. To ensure speedy implementation of the activities under NACO, regular review and monitoring is being undertaken."

PART II

Observations and Recommendations

143. **The Committee note that the Employees' State Insurance Scheme (ESIS) was initiated in 1952 as an integrated Social Security Scheme to provide comprehensive social security to workers employed in the organised sector other than Government establishments. The scheme applies to the non-seasonal factories or manufacturing units located in geographical area notified for implementation of the scheme and has also been extended to other establishments such as shops, hotels and restaurants, road and motor transport undertakings, newspaper establishments and cinema halls. The Scheme provides for medical protection to workers in contingencies such as sickness, maternity, disablement due to employment injfury or occupational disease.**

This is a progressive, well-conceived and a multi-dimensional health insurance scheme providing full medical facilities to the beneficiaries and adeguate cash compensation to insured persons for loss of wages or earning capacity in times of physical and employment injfury. Wage limit for eligibility of the beneficiaries is enhanced from time to time. Presently, employees drawing wages upto Rs. 10,000 per month from 1st October, 2006 are entitled to be covered under the scheme. The ESI Scheme is self-financing in which contributions are raised from covered employees and their employers as a fixed percentage of wages. The contributions paid by the employees and the employers are deposited in a common pool known as ESI fund, which is utilized for meeting the administrative expenses as well as cash and medical benefits to the insured persons and their dependents.

From 1st January, 1997, covered employees contribute 1.75 per cent of wages and the employers contribute 4.75 per cent of the wages of the covered employees. Employees earning less than Rs. 40 per day, as daily wage, are exhmpted from payment of their share of contribution. The State Governments are required to bear one-eights share of the expenditure on medical benefit, within the per capita ceiling of Rs. 900 per annum from 1st April, 2005 and the whole of any additional expenditure beyond the ceiling.

The ESI Scheme is administered by an apex corporate body called the Employees State Insurance Corporation (ESIC) under the Chairmanship of the Union Minister of Labour subordinate to which are Standing Committee and Medical Benefit Council. The Scheme is being administered by ESIC through 23 Regional Offices, 11 Sub-Regional Offices and 1084 Local Offices spreading over the various States/UTs of the Country.

(*Sl. No.* 1)

144. **Keeping in view the social objectives of the scheme, the Employees' State Insurance Corporation (ESIC) have members representing vital interest groups including employees, employers, representatives of the Central and State**

Government, medical profession and Members of Parliament. However, the Committee find it surprising that no elected representative of the people is associated with the Regional Boards constituted at the State level to oversee the implementation of the Scheme. The Committee feel that the inputs/suggestions provided by the people's representatives will help the ESIC to perform their responsibilities in a better way. In this regard, Director General, ESIC also suggested during his deposition before the Committee that the Members of Parliament should also be associated with the Regional Boards but at the same time he expressed his inability to do anything in the matter until the concerned State Governments recommended the same as per the provisions of ESI Act. The Committee recommend that the Government may consider amending the ESI Act suitably so as to make it compulsory to associate the elected representatives including Members of Parliament with the Regional Boards of the Corporation for overseeing the implementation of the scheme.

(Sl. No. 2)

145. **The Committee have noted that Employees' State Insurance Corporation (ESIC) is an apex body for effective administration of Employees' State Insurance Scheme (ESIS) through Standing Committee and Medical Benefit Council. The ESIC is required to meet at least twice in a year, the Standing Committee four times in a year and Medical Benefit Council twice in a year to take policy decisions as well as to monitor the execution of the Scheme. However, the Committee find that while there was no shortfall in holding the meetings of the ESIC, there were shortfalls of 25 per cent in holding the meetings of Standing Committee during the years 1999-2000, 2001-2002 and 2005-2006. The Medical Benefit Council (MBC) had met only once during year 2003-2004 and no sittings were held in 2004-2005 and 2005-2006. Explaining the reasons for shortfall in holding the meetings, the Ministry of Labour and Employment have stated that the dates of meetings are decided as per the convenience of the Labour Minister and Secretary who are the Chairman of ESIC and Standing Committee respectively. The Committee strongly feel that holding of regular meetings of the ESIC, Standing Committee and the MBC, as specified in ESI Act, is meant to review the Corporation's activities at regular intervals for taking corrective measures. They therefore expect that Labour Secretary would be vigilant about meetings being convened and henceforth the number and periodicity of meetings of the ESIC, Standing Committee and the MBC will be held as provided in ESI Act, 1948.**

The Committee also note that while no Regional Boards were constituted in the States of Chhattisgarh and Jharkhand, there were shortfalls in holding meetings of Regional Boards in other States ranging between 25 and 95 per cent during the period 1999-2000 to 2003-2004. Besides, no meetings of the Regional Boards were held in the States of Assam, Bihar, Pondicherry and Tamil Nadu during 2004, 2005 and 2006 (upto September, 2006). As regards the meetings of Local Committees, it was informed by the Ministry that they were held only in the States of Karnataka, Maharashtra, Orissa, Punjab, Rajasthan and Uttar Pradesh. The Committee are thus inclined to conclude that the Standing Committee, Medical Benefit Council, Regional Boards and Local Committees

have been virtually inactive over the years. The Committee are perturbed to note as to how in the absence of meetings of the Committees/Boards/Councils of ESIC, the achievements and shortfalls in performance could be monitored and evaluated for taking corrective measures wherever necessary. It is only after the matter was taken up by the Committee that the Ministry advised all the member Secretaries to ensure that the Regional Boards and Local Committee meetings were convened as per the prescribed schedule. The Committee are of the opinion that merely issuing instructions by the Ministry will not yield the desired results. The Ministry as well as the ESIC should monitor regularly to ensure that the meetings of the Standing Committee, Medical Benefit Council, Regional Boards and Local Committees are held regularly as per the prescribed schedule for taking appropriate policy decisions and for exercising effective control over the operations with a view to achieving the stated objectives of the Employees State Insurance Scheme.

(Sl. No. 3)

146. **It is understood that the Government had appointed a Committee (Verma Committee) in 2002 to assess the functioning of the ESIC. This expert Committee had suggested various measures for implementing new policies and future development of the Scheme. The Committee would like to be apprised by the Ministry about the specific action taken by them on the recommendations of the Verma Committee.**

(Sl. No. 4)

147. **The Committee are contrained to note that though the income of Employees 'State Insurance Scheme (ESIC) has risen by 42.45 per cent in 2004-2005 over the level of 1999-2000, there was no corresponding increase in providing medical and cash benefit to the beneficiaries. The expenditure on these components increased merely by 17.07 per cent during the same period. While the achievements made by the ESIC in raising their income is satisfactory, it is very difficult to agree with the plea put forward by the Ministry that the lack of corresponding increase in expenditure is due to the avoiding of wastefull/infrutuous expenditure and economising the expenditure without sacrificing the quantum of benefit paid to the beneficiaries of the scheme. In the backdrop of inflation and stagnant expenditure, it is shocking to note that many of the ESI hospitals do not have proper facilities and are suffering from lack of modern equipment and shortage of medical/paramedical staff. Adding to the dismal scenario, as per a survey conducted by ESIC itself, 9.78 lakh eligible employees were not covered under the scheme as on 31st March, 2004. The Committee thus find that the ESIC has been caught in an ironical situation of rising income but declining expenditure in real terms, resulting in poor coverage and services. Considering the increasing income and savings of the Corporation, the Committee strongly recommend that the ESIC should examine the feasibility of expanding the scope of the scheme in terms of beneficiaries. ESIC should in any case initiate measures for improvements in quality of services of the existing beneficiaries. The Committee further recommend that special efforts are required to be undertaken to bring the States/ UTs lying hitherto Uncovered/partially covered like Nagaland, Manipur, Tripura, Sikkim, Arunachal Pradesh, Mizoram, Delhi, Chandigarh and Pondicherry within the ambit of the Scheme.**

(Sl. No 5)

148. **While examining the budget framed by the ESIC, the Committee have noticed that there was 'saving' ranging from Rs. 64.21 crore to Rs. 327.72 crore during 1999-2000 to 2004-2005. The percentage of savings was particularly high during the years 2002-2003, 2003-04 and 2004-2005. The incidence of "savings' in the face of deteriorating services can only reinforce the opinion of the Committee that the planning mechanism of the ESIC as reflected in their budgeting needs corrections so that the beneficiaries under the scheme get their due benefit. The Committee would like the ESIC to streamline project planning and their budgetary systems with a view to enhancing the efficacy of the scheme.**

(*Sl. No.* 6)

149. **The Committee find that the recovery of dues from the defaulting employees was initially done through the District Collectors of the concerned States. The progress in recovery through District Collectors was not encouraging. To accelerate the pace of recovery of ESI dues, the Revenue Recovery Machinery of the Corporation was set-up under the new Sections 45-C to 45-1 added in the Act by the ESI (Amendment) Act, 1989, in phases from January 1992 onwards in all the Regions. According to the Ministry, target for recovery in fixed at the begining of each financial year with individual targets for each region and performance of the Recovery Officers/Machinery is monitored on monthly basis with overall quarterly review. The Committee note that though the process of recovery of ESI dues was accelerated to some extent and a sum of Rs. 956.08 crore was recovered during the period from 1992-93 to 2005-2006, the outstanding arrears also increased simultaneously from Rs. 524.79 crore in March 2000 to Rs. 1015.14 crore in March, 2005 and further to Rs. 1140.87 crore in March, 2006. The arrears for the year 2005-06 alone worked out to Rs. 229.08 crore. The Committee are concerned over the fact that despite the efforts made by the ESIC, the outstanding arrears continued to increase unabatedly. The Committee, therefore, recommend that the Ministry's efforts should be focused on enforcement and not amnesty. If necessary, they may empower themselves with enabling amendments in the Statute/Rules to remove bottlenecks so that the dues are recovered in a time bound manner without any difficulty. The Committee may be apprised about the steps initiated in this regard.**

(*Sl. No.* 7)

150. **The Committee have noted that there are 9.78 lakh eligible employees yet to be covered under the Scheme as on 31st March, 2004. Although the Ministry have reported improvements in coverage of insured persons and employees in the subsequent year, i.e. 2005-06, it has been conceded that increase in coverage has not taken place commensurate with the growth of industrial activity in the country. For improving the coverage, the ESIC have enhanced the eligibility wage ceiling from Rs. 7500 to Rs. 10000 w.e.f. 1st October, 2006. However, the Committee believe that the increase in wage ceiling along will not remedy the situation, as a large number of industrial units are operating in areas where the ESI Scheme has not been implemented and the ESIC was also not able to meet their existing targets due to the inability of the State Governments to fulfill the requirement of medical arrangements stipulated under the statute. Moreover, in certain cases, most of the employees/industries are scattered in very small numbers over a large area and hence do not qualify for coverage, as the guidelines stipulate a minimum of 3000 employees to start a dispensary for providing medical treatment. The Committee, therefore, desire that the ESIC should make concerted**

efforts to enlarge the scope of the scheme and widen its coverage so as to include in the ambit of the scheme all the eligible employees in the organized sector. The eligibility wage ceiling also requires to be monitored to keep pace with the changing income profiles in the industrial sector. Further, in view of the growth of labour in the unorganized sector, the Government may also consider extending the coverage of this laudable scheme to these sections of the labour force who are presently languishing without any medical security. This will go a long way in further strengthening the social security system in the country. In this regard, it would be pertinent to suggest that the ESIC should also make concerted efforts to promote awareness about the scheme and its benefits amongst the masses.

As regards the seemingly intractable problem of State Governments not measuring up to expectations, the Committee would like the ESIC to activate their Regional Boards and local offices for more effective coordination and follow-up with State authorities. ESIC must take the initiative and assume a more pro-active role for this purpose even by making appropriate changes in the Statute and Rules, if required.

(*Sl. No.* 8)

151. **The ESI Scheme provides not only medical care for the insured Persons (IPs) and their dependents but also cash benefits relating to medical care, sickness and maternity dependents benefit and employment injury benefit to insured workers in consonance with the policy of ILO and as provided in Section 46 of the ESI Act, 1948. The Committee find that medical re-imbursement claims were pending for a long period in some cases and in a few instances, the medical claims were settled very late. The Committee further note that the delay was attributed to poor progress in disposal of claims, flaws in accounting and documentation, non-availability of funds, manpower etc. Although the Ministry have informed that the scheme of revolving fund, and a pilot project of Information Technology enabled services are going to be implemented in all the regions, the Committee desire that the proposed measures including computerisation of records should ensure settlement of all the claims relating to cash benefits for medical care, dependents benefits, and employment injury benefit in a time bound manner. Such efforts will not only add to the efficiency of the ESIC but will re-inforce the credibility and acceptability of the ESI scheme amongst the beneficiaries.**

(*Sl. No*. 9)

152. **As a result of deficient internal control mechansim of ESIC, the Committee note that Rs. 11.97 lakhs has been paid in cases of excess/fraudulent payment of medical benefits in Andhra Pradesh, Assam, Delhi Maharashtra and Orissa. The reasons for this lapse have been stated to be the wrong declarations of the Insured Persons, wrong computation *vis-a-vis* the Insured Persons entitlement, reassessment of loss of earning capacity of Insured Persons, etc. Though some recoveries have been stated to have been made in the matter, to avoid excess payment in future, the Committee recommend that a database of Insured Persons be created which will be helpful not only in preventing the misuse of medical benefits but also in ensuring the timely settlement of medical claims. Reportedly, an amnesty scheme has been launced to refund the excess payment to the beneficiaries. Under the scheme notices/cases will be withdrawn against the beneficiaries who refund the excess amount. The Committee would like that after the amnesty scheme is over, strict action is taken against the defaulters.**

(*Sl.No.* 10)

153. **The Committee have noted that deficient management of ESIC hospitals**

and dispensaries resulted in under-utilisation of bed capacity. It has been observed that there were many hospitals that had less than 50 per cent bed occupancy on account of shortage of medical/paramedical staff including specialists, lack of basic facilities like drinking water in some hospitals, closure of factories, accessibility of other hospitals and other local factors. The Committee note that the ESIC have taken some steps by issuing guidelines to State Governments to ensure optimum utilization of hospitals. The Committee feel that under-utilisation of beds of ESIC Hospitals and dispensaries is not a desirable situation for an organisation that is required to cater a vast number of people needing medical attention.Though the primary concern of the ESIC should be to render medical care services to Insured Persons and their depandants, the Committee are of the opinion that the non-utilised capacity of ESIC hospitals/dispensaries may be opened for the non-Insured Persons on payment of specific user charges, which will, in the long run, ensure the cost effectiveness of treatment for the Insured Persons and their dependents also. The Committee, therefore, desire that the ESIC should amend the ESI Act with a view to ensuring optimum-utilization of its medical infrastructure by making them accessible for the general public/ uninsured persons, wherever the specified number of Insured Persons are not available.

(*Sl. No.*11)

154. **The Committee are perturbed to note that though ESIC had constructed 23,912 beds in 143 ESI Hospitals and 42 ESI Annexes and 86 per cent *i.e.* 20,486 were commissioned by 31st March, 2004; the percentage of non-commissioned beds in the ESIC hospitals in several States/UTs namely, Andhra Pradesh, Chandigarh, Delhi, Gujarat, Haryana, Maharashtra, Karnataka, Madhya Pradesh, Tamil Nadu, Uttar Pradesh and West Bengal renged from 18 per cent to 100 per cent on account of various reasons like shortage of medical/paramedical staff including specialists, closure of factories, accessibility of other hospitals and other factors. Whatever may be the reasons advanced for non-commissioning of beds, it is the Insured Persons and their dependants who eventually have to bear the brunt. It is ironical that although ESIC are flush with funds, the beneficiaries have to suffer on account of non-commissioning of beds. The Committee find this a rather embarrassing situation for the Corporation. The Committee, therefore, desire that the ESIC/Ministry should impress upon the States/UTs where the percentage of non-commissioning of beds is higher to hand over the administration of such hospitals and dispensaries so that the intended objectives of providing insurance cover under the ESI Act could be achieved.**

(*Sl. No.* 12)

155. **The Committee have found that out of a target of establishing 25 Model Hospitals to improve the quality of medical care provided to the beneficiaries and to serve as benchmark for upgrading other hospitals by the State Governments, only 17 Medical Hospitals had been established in the States so far and even these lacked proper facilities. Citing the reasons for shortfall in setting up of Model Hospitals, the Ministry have stated that in some of the States, where ESI Scheme is being implemented, the number of insured persons does not justify setting up of Model Hospitals as per the norms of ESIC. The Committee feel that before fixing the target for setting up the Model Hospitals across the country, the ESIC ought to have gone for a proper feasibility study. The Committee**

would now expect them to re-appraise the requirements and determine the targets afresh. In the meantime, ESIC should tone up the services in those Model Hospitals which have been already commissioned to enable them to remain true to their name and meet the requisite standards.

(*Sl. No.* 13)

156. **The Committee's examination of the subject reveals a grim picture about the State of many ESI Hospitals in a number of States. It has been found that costly and essential equipment purchased for ESI Hospitals and dispensaries remained unutilised/under-utilised for a long period due to non-award of Annual Maintenance Contract with installation agencies, non-availability of technical staff and doctors, mismatch between equipments and operating staff and lack of coordination between the Union and the State Governments.While these equipment remained unused, ESIC had to incur additional expenditure on providing treatment to the Insured Persons from outside agencies. Though ESIC has an established mechanism comprising of the posts of Senior State Medical Commissioner (SSMC) and State Medical Commissioner (SMC) to monitor the functioning of ESIC Hospitals and review their condition with State Governments on regular basis, it is obvious that obtaining regulatory system did not work. The Committee recommend that ESIC must identify the idle equipment in all the ESIC hospitals and dispensaries in the country and take urgent steps to make them functional. They should also energise their field formations in this regard so that prompt remedial action is taken in coordination with the State Governments. If necesary, punitive measures may also be initiated against the negligent officials.**

(*Sl. No.* 14)

157. **The Committee have noted that ESIC is providing both allopathic and ayurvedic drugs for which the rate contracts are formulated from time-to-time and forwarded to the dispensaries and hospitals of ESIC. Besides ESIC's centralized rate contract for the procurement of durgs, there is a provisions for tie-up arrangements with local chemists for the purchase of urgent requirement of durgs which are not available in the hospitals and dispensaries of ESIC. Despite all these provisions, the Committee are perturbed to find that medicines were held beyond their expiry date and vaccines could also not be utilized before they expired. Shockingly, Phenformin capsules, which were banned by the Union Government in 2003 were distributed in Kansabahal ESI Hospital (Orissa) on account of delay in communication of the ban from the State Government. The Committee while taking a serious view of such glaring lapses involving ESI Hospitals, would like this matter to be enquired into and the Committee kept apprised on the follow-up action taken. The Committee desire that the ESIC should ensure that such urgent information should be communicated to concerned ESIC hospitals/dispensaries within twenty four hours from the time/date of declaration of ban of drugs. The State Governments should also follow scientific inventory control methods for estimating the requirements so that the possibility of shortages/requirements and expiry of drugs can be reduced to the barest minimum.**

(*Sl. No.* 15)

158. **The Committee have noted that ESIC has been awarded a project by World Bank/National AIDS Control Organisation (NACO) for the prevention and control of HIV/AIDS amongst ESI beneficiaries.The project envisaged setting up of 85 Sexually Transmitted Diseases (STD) clinics, 73 STD laboratories and 35 Voluntary Testing Centers. Against this target, only 42 clinics could be set up and neither the STD laboratories nor the Voluntary Testing Centres was established. As regards, the utilization of available funds firing the year 1999—2005, it was rather poor and ranged between as low as 6.27 and 33.06 per cent. The Committee would like the State Governments to be motivated to take-up this programme on priority basis. STD clinics,laboratories and Voluntary Testing Centres should be opened up in HIV/AIDS infested areas so that the spread of HIV/AIDS may be prevented and the entire allocated fund may be used to achieve the envisaged target. The Committee would await follow up action by the Ministry/ ESIC in this regard.**

(*Sl. No.* 16)

159. **The Committee have noted that section 58 of ESI Act 1948 provides full medical care facilities for the Insured Persons and their dependents from the very first day of entering insurable employment through a network of empanelled clinics, ESI dispensaries and hospitals. The ESIC constructs hospitals and dispensaries on the basis of requests made by the State Governments. These requests are examined on the basis of number of Insured Persons and beneficiaries of ESI Scheme residing in that particular area. Subsequently, ESIC acquires land from different State Governments for construction of hospitals/dispensaries and staff quarters. The Committee notice that in several States, land acquired at the total cost of Rs. 3.68 crore during the years 1967 to 2003 could not be utilized for the intended purpose. It also resulted in blocking of funds which could have been utilized elsewhere urgently required. The Ministry have sought to explain the situation by stating that when the ESIC decided to commence construction works of hospitals/dispensaries,the number of Insured Persons in these areas declined as a result of closure of some factories and also due to increase in the wage limit of workers. The plots were retained for unduly long periods, some of them even after 37 years, in the hope of increase in the number of Insured Persons on account of reindustrialization of the areas or increase in the wage ceilings required for the coverage of Insured Persons. According to the Ministry, the plots obtained through acquisition process could not be disposed off to third parties. As the ESIC is not left with any other option, rather than wait for re-industrialization of the areas, the Committee would like them to immediately initiate measures for construction of hospitals/dispensaries on the vacant plots. If the number of insured persons in the jurisdiction of the hospitals/dispensaries is not adequate,ESIC may consider opening up the facilities for general public by levying user charges. This will also help meet the shortage of standard medical facilities across the country.**

(*Sl. No.* 17)

160. **After the matter was taken up for detailed examination by the Committee, the ESIC have taken certain corrective measures to improve the scheme as specified below:**

- **State Governments as well as Regional Directors were requested to hold regular meetings of the Regional Boards as per the prescribed schedule.**
- **Medical Benefit Council has been constituted.**
- **New business processes in consonance with the changes occurring in the labour market has been adopted.**
- **Wage ceiling for coverage of employees' has been raised from Rs. 7500 per month to Rs. 10,000 per month.**
- **Savings decreased from Rs. 327.72 crore in 2003-04 to Rs. 225.87 crore in 2004-05 on account of increase in expenditure from Rs. 1170.48 crore to Rs. 1258.20 crore during the same year.**
- **In the year 2005-06, the coverage of the scheme improved. In as much as 84.98 lakhs Insured Persons and 329.73 lakhs beneficiaries got covered under the ESI Scheme.**
- **The extension of ESI Scheme to educational and medical institutions has been approved.**
- **The Scheme has also been extended gradually to other establishments such as shops, hotels and restaurants, road and motor transport undertaking, cinema halls and newspaper establishments employing 20 or more persons.**
- **Ceiling of expenditure on full medical care has also been raised from Rs. 750 to Rs. 900 per I.Ps. family unit per annum.**

The Committee trust that the aforesaid measures are steps in the right direction. However, for putting the Employee's State Insurance Scheme (ESIS) infrastructure to optimum use with the desired results, it is imperative to improve some of the key areas of their functioning by acquiring more powers under the law, if required, such as quality of services, recovery of arrears on account of contribution of employers to the fund, bed utilization, inventory management of medicines including proper procurement procedures of medicines and equipment, property management and under coverage of the working class as detailed in preceding paragraphs. The Committee would await specific steps taken by the ESIC in these identified areas. The Committee would also like to get a review of the scheme done at periodic intervals by competent medical management professionals with a view to identifying and rectifying its shortcomings as well as to evaluate whether the intended objective have been achieved.

(*Sl. No.* 18)

ANNEXURE-I

STATEMENT SHOWING THE NO. OF MEETINGS OF STANDING COMMITTEE & MBC HELD DURING 2003-2004, 2004-2005 & 2005-2006

	1999-2000	2001-02	2003-2004	2004-2005	2005-2006
Standing Committee	28.9.1999 5.12.1999 16.2.2000	2.7.2001 13.12.2001 19.2.2002	23.6.2003, 16.12.2003, 5.1.2004, 10.1.2004, 23.1.2004, 30.1.2004	23.4.2004, 8.6.2004, 17.12.2004, 1.2.2005	2.6.2005, 13.12.2005, 30.1.2006
Total No. of meetings	3	3	6	4	3
Medical Benefit Council			4.12.2003		
Total No. of meetings			1		

ANNEXURE-II

STATEMENT SHOWING THE NO. OF MEETINGS OF REGIONAL BOARD HELD DURING 2004, 2005 & 2006

Sl. No.	Name of Regional Board	No. of meetings		
		2004	2005	Upto Sept. 2006
1	2	3	4	5
1.	Andhra Pradesh	1	2	-
2.	Assam	-	-	-
3.	Bihar	-	-	-
4.	Delhi	2	2	3
5.	Goa	1	-	2
6.	Gujarat	2	-	-
7.	Haryana	1	1	
8.	Himachal Pradesh	1	2	1
9.	Karnataka	3	-	2
10.	Kerala	1	2	-
11.	Madhya Pradesh	1	-	-
12.	Maharashtra	-	2	1
13.	Orissa	2	-	1
14.	Punjab	2	3	2
15.	Pondicherry	-	-	
16.	Rajasthan	-	2	1
17.	Tamil Nadu	-	-	
18.	Uttar Pradesh	2	2	1
19.	West Bengal	1	3	
20.	Jammu & Kashmir	1	-	
21.	Chandigarh Admn.	2	1	2
22.	Chhattisgarh	-	-	
23.	Uttaranchal	-	1	1
24.	Jharkhand	-	-	

ANNEXURE-III

STATEMENT SHOWING THE NO. OF MEETINGS OF LOCAL COMMITTEES HELD DURING 2004, 2005 & 2006

Sl. No.	Name of Regional Board/Sub-Regional Office	No. of Local Committees as on 31.3.2006	No. of meetings held		
			2004	2005	upto Sept. 2006
1	2	3	4	5	6
1.	Andhra Pradesh	20			
2.	Assam	7			
3.	Bihar	11			
4.	Delhi	-			
5.	Goa	1			
6.	Gujarat	18			
7.	Haryana	12			
8.	Himachal Pradesh	3			
9.	Karnataka	20		36	14
10.	Kerala	13			
11.	Madhya Pradesh	-			
12.	Maharashtra	28	29	39	26
13.	Orissa	40	5	7	5
14.	Punjab	19	10	23	22
15.	Pondicherry	-			
16.	Rajasthan	32	17	23	21
17.	Tamil Nadu	23			
18.	Uttar Pradesh	22	6	7	2
19.	West Bengal	11			
20.	Jammu & Kashmir	1			
21.	Chandigarh Admn.	-			
22.	Chhattisgarh	-			
23.	Uttaranchal	-			
24.	Jharkhand	-			

1	2	3	4	5	6
25.	SRO Surat	3			
26.	SRO Baroda	2			
27.	SRO Madurai	6			
28.	SRO Coimbatore	3			
29.	SRO Aurangabad	3			
30.	SRO B.K.P. (Kolkata)	2			
31.	SRO Nagpur	8			
32.	SRO Hubli	11			
33.	SRO Vijaywada	7			
34.	SRO Pune	15			
35.	SRO Marol	2			
	TOTAL	343			

Statement showing State-wise-details of number of centres, Employees, IPs and Beneficiaries

ANNEXURE—IV

State Region/ Area	Total No. of Centres Areas					No. of Employees					No. of IP's					No. of Beneficianes				
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
ANDHRA PRADESH	115	115	117	131	143	502400	518600	525150	575100	628689	552100	570550	567550	617500	677836	2142150	2213750	2202050	2395850	2630000
ASSAM (Including Meghaaya)	21	21	21	21	23	31400	31150	31400	31750	46032	35300	34800	35050	39450	50761	136960	135000	136000	153050	196953
BIHAR	18	18	18	18	18	29850	32750	31150	34350	36714	37100	32900	31300	41350	42562	143950	127650	121450	160450	165141
CHANDIGARH	1	1	1	1	1	30100	29200	27750	31950	33260	32100	29500	32700	39300	42300	124550	114450	126850	152500	164124
CHATTISGARH	7	7	7	7	7	29250	23150	23350	32950	38575	35750	24100	24300	33250	39913	138700	93500	94300	129000	154862
DELHI	1	1	1	1	1	494000	489150	499900	553900	634253	565960	561100	573450	627450	674218	2195900	2177050	2225000	2434500	2616964
GOA	7	7	7	7	7	73150	70350	73550	81800	95322	80950	78150	81700	102250	115981	314100	303200	317000	396750	450006
GUJARAT (INCLUDING	32	32	32	32	28	440350	445650	440900	454500	484180	516550	511700	485300	507350	513916	2004200	1985400	1882950	1968550	1993995
U. T. DADAR & NAGAR																				
HAVELI AND DAMAN DIU																				
HARYANA	32	32	32	34	34	349350	358550	387150	431450	472166	390600	399700	431550	475850	513918	1515150	1550850	1674400	1846300	1994002
H.P.	8	8	8	8	8	39350	37650	38250	39650	59203	45600	43900	44600	46000	59981	176960	170350	173060	178500	232726
J & K	3	3	3	3	3	14700	14700	15300	17850	24814	17400	17400	18100	20650	26849	67500	67500	70250	80100	100294
JHARKHAND	14	15	15	17	17	56500	59400	57850	72700	92492	69200	72100	76550	91400	101928	268500	279750	297000	364650	395481
KARNATAKA	35	35	35	35	35	628000	632150	654000	706900	831950	720650	724700	756150	807100	894125	2795750	2811800	2933850	3131550	3469205
KERALA & MAHE	51	51	51	52	50	333650	314900	311150	325700	355475	381900	357300	363700	368150	396153	1481750	1386350	1372400	1428400	1533194
M.P	23	23	23	24	24	237100	167050	167850	162200	190985	255400	185950	167200	190050	209336	990950	721500	726350	737400	812220
MAHARASHTRA	31	31	31	39	38	1037550	1012350	1038800	1119950	1167702	1167150	1122250	1139600	1252900	1289235	4528550	4364300	4421600	4861300	5002232
ORISSA	52	52	52	52	52	114300	112850	109600	117000	120333	129900	126450	124650	131450	130422	504000	498400	483650	510000	506037
PONDICHERRY	1	1	1	1	6	52300	47900	48550	55450	75000	53800	53800	54550	69300	81284	208750	208750	211650	268900	315382
PUNJAB	46	46	46	47	46	371150	353900	337900	354500	411627	402750	372800	371700	438850	458893	1562650	1446450	1442200	1702750	1780605
RAJASTHAN	44	48	48	48	52	248850	239600	246300	275200	319677	276800	267450	275050	303950	360805	1074000	1077000	1067200	1179300	1361123
TAMIL NADU	65	67	67	68	57	1063350	987700	988860	1020550	1122270	1141850	1104900	1107000	1133950	1220243	4430400	4287050	4295250	4399700	4734543
UTTAR PRADESH	57	57	57	57	57	429650	432300	435900	45300	516685	458300	460950	464950	482050	546079	1778200	1788500	180400	1870360	2118786
UTTRANCHAL	5	5	5	4	10	17900	21450	23700	22900	27099	19000	21700	24000	26050	27504	73700	84200	93100	101050	106716
WEST BENGAL	9	11	11	11	11	535250	568000	568000	598900	616043	617900	652000	652000	652650	686365	2397450	2529750	2529750	2532300	2663096
ALL INDIA	678	687	689	718	728	7159350	7000350	7082300	7570200	8400526	8003800	7828150	7912700	8498250	9148605	31054750	30373200	30701300	32973200	35496587

* Scheme implemented w.e.f. 1.5.2005

ANNEXURE-V

State-wise Details of Employees Covered Under ESI Scheme

S.No.	State/U.T.	As on				
		31.03.2002	31.3.2003	31.03.2004	31.3.2005	31.3.2006
1.	Andhra Pradesh	502400	518600	525150	575100	628689
2.	Assam & Meghalaya	31400	31150	31400	31750	46032
3.	Bihar	29850	32750	31150	34350	36714
4.	Chandigarh	30100	29200	27750	31950	33250
5.	Chhattisgarh	29250	23150	23350	32950	38575
6.	Delhi	494000	489150	499900	553900	634253
7.	Goa	73150	70350	73550	81800	95322
8.	Gujarat	440350	445650	440900	454500	484180
9.	Haryana	349350	358550	387150	431450	472166
10.	Himachal Pradesh	39350	37650	38250	39650	59203
11.	Jammu & Kashmir	14700	14700	15300	17850	24814
12.	Jharkhand	56500	59400	57850	72700	92492
13.	Karnataka	628000	632150	654000	706900	831950
14.	Kerala	333550	314900	311150	325700	355475
15.	Madhya Pradesh	237100	167050	167850	162200	190985
16.	Maharashtra	1037550	1012350	1038800	1119950	1167702
17.	Orissa	114300	112850	109600	117000	120333
18.	Pondicherry	52300	47900	48550	55450	75000
19.	Punjab	371150	353900	337900	354500	411627
20.	Rajasthan	248850	239500	246300	275200	319677
21.	Tamil Nadu	1063350	987700	988850	1020550	1122270
22.	Uttaranchal	17900	21450	23700	22900	27089
23.	Uttar Pradesh	429650	432300	435900	453000	516685
24.	West Bengal	535250	568000	598900	598900	616043
TOTAL (ALL-INDIA)		7159350	7000350	7082300	7570200	8400526

ANNEXURE-VI

MINUTES OF THE TENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2006-2007) HELD ON 16TH OCTOBER, 2006 AT 1100 HRS.

The Committee sat from 1100 to 1215 hours on 16th October, 2006 in Committee Room "D" Parliament House Annexe, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

2. Shri Khagen Das
3. Shri P.S. Gadhavi
4. Prof. M. Ramdass
5. Shri Madan Lal Sharma
6. Shri Rajiv Ranjan 'Lalan' Singh
7. Shri K.V. Thangkabalu

Rajya Sabha

8. Shri V. Narayanasamy
9. Shri R.K. Dhawan
10. Shri Janardhana Poojary
11. Shri Prasanta Chatterjee
12. DR. K. Malaisamy

SECRETARIAT

1. Shri Ashok Sarin — *Director*
2. Shri M.K. Madhusudhan — *Under Secretary*

Representatives of the office of the Comptroller and Auditor General of India

1. Shri B.K. Chattopadhyay — ADAI(RC)
2. Shri Nand Kishore — Pr. Director (AB)
3. Dr. A.K. Banerjee — DGACR

Representatives of the Ministry of Labour and Employment

1. Shri J.P. Singh — Special Secretary
2. Ms. Gurjot Kaur — Joint Secretary (Social Security)
3. Shri Niranjan Panth — Financial Advisor

Representatives of the Employees' State Insurance Corporation (ESIC)

1. Shri R.I. Singh — Director General

2. Dr. (Miss) Kamlesh Kalra — Medical Commissioner
3. Shri V.K. Pipersenia — Financial Commissioner
4. Shri A.J. Pawar — Insurance Commissioner

2. At the outset, the Chairman, PAC welcomed the Members and the Audit Officers to the Sitting of the Committee. The Chairman informed the Members that the sitting has been convened to take oral evidence of the representatives of the Ministry of Labour & Employment and Employees, State Inusrance Corporation (ESIC) on Chapter-I of C&AG's Report No. 2 of 2006 (Performance Audit), Union Government (Civil-Autonomous Bodies) relating to "Functioning of Employees State Insurance Corporation".

3. Thereafter, the representatives of Ministry of Labour & Employment and ESIC were called in and the Committee commenced oral evidence on the subject. The Special Secretary, Ministry of Labour & Employment and Director General ESIC explained to the various points aristing out of the Audit Report and the queries raised by the Members. The certain queries, for which the witnesses could not give satisfactory replies, the Hon'ble Chairman directed that the Ministry might fumish the requisite information in writing at the earliest.

4. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

ANNEXURE-VII

MINUTES OF THE SIXTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2007-2008) HELD ON 18TH JULY, 2007

The Committee sat from 1100 to 1130 hours on 18th July, 2007 in Room No. 51 (Chairman's Chambers), Parliament House, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

2. Shri Kirip Chaliha
3. Shri Khagen Das
4. Shri P. S. Gadhavi
5. Shri R.L. Jalappa
6. Shri Raghunath Jha
7. Shri Bhartruhari Mahtab
8. Dr. Rajesh Mishra
9. Shri K.S. Rao
10. Shri Mohan Singh
11. Shri Tarit Baran Topdar

Rajya Sabha

12. Shri Janardhana Poojary
13. Shri Suresh Bhardwaj
14. Shri Prasanta Chatterjee
15. Dr. K. Malaisamay
16. Shri Ravulu Chandra Sekar Reddy

SECRETARIAT

1. Shri A. Mukhopadhyay — *Joint Secretary*
2. Shri Brahm Dutt — *Director*
3. Shri M.K. Madhusudhan — *Deputy SecretaryII*
4. Shri Ramkumar Suryanarayanan — *Under Secretary*
5. Shri N.K. Jha — *Under Secretary*

Office of the Comptroller and Auditor General of India

1. Shri Nand Kishore — Pr. Director (AB)
2. Shri Jayanti Prasad — Pr. Director (INDT)

2. At the outset, the Chairman, welcomed the Members of the Committee to the sitting. Thereafter, the Committee took up for consideration and adoption of the following draft Reports:

(i) Draft Report relating to "Functioning of Employees' State Insurance Corporation (ESIC)";

(ii) Draft Report relating to "Avoidable expenditure due to delay in taking decision— Chennai Port Trust";

(iii) Draft Report relating to "Delay in finalisation of demands";

(iv) Draft Report relating to "Property Management by Ministry of External Affairs";

(v) Draft Report on Action Taken on 9th Report of PAC (14th Lok Sabha) on "National Scheme for Liberation and Rehabilitation of Scavengers"; and

(vi) Draft Report on Action Taken on 27th Report of PAC (14th Lok Sabha) on "Non-disposal of uncleared/unclaimed Imported cargo in ICDs/CFSs".

After some deliberations, the Committee adopted these draft Reports without any amendments/modifications and authorized the Chairman to finalise and present the same to Parliament in the light of factual verification done by Audit.

3. The Committee then desired that audit may be asked to revive the practice (upto 12th Lok Sabha) of furnishing to the Committee a compilation *titled "Epitome of the Reports of the Central Public Accounts Committee"* containing action taken by the Ministries on the recommendations made by PAC in the Reports alongwith the status of their implementation.

4. Further, it was decided that the Committee would convene their next sittings on 30th and 31st July, 2007.

The Committee then adjourned.

APPENDIX-I

CHAPTER I — MINISTRY OF LABOUR

1. Employees' State Insurance Corporation

Functioning of Employees' State Insurance Corporation

Highlights

- **Good Corporate Governance practices were not followed. There was a shortfall of 25 *per cent* in the number of meetings held of the Standing Committee and 50 *per cent* in respect of the Medical Benefit Council, during the years 1999-2000 to 2003-2004 as compared to prescribed requirement.**

  (Paragraph 1.7.1)

- **The rise in income of ESIC by 42.45 *per cent* in the year 2004-2005 over 1999-2000 was not utilised to commensurately increase the benefits to the insured persons.**

  (Paragraph 1.8)

- **Despite setting up a revenue recovery machinery, the outstanding arears of contribution increased from Rs. 524.79 crore in March, 2000 to Rs. 1015.14 crore in March, 2005.**

  (Paragraph 1.9.2)

- **There was a shortfall in coverage of 3.91 lakh employees in 117 new areas under the Scheme upto the year 2003-2004.**

  (Paragraph 1.11)

- **Due to deficient internal control mechanism, Cash benefits were misused in the States of Andhra Pradesh, Assam, Delhi, Maharashtra and Orissa.**

  (Paragraph 1.12.2)

- **Plots of land acquired by ESIC from different State Governments for constructing hospitals, dispensaries and staff quarters were not utilised for periods ranging from two to thirty seven years resulting in blocking of funds and defeating the very purpose for which the land was acquired.**

  (Paragraph 1.13.1)

- **Deficient management of hospitals and dispensaries resulted in under-utilisation of beds, idling of equipment, injudicious purchase of medicines and procurement of sub-standard drugs.**

  (Paragraphs 1.14, 1.15 and 1.16)

- **Out of a target of establishing 25 model hospitals to improve the quality of medical care provided to the beneficiaries and to serve as benchmark for upgrading other hospitals by the State Governments, only 16 could be established and these too lacked proper facilities.**

(Paragraph 1.18)

- **Improper implementation of the project on prevention and control of HIV/AIDS resulted in underutilisation of air from World Bank. The utilisation of available funds during the years 1999—2005 ranged between 6.27 *per cent* and 33.06 *per cent.***

(Paragraph 1.19)

Summary of Recommendations

ESIC should:—

- **Improve corporate governance by holding regular meetings of the Standing Committee, Medical Benefit Council and Regional Board/Local Committee at least to the extent mentioned in ESIC Act.**
- **Utilised the growth in its income to commensurately improve the coverage and the quality of the benefits to the insured persons and their dependents.**
- **Take effective steps to recover the arrears of contribution, interest and damages and also ensure prompt recovery of the current dues.**
- **Adopt a target oriented approch for covering all the eligible employees in the country under the ESIS. ESIC should also investigate the reasons for decline in the number of beneficiaries under the scheme despite the overall growth in the industrial activity in the country and take appropriate remedial measures.**
- **Create a database of insured persons in order to prevent misuse of medical benefits. An effective management information system should also be evolved for ensuring timely settlement of claims.**
- **Address the deficiencies in project management leading to delays in construction of hospitals/dispensaries/staff quarters after acquisition of land.**
- **Consider opening to the general public hospitals with low bed occupancy. Hospitals should be provided with adequate staff and equipment. Optimal utilisation of equipment in hospitals/dispensaries should be ensured.**
- **Ensure that model hospitals function in the manner these were intended to.**

1.1 Introduction

1.1.1 Background

The promulgation of Employees' State Insurance (ESI) Act, by the Parliament in 1948 was the first major legislation on comprehensive social security for workers in India. The Act envisages social protection to workers deployed in the organised sector in contingencies such as sickness, maternity and death or disablement due to employment injury. Based on the principle of "pooling of risks and resources", this multi-dimensional health insurance Scheme provides full medical facilities to the beneficiaries and adequate cash compensation to insured persons for loss of wages or earning capacity in times of physical, and employment injury. The ESI Act applies to non-seasonal factories for manufacturing units located in a geographical area notified for implementation of the Scheme and employing ten or more persons in a power using factory and twenty or more persons in a non-power using factory. Employees drawing wages upto Rs. 6,500 per month from 1 January, 1997 and Rs. 7,500 per month from 1 March, 2004 are currently entitled to health insurance Scheme under the ESI Act. The wage ceiling for the purpose of coverage is revised from time to time.

The provisions of the ESI Act have also been extended gradually to other establishment such as shops, hotels and restaurants, road and motor transport undertakings, newspaper establishments and cinema halls. The ESI Act is, however, not applicable to factories or establishment run by the State Governments/Central Government whose employees receive other social security benefits.

The ESI Scheme (ESIS) was framed in 1952 under the ESI Act. The objectives of ESIS are to provide comprehensive and need based package of major social security benefits in cash and kind which include (i) Medical Benefit (for self and family), (ii) Sickness Benefit (for self), (iii) Maternity Benefit (for self), (iv) Disablement Benefit (for self), (both temporary disablement and permanent disablement), (v) Dependents' Benefit (for family), (vi) Funeral expenses (to a person who performs the last rites of an IP), (vii), Rehabilitation allowance (for self), (viii) Vocational Rehabilitation of the IPs, (ix) Old Age Medicare (for self and spouse), (x) Medical Bonus (for insured women and IP's wife).

ESIS is a self-financing health insurance scheme in which contributions are raised from covered employees and their employers as a fixed percentage of wages. From 1 January, 1997 covered employees contribute 1.75 per cent of wages and the employees contribute 4.75 per cent of the wages of the covered employees. Employees earning less than Rs. 40 per day, as daily wage, are exempted from payment of their share of contribution. The State Governments are required to bear one-eighth share of the expenditure on medical benefit, within the per capita ceiling of Rs. 750 per annum with effect from 1 April, 2004 (Rs. 600 w.e.f. 1 April, 1999, Rs. 700 from 1 April, 2003 and Rs. 900 from 1 April, 2005) and the whole of any additional expenditure beyond the ceiling. The contributions paid by the employees and the employers are deposited in a common pool known as the ESI Fund, which is utilised for meeting the administrative expenses as well as cash and medical benefits to the insured persons[1] (IP) and their dependents.

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[1] Insured person is/was an employee in respect of whom contributions are/were payable under the ESIC Act and who is/was entitled to the benefits under this Act.

1.1.2 Organisational set-up

ESIS is administered by an apex corporate body called the Employees' State Insurance Corporation (ESIC) comprising members representing vital interest groups that include employees, employers, representatives of the Central and State Governments, Parliament and medical profession. The Union Minister of Labour is the Chairman of ESIC. The Director General, appointed by the Union Government, functions as its Chief Execuitve Officer. A Standing Committee, constituted from amongst the members of the ESIC, acts as the Executive Body. The Medical Benefit Council comprising the Director General of Health Services as Chairman and members of different interest groups *viz*. representatives of the Union Government, State Government, Union Territory, Employers, Employees, Medical Profession etc. advises the ESIC on matters relating to effective delivery of medical services to the beneficiaries of the scheme. The Director General is also an *ex-officio* member of the ESIC and the Standing Committee. A Medical Commissioner, an Insurance Commissioner, a Financial Commissioner and an Actuary Commissioner assist the Director General in policy planning and decision making for growth and development of the Scheme. Regional Boards have been constituted in each State and Local Committees have been formed as Advisory Bodies for smooth functioning of the Scheme. The regional Boards and the Local Committees have representation both from employers and employees.

The ESIC functions from its headquarters at New Delhi, supported by a country-wide network of 23 Regional Offices, 11 Sub-Regional Offices, 4 Divisional offices, 628 Branch offices, 180 Pay offices and 272 Inspection offices for administration of cash benefits, revenue recovery, implementation of the scheme in new areas and inspection of factories and establishment. Medical care in the State is administered by the State Governments on cost sharing basis except in the National Capital Territory of Delhi and NOIDA area in Uttar Pradesh, where the medical facilities are being provided directly by the ESIC. There is no specific reason for ESIC providing the medical care directly in these two areas. As on 31 March 2004, ESIC has 143 ESI hospitals and 1452 service dispensaries. The organisational chart of ESIC is given in Annexure-I.

1.2 Audit objectives

The accounts of the ESIC are audited by the Comptroller and Auditor General of India under section 19(2) of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 read with section 34 of the ESI Act, 1948. The certified accounts together with an Audit Report are forwarded annually to the Government for being laid before Parliament.

The audit objectives covered:—

- The extent to which the ESIS has achieved its objective of providing the full range of medical care.
- Adequacy of ESIC's financial management
- Extent to which eligible establishments and workers were covered in ESIS

- Economy, efficiency and effectiveness of ESIC's construction and procurement activities
- Extent to which the model hospitals met their objectives

1.3 Acknowledgement

The draft performance audit report was issued to the Ministry of Labour in August 2005; their reply was awaited.

1.4 Audit approach

The performance audit review covered the functioning of the ESIC Headquarters, Regional Offices, Sub-Regional Offices, Local Offices, Hospitals and Dispensaries during the period 1999-2000 to 2003-2004. Statistical figures have been updated to 2004-05 wherever available. Records maintained at the ESIC Headquarters, 38 Regional Offices/Sub-Regional/Divisional Offices, 261 Local Offices (24 per cent coverage), 118 Hospitals (83 per cent coverage) and 319 Dispensaries (22 per cent coverage) as detailed in Annexure-II were test checked in audit during the period from April 2004 to July 2004.

1.5 Audit criteria

The criteria used for evaluating schemes were the norms/guidelines enunciated in the ESI Act/ESIS guidelines in respect of eligibility of the insured persons, duration of the benefit, payment of the benefits, provisions made in the Employer's Guide, the Employees' Guide, the Citizen's Charter, information available in the Annual Report, the Standing Committee Reports. The timeliness of extending the benefits, was included in the audit criteria.

1.6 Lessons learnt and sensitivity to error signals

A performance audit review of the functioning of the ESIC had been conducted earlier during 1993-94 covering the period 1989-90 to 1993-94 and the audit results were reported in Comptroller and Auditor General's Report No. 4 of 1995. It was mentioned in paragraphs 30.6, 30.7, 30.8 and 30.14 of this Report that there were shortfalls in holding of the Regional Board meetings, identification of the establishments to be covered and inspection thereof, mounting arrears of contribution to be recovered as well as deficiencies in payment of benefits to insured persons. The Ministry had replied (August 1996) in its Action Taken Note (ATN) that necessary remedial action would be taken. Audit, however, ascertained that the above shortcomings were still persisting.

1.7 Audit findings

1.7.1 Corporate Governance

The ESIC was required to meet at least twice in year, the Standing Committee four times in a year and the Medical Benefit Council twice in a year to monitor the implementation of the Scheme and to take policy decisions. While there was no shortfall in holding the meetings of ESIC, there were shortfalls of 25 per cent in holding the meetings of Standing Committee during 1999-2000 and 2001-02 and 50 per cent in respect of Medical Benefit Council meetings during 1999-2000, 2002-2003 and 2003-04.

According to section 25 of ESI Act, 1948, the ESIC may appoint Regional Boards, Local Committees and Local Medical Benefit Councils as per its regulations. Audit noticed that while no Regional Board was formed in the States of Chhattisgarh and Jharkhand, there were shotfalls in the meetings of Regional Boards elsewhere ranging between 25 and 95 per cent during the period 1999-2000 to 2003-04. Such shortfalls were not consistent with good corporate governance.

Audit also noted:

- **Uttaranchal** Although the State was formed in November 2000, the Regional Board was formed only on 26 February 2004.

- **Tamil Nadu** No meeting of the Regional Board took place after November 2000, After the change of State Government in May 2001, the Chairman, Regional Board desired that the Board be reconstituted. But this was not done. The empanelment and selection of official and non-official members of the Regional Board was still under consideration of the State Government.

Recommendation

- ESIC should ensure that meetings of the Standing Committee, Medical Benefit Council, Regional Board and Local Committee are held according to the prescribed schedule for better management and monitoring of its activities.

1.8 Financial Management

According to section 26 of the ESI Act, 1948, all constributions paid under this Act and all other moneys received on behalf of the ESIC are paid into a fund called the Employees' State Insurance Fund, which is held and adminstered by the ESIC for the prupose of this Act.

The ESIC is required to frame a budget every year and maintain correct accounts of its income and expenditure in the form and manner prescribed by the Union Government. Details of budget estimates and actual expenditure during 1999-2000 to 2004-2005 were as under:—

(Rupees in crore)

Year	Budget estimates	Actual expenditure	Savings	Percentage of saving
1999-2000	1132.61	1068.40	64.21	5.67
2000-2001	1163.28	1082.58	80.70	6.93
2001-2002	1287.39	1104.12	183.27	14.23
2002-2003	1401.02	1118.32	282.70	20.17
2003-2004	1498.20	1170.48	327.72	21.87
2004-2005	1484.07	1258.20	225.87	15.21
Total	7966.57	6802.10	1164.47	14.62

The savings were high during the years 2002-03, 2003-04 and 2004-05 indicating inadequate budget formulation.

A time series analysis of the main components of the income and expenditure (compiled on actual basis) is given below:—

(Rupees in crore)

Sl. No.		1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Income						
1.	Contribution Income	1257.77	1255.44	1249.91	1302.38	1380.72	1689.09
2.	Interest and Dividend	267.39	242.95	397.28	326.98	513.34	486.25
3.	Rent, Rates and Taxes	43.82	57.17	56.96	58.75	57.62	55.29
4.	Fees, fines and forfeitures	2.60	3.18	3.08	3.30	5.69	5.84
5.	Other income[2]	5.17	5.54	22.96	13.40	18.27	9.60
	Total	1576.75	1564.28	1730.19	1704.81	1975.64	2246.07
	Expenditure						
1.	Medical Benefits	534.80	542.29	543.37	565.20	620.37	686.38
2.	Cash and other benefits	278.25	286.41	300.94	286.41	274.78	265.49
3.	Administrative expenditure	175.38	170.95	176.44	177.22	182.78	199.97
4.	Provision etc.	79.97	82.93	83.37	89.49	92.55	106.36
5.	Total Expenditure	1068.40	1082.58	1104.12	1118.32	1170.48	1258.20
6.	Excess of income over expenditure	508.35	481.70	626.07	586.49	805.16	987.87
	Total	1576.75	1564.28	1730.19	1704.81	1975.64	2246.07

[2]Other income includes State Government share towards medical expenditure initially incurred by ESIC compensation from State Government and other miscellaneous income.

The income of ESIC had risen by 42.45 per cent in 2004-05 over the level of 1999-2000, which included the increase of 34.29 per cent in the contribution income and rise of 82 per cent in the income from interest and dividend from investment of ESIC. However, there was no corresponding increase in providing medical and cash benefit to the IPs and the expenditure on these components increased merely by 17.07 per cent in 2004-05 over the level of 1999-2000. The main reason for reduction in expenditure under cash and other benefits was non-revision of the wage limit for coverage for seven years from 1 January 1997 to 31 March 2004. This had also resulted in fall in number of beneficiaries by 10.27 per cent as at 31 March 2004 compared with 1 January 1999 (para 1.11) Also, ESIC did not enhance the facilities to IPs commensurate with the financial resouces accrued during the above period. There were delays in providing cash benefits to IPs as stated in para 1.12.1 infra despite the fact that ESIC had increase of income over expenditure from Rs. 508.35 crore in 1999-2000 to Rs. 987.87 crore in 2004-05.

Thus, ESIC had substantial surplus funds of Rs. 987.87 crore as on 31 March 2005. It stated that for utilising the surplus funds, it had formulated a scheme known as 'Rajiv Gandhi Shramik Kalyan Yojana', that provided for unemployment allowance to the IPs who had been rendered unemployed due to cloure of factories etc. Setting-

up of four zonal super speciality hospitals, increase of ceiling on medical care, bearing full expenditure on ESI Scheme for initial five years instead of the present three years in the northeast States were also being considered.

Audit also noted that:

- In **New Delhi,** the beneficiaries of ESI are referred to Government hospitals that include GB Pant, AIIMS, Safdarjung for specialised treatment and full payment of the estimated expenditure on treatment is made to the hospitals. Rs. 3.13 crore paid as advance to AIIMS, Safdarjung Hospital, Regional Cancer Institute, Institute of Nuclear Medicines and Applied Sciences (INMAS), Apollo Hospital, G.B. Pant Hospital, Batra Hospital, RML Hospital, LNJP Hospital, Dharam Shila Hospital and Holy Family Hospital was unadjusted for varying periods since 1990-91 for want of adjustment bills. The ESIC stated in December 2005 that the matter had been taken up with the concerned hospitals by the Director (Medical), Delhi. However, the fact that the unadjusted advances continue to mount every year pointed to ineffective pursuance.

- In **Haryana,** Rs. 1.66 crore was paid as advance through Director General, Health Services, (DGHS), Haryana to the insured persons during 1999-2004 for super speciality treatment against which Rs. 22.33 lakh was outstanding as of March 2005 for want of utilisation certificates from the insured persons concerned.

1.81 Management of investment

Loss of interest

According to the agreement between the SBI and ESIC, the letter has to maintain a deposit of Rs. 500 crore with the SBI. In turn, the SBI provides free collection of ESIC contribution and disbursement of cash benefits etc. The cost of such benefits for the year 2001-02 and 2002-03 were computed by the SBI as Rs. 4.83 crore and Rs.5.55 crore respectively. In terms of the agreement, ESIC has no obligation to maintain deposits with SBI in excess of Rs. 500 crore. Hence, the decision to retain deposits beyond this thereshold should be governed exclusively by the objective of maximising returns.

However, ESIC had invested Rs. 157.20 crore in excess of the agreed amount of Rs. 500 crore in SBI for three years which resulted in loss of interest of Rs. 1.18 crore as shown below:—

Sl. No.	Period of investment	Amount (Rupees in crore)	Rate (per cent per annum)	Rate offered by other Bank (per cent per annum)	Difference of rate	Loss of interest (Rupees in lakh)
1.	7.2.2003 to 6.2.200	15.15	6.25	6.50	0.25	11.36
2.	22.8.2003 to 21.8.2006 1.9.2003 to 21.8.2006	142.05	6.00	6.25	0.25	106.54
	Total	157.20				117.90

1.9 Recovery and contribution

1.9.1 Arrears of contribution

ESIS is mainly financed by contributions received from employees covered under the scheme at the rate of 1.75 per cent of wages and their employers at the rate of 4.75 per cent of the wages. The rates of contribution were last revised by the ESIC in January 1997.

Under the provisions of the Employee's State Insurance (Amendment) Act, 1989 every employer was required to submit six monthly return showing the total number of employees, total wages, employer's share, employee's share etc. with full details of remittances made.

A review of the relevant records showed that contributions amounting to Rs. 918.47 crore were in arrears as on 31 March, 2004. This amount was recoverable from 1,03,636 defaulting establishments, of which 1,02,227 were in the public sector and 1,409 in the private sector. Rs. 259.97 crore due from private sector units constituted 28 per cent of the total recoverable amount. The region-wise defaulting establishments are shown in Annexure-III. The year-wise details of outstanding contributions were not available with the ESIC indicating lack of an effective system to monitor as well as recover the outstanding contributions.

Out of the total arrears of Rs. 918.47 crore on 31 March 2004, Rs. 241.95 crore was disputed in courts, Rs. 63.07 crore was due from the factories/establishment which had gone into liquidation, Rs. 2016 crore was due from factories/establishments and recovery of which was barred by Acts of State/Central Government *viz.* nationalisation, relief undertaking etc, and Rs. 8.68 crore was due from factories/establishments which had been closed and whereabouts of the employers were not known. Decrees were obstained for Rs. 0.63 crore for recovery of which progress was awaited.

The ESIC state (August 2004) that every possible effort including attachment of movable/immovable property, bank attachment etc. was being made to recover the outstanding dues. However the arrears of contribution was on 31 March 2005 increased to Rs. 1015.14 crore.

1.9.2 Recovery of interest and damages

Under section 39(5) (a) of the ESI Act, read with Regulation 31 (A) of the ESI (General) Regulations, 1950, the employer is liable to pay simple interest at the rate of 15 per cent per annum in respect of each day of default or delay in payment of contributions. Further, under the provision of section 85 (b) (I) of the ESI Act, the ESIC is empowered to recover damages. Interest and damages can be recovered as arrears of land revenue by the Recovery Officer of ESIC under sections 45(C) to 45(I).

An analysis of the region-wise break-up of the outstanding damages revealed that Rs. 85.72 crore was outstanding as on 31 March 2004. Significant part of the arrears pertained to Maharashtra, Uttar Pradesh, Madhya Pradesh, Karnataka, West Bengal, Kerala, Orissa and Tamil Nadu, as indicated in Annexure-IV. The outstanding damages as on 31 March 2005 was Rs. 97.68 crore. The main reasons for the outstanding damages were disputes pending with the courts.

In order to accelerate the pace of recovery, new provisions, namely sections 45-C to 45-I, were added to the ESI Act enabling the ESIC to set up its own machinery for recovering ESIS dues. Accordingly ESIC's Revenue Recovery Machinery came into existence in phases from January 1992 onwards in all the regions. A Recovery Cell had been set up at Headquarters to monitor the recovery and performance of the recovery machinery. Audit observed that despite these measures, recoveries were not significant; the outstanding arrears increased from Rs. 524.79 crore in March 2000 to Rs. 1015.14 crore in March 2005.

1.10 Exta expenditure on electricity and water

Extra expenditure on electricity and water was incurred due to excess sanctioned load of electricity and non-installation of shunt capacitor of adequate rating and non-recovery of charges in full from allottees of staff quarters. A few cases are given below:—

1.10.1 In Delhi, Audit noted that fixed demand charges for electricity were paid by the following hospitals:—

(Amount in Rupees)

Sl. No.	Periods	Sanctioned load	Fixed charges	Fixed charges paid for one month
ESI Hospital, Basidarpur				
1.	April 1996 to April 1997 (13 months)	2813 KVA	@ Rs. 120 per KVA	3,37,560
2.	May 1997 to July 2003 (75 months)	2813 KVA	@ Rs. 150 per KVA	4,21,950
ESI Hospital, Rohini				
1.	July 1999 to April 2004 (58 months)	2530 KVA	@ Rs. 150 per KVA	3,79,500

Energy auditors, recommended reduction of the electricity load in ESI Hospital, Basaidarapur in July 2002 by 750 KVA and in ESI Hospital, Rohini in May 2002 by 900 KVA. However, the load of ESI Hospital, Basaidarapur was reduced only from July 2003 and that of ESI Hospital, Rohini from April 2004. These delays in reduction of load of electricity resulted in the avoidable payment of Rs. 94.95 lakhs[α] by ESI Hospital, Basaidarapur and Rs. 76.95 lakhs[β] by ESI Hospital, Rohini.

1.10.2 The tariff for power supply by Delhi Vidyut Board (DVB) was based on power factor 0.85. The consumers were required to install and maintain shunt capacitors of adequate ratings in proper working condition to ensure that the average power factor of supply taken did not fall below 0.85. If the average power factor fell below 0.85, DVB levied a surcharge on the basic charges.

Audit ascertained that ESI Hospital at Basaidarapur and Rohini had paid Rs. 47.83 lakh for the period August 1994 to September 2001 on account of low power factor surcharge. The shunt capacitors for maintaining the power factor of 0.85 were ultimately installed only in March 2003.

[α] 750 KVA @ Rs. 120 for 13 months=Rs. 11,70,000 and 750 KVA @ Rs. 150 for 75 months = Rs. 83,25,000 (11.70 lakh + 83.25 lakh = 94.95 lakh)

[β] 9000 KVA @ Rs. 150 for 58 months = 76.95 lakh.

1.10.3 In Uttar Pradesh ESIC had 366 dresidential quarters. Electricity charges were not being recovered from occupants as per actual consumption but at flat rates ranging from Rs. 80 to Rs. 240 per month for different types of quarters. This resulted in only Rs. 26.45 lakh being recovered from the occupants against Rs. 194.20 lakh actually paid by ESIC for the energy consumed during the period 1999-2004. The short recovery of Rs. 167.76 lakh was an irregular subsidy to the employees of ESIC.

1.10.4 ESI Hospital, Basaidarapur and the office of the Ddirector Medical, Delhi had 352 quarters and 85 quarters respectively. The ESIC had collected Rs. 7.58 lakh as water charges from these quarters from 1999 till June 2004 at the flat rate of Rs. 30 to 32 per quarter per month against Rs. 40.35 lakh paid by it on this account. The short recovery of Rs. 32.77 lakh during 1999-2004 on water charges amounted to an irregular subsidy.

Recommendation

- The ESIC should provide separate electric meters in staff quarters and recover actual charges for electricity, water etc.

1.11 Coverage of industrial unit

ESIS was first introduced in 1952 at Kanpur and Delhi and was later extended to other parts of the country. The coverage of the ESIS during the 1999-2004 was:—

Sl. No.	Type	As of March 1999	As of March 2000	As of March 2001	As of March 2002	As of March 2003	As of March 2004
1	State/U.T. covered	22	22	25	25	25	25
2	Implementing Centres	642	655	677	678	687	689
3	Employees Covered[1]	8085200	7862050	7754450	7159350	7000350	7082300
4	Insured Persons[2]	8819050	8601100	8493800	8003800	7828150	7912700
5	Beneficiaries[3]	34217900	33372250	32954800	31054750	30373200	30701300

Thus, while the number of States covered and ESIS centres had increased as of March 2004 by 13.6 per cent and 7 per cent respectively over the level in March 1999, the number of employees covered, insured persons and beneficiaries had decreased by 12 per cent, 10 per cent, and 10 per cent respectively. The ESIC attributed (August 2004) the decrease to the closure of factories, mills and establishments and increase in wages of some industrial workers above the eligibility limit of Rs. 6500 per month. However, with the increase in ESIS coverage, the coverage of insured persons and beneficiaries should have increased in view of the overall growth in the industrial activity in the country during those years. Further, as per a survey of ESIC itself, 9.78 lakh eligible employees were yet to be covered as on 31 March 2004.

Audit ascertained that the coverage of ESIS during 2002-03 and 2003-04 was less than the targets fixed primarily because of non-provision of medical arrangements in the newly surveyed areas by the State Governments of Maharashtra, West Bengal, Madhya Pradesh, Karnataka and Rajasthan.

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[1] Employees covered:- Employees as defined under Section 2 (9) of the ESI Act, covered by the ESI Scheme.

[2] Insured Persons:- A person who is or was an employee in respect of whom contributions are or were payable under this Act and who is by reasons thereof entitled to any of the benefits provided under the ESI Act.

[3] Beneficiaries are the persons (insured and their entitled dependent family memebers benefited by the ESI Scheme.

The following table shows the State-wise progress of implementation of ESIS in new areas:

Sl. No.	State/U.T.	Target for the Period 1999-2000 to 2003-04		Achivements		Shortfall	
		Areas	Employees	Areas	Employees	Areas	Employees
1.	Andhra Pradesh	48	77248	45	64736	3	12512
2.	Assam & Meghalaya	2	2166	2	2400	—	—
3.	Bihar	6	9200	—	—	6	9200
4.	Gujarat	5	44550	3	24402	2	20148
5.	Haryana	13	14643	12	18435	1	—
6.	Himachal Pradesh	4	2200	3	4350	1	—
7.	Karnataka	23	41800	17	14070	6	27730
8.	Kerala	2	1250	35	10,036	—	—
9.	Madhya Pradesh	19	46720	2	1660	17	45060
10.	Orissa	11	15410	12	7150	—	8260
11.	Maharashtra	36	193980	—	—	36	193980
12.	Pondicherry	3	3180	2	2550	1	630
13.	Punjab	17	23380	10	17640	7	5740
14.	Rajasthan	28	33940	8	4640	20	29300
15.	Tamil Nadu	49	87615	39	88220	10	—
16.	Uttar Pradesh	13	33365	15	42535	—	—
17.	West Bengal	12	57280	5	18480	7	38800
18.	Chhattisgarh	—	—	2	5855	—	—
19.	Uttaranchal	—	—	3	2250	—	—
						117	391477

The above indicates that:—

- 117 areas and 3.91 lakh employees were still to be covered under ESIS at the end of the year 2003-04.
- No targets were fixed in Chhattisgarh and Uttaranchal.
- Although ESIS had been implemented in Orissa in more areas, the number of employees covered was less than 50 per cent of the target fixed.
- Targets of extending ESIS to new areas were fully achieved only in the four States of Assam, Meghalaya, Kerala and Uttar Pradesh.
- The implementation of the Scheme had been poor in Bihar and Maharashtra were there had been no additional coverage for more than five years.

1.11.1 Surveys and actual coverage

Section 23 of ESI Scheme specifies survey as the process meant to determine whether a factory/establishment is amendable to the provisions of the ESI Act 1948 for purpose of coverage. ESIC also conducts surprise surveys in case of receipt of complaints from any employee or trade unions or when there is a resonable doubt that the provisions of the Act are not being applied deliberately to a factory. The list of

such areas is then sent to the State Governments for making arrangements for providing medical care so that the Scheme can be extended to such areas. After receipt of confirmation of provision of medical arrangements in the verified areas from the State Government and about cash and other benefits from the Regional Director, the area is notified by the Union Government as an implemented area under the ESIS.

The following deficiencies were noticed in certain States:—

In Rajasthan, of the 2532 establishments identified in surveys during 1987 to 2004, 593 establishments were covered under ESIS during 2001-04. The main reason for non-coverage and delay in coverage was non-provisioning of medical facilities by the State Government.

In Tamil Nadu, 54 areas with 1.17 lakh employees (11 per cent of the existing insured persons in the State as of March 2003) which were found suitable for coverage through surveys conducted between 1986 to 2003 were yet to be covered (March 2004) under the Act. The main reasons for non-coverage were pendency of proposals with the State Government and ban on recruitment of staff.

In Andhra Pradesh, against 7956 eligible establishments identified by surveys during 1999-2004, only 6791 were covered.

The ESI Scheme could not be extended to Barnihat, a township in Meghalaya comprising 35 establishment with 2589 employees, as the ESIC Hqrs. and Meghalaya Government could not provide the necessary infrastructure for extending the ESI Scheme to these units. Thus, while the employees were deprived of the benefits of the Scheme, the employers indirectly benefited, as they did not have to pay Rs. 1.73 crore, which was their share of contribution to the ESIS.

Similarly, in Dimapur, Nagaland, 44 factories/establishments employing 1418 employees as of December 1999, were not covered under ESIS due to non-completion of certain formalities by Nagaland Government. Thus, while the employees were deprived of the benefit of the scheme, the employers indirectly benefited, as they did not have to pay to the ESIC of Rs. 1.01 crore towards their contribution from January 2001 to June 2004.

In Punjab, neither was any survey conducted nor was a proper system set-up for conducting surveys. When this was pointed out by Audit, it was stated that since no complaint either from employees or trade unions was received, no establishment was surveyed. The reply was not tenable because no registers/records were maintained for recording complaints.

Recommendation

- ESIC needs to conduct periodical surveys and closely monitor the action taken by the State Governments for avoiding delays in extending coverage. ESIC should also ensure that there is no shortfall in conducting the inspections.

1.12 Benefits to Insured Persons

The ESI Scheme provides not only medical care for the insured persons (IPs) and their dependents but also cash benefits for physical distress suffered by the workers

due to sickness and disablement, maternity benefits, dependent's benefit and funeral expenses.

1.12.1 Cash benefit

ESIC provides cash benefits relating to medical care, sickness and maternity, dependents' benefit and employment injury benefit to insured workers in consonance with the policy of ILO and as provided in Section 46 of the ESI Act, 1948. These payments are made at the branch offices and pay offices set up by the ESIC in areas where ESIS is in operation. Audit scrutiny of the cash benefit payments revealed that in Assam, 3487 medical reimbursement claims of Rs. 22.82 lakh were pending (May, 2004) for periods ranging between 5 and 68 months. In six local offices of Delhi, 27 cases of accident claims were pending since 1999. In Rajasthan in four out of five district headquarters test checked, 20549 cases of medical claim of Rs. 62.01 lakh were paid late to the IPs. The delay was atributed to poor progress in disposal of claims combined with poor accounting and documentation, non-availability of funds, want of manpower etc.

1.12.2 Misuse of benefit

Internal control mechanism of ESIC was deficient resulting in cases of excess/ fraudulent payment of medical benefits indicated below:—

(Rupees in lakh)

Sl. No.	State	No. of Local/ Branch offices involved	Type of benefit	No. of cases	Excess amount paid
1.	Andhra Pradesh	7	Sickness benefit/temporary disablement benefit	266	1.58
2.	Assam	2	Fraudulent claims/excess payment	290	1.26
3.	Delhi	6	Wrong rates and wrong calculation	294	2.07
4.	Maharashtra	12	Over payment to beneficiaries/ temporary disablement benefit/ dependent's benefit	565	2.23
5.	Orissa	12	Medical treatment availed without entitlement/sickness benefit/excess payment	1223	4.83

The reasons for the above were wrong calculation of days or the rate at the branch offices, non-verification of documentary evidence, wrong declaration of the IPs and wrong information submitted by the employers.

In Maharashtra, the Branch Manager, Local Office Chinchwad stated (June 2004) that some cases had been referred to Sub Regional Office, Pune, for recovery of the overpaid amounts. In a few cases, the letters sent to the concerned IPs were returned undelivered.

Recommendation

- ESIC needs to creat a database of IPs and evolve an effective Management Information System for ensuring timely settlement of claims. ESIC also needs

to fix responsibility for allowing the fraudulent claims and take effective steps to prevent their recurrence.

1.13 Hospital and dispensaries

Section 58 of ESI Act 1948 provides for full medical care facilities for the IPs and their dependents from the first day of entering insurable employment through a network of empanelled clinics, ESI dispensaries and hospitals. Audit noticed the following shortcomings in providing medical care benefits to the IPs.

1.13.1 Non-Construction of hospitals and dispensaries

ESIC acquires land from different State Governments for construction of hospitals/dispensaries and staff quarters. Audit observed that in the following cases, the construction work had not been started even years after acquiring land that resulted in blocking of funds and defeating the very purpose for which the land was acquired.

In Andhra Pradesh, Bihar, Jharkhand, Delhi, Gujarat, Haryana, Kerala, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Pondicherry and Uttar Pradesh, land acquired at the total cost of Rs. 3.68 crore during the years 1967 to 2003 could not be utilised for the intended purpose of construction of hospitals, dispensaries and staff quarters. Reasons for not initiating construction work were not furnished to audit.

Further, Audit noted that:

In **Rajasthan,** three plots for construction of 50 bed hospitals (at Udaipur, Bhiwadi and Alwar) and three plots for construction of dispensaries (at Jaipur, Behror and Alwar) were purchased from State Government agencies between 1977 and 1994 at a cost of Rs. 2.08 crore. Audit ascertained that no construction work had started till July 2004, risking cancellation of allotment of land by the concerned authorities.

A plot allotted by Punjab Small Industries and Export Corporation Ltd. (PSIEC) to ESIC in December, 1989 in Ludhiana for construction of a TB hospital was cancelled due to delayed payment resulting in forfeiture of Rs. 25.08 lakh. ESIC stated (July 2004) that a final decision in the matter was awaited from the High Court.

In **West Bengal,** ESIC paid Rs. 20.23 lakh to the Land Acquisition Authority (November 1987) for acquisition of land measuring 9.93 acres at Garshyamnagar. It spent Rs. 7.04 lakh on construction of a boundary wall on the land. In February-March 2002, ESIC reconsidered the issue of construction of the hospital, due to availability of excess beds in the State hospitals in that area. It, therefore, requested the State Government to take back the land. The State Government had not taken suitable action. Thus, defective planning resulted inunfruitful expenditure of Rs. 27.27 lakh.

In **Delhi**, ESIC purchased land at Arjun Nagar, Mayur Vihar, Narela, Bindapur, Wazirpur and Pappankala from DDA at a cost of Rs. 32.26 lakh to construct dispensaries during 1986-95. However, construction had not started in any location except Wazirpur. The investment of Rs. 32.26 lakh remained blocked for periods ranging from 10 to 19 years.

Recommendation

- ESIC should take effective steps to construct Hospitals/Dispensaries and staff quarters on vacant plots.

1.14 Non-Commissioning of hospitals and dispensaries

Section 58 of the ESI Act, 1948 places the responsibility for administration of medical care under the ESIS on the State Government. Audit ascertained that the ESIC had constructed 23912 beds in 143 ESI Hospitals and 42 ESI Annexes as on 31 March 2004, out of which 20,486 beds i.e. 86 per cent were commissioned. However, the percentage of non-commissioned beds in the ESIC hospitals in Andhra Pradesh, Chandigarh, Delhi, Gujarat, Haryana, Maharashtra, Karnataka, Madhya Pradesh, Tamil Nadu, Uttar Pradesh and West Bengal ranged from 18 per cent to 100 per cent. The ESIC stated (August 2004) that the hospitals had been handed over to State Governments after construction for commissioning. It attributed non-commissioning of beds to inadequate doctors/staff, low occupancy etc.

Further, 74 hospitals (Annexure-V) had bed occupancy of less that 50 per cent. The low occupancy was attributed to shortage of medical/paramedical staff including specialists, lack of basic facilities like drinking water in some hospitals, closure of factories, accessibility of other hospitals and other local factors. ESIC stated (July 2004) that State Governments had been asked to reorganise the health care delivery system and run the hospitals through third party participation *i.e.,* by inviting participation of a third party by the State Government on agreed terms and conditions.

Instances of non-commissioning of hospitals and dispensaries are outlined below:

(a) Two hospitals, constructed in Punjab and Jammu and Kashmir at a total cost of Rs. 6.36 crore, were not commissioned as of June 2004 due to the following reasons:

(Rupees in crore)

Sl. No.	Details	Amount released upto 31-3-03	Date of start of construction	Scheduled date of completion	Date of completion	Reasons for non-commissioning
Punjab						
1.	50 bed ESI Hospital Mandigobind garh	2.42	June 1988	September 2001	Completed in 2001	The State Government had agreed in principle to take over the hospital and commission it through third party administration as a pilotroject.However, it has not hapened as yet.
Jammu and Kashmir						
2.	50 bed ESI Hospital Jammu	3.94	April 2000	October 2001	Completed in 2003	The construction was complete but the power connection was still to be obtained.
	Total	6.36				

The reasons indicated poor monitoring and coordination and inadequate planning due to which investment of Rs. 6.36 crore was blocked for periods ranging from 4 to 16 years.

(b) ESIC constructed three hospitals at Chinchwad, Bibvewadi and Kolhapur in Maharashtra at a cost of Rs. 25.20 crore. These hospitals were constructed despite objection of the State Government regarding their financial viability, as the expenditure incurred on IPs was far higher than the ceiling fixed by ESIC. Though these hospitals were ready for commissioning between September 1996 and November 1996, the State Government did not take their possession. Thus, failure of ESIC to correctly assess the requirement of a hospitals with reference to the number of IPs at each location despite this being pointed out by the State Government, resulted in idling of the investment of Rs. 25.20 crore.

Due to the non-commissioning of these hospitals, Pune Zilla Kamgar Union and others had filed a writ petition in Mumbai High Court, ESIC had assured the court that these hospitals would be commissioned with the help of third party participation.

(c) The work of expansion of ESI Hospital, Ludhiana was completed in August, 1999 at a cost of Rs. 14.92 crore and possession was taken by the State Government in November 2002. The additional building constructed had not yet (June 2004) started functioning due to shortage of staff in different categories and various other proposals pending sanction of the ESIC Headquarters resulting in idling of the investment of Rs. 15.11 crore (including Rs. 18.53 lakh spent on repair and maintenance).

(d) In Faridabad, a 200 bed ESIC hospital constructed at a cost of Rs. 8.03 crore was handed over to the State Government in June 1992. An additional expenditure of Rs. 1.19 crore was incurred on repair/special repairs of the building during 1999—04. However, three floors of the hospital building out of five floors had not been used as of June 2004 due to decrease in number of indoor patients. There was consequential idling of investment of Rs. 5.53 crore on a proportionate basis. Thus, the building was constructed without taking into account the expected number of beneficiaries in the area.

(e) In West Bengal, a ten-storied hospital with 300 beds was constructed at Thakurpukur, Kolkata in February 1994 at a cost of Rs. 14.66 crore. However, only 152 beds could be commissioned. The top five floors remained unutilised as of November 2005, resulting in unfruitful expenditure besides recurring expenditure towards maintenance and security of the entire building.

(f) ESIC approved (August, 2000) special repairs for the three tower blocks of ESI Hospital, Bapu Nagar, Ahmedabad, Gujarat (constructed in 1971) at a cost of Rs. 1.98 crore and Rs. 45.00 lakh was released to a construction agency for special repairs. After the agency started the repair work in 2000

and had spent Rs. 32.76 lakh, it was asked to stop the work following Labour Minister's visit to the hospital in July 2002. A Sub-Committee headed by Minister of State of Labour (July 2003) recommended the demolition of tower blocks itself due to their dilapidated State. Thus, the expenditure of Rs. 32.76 lakh incurred on special repairs became infructuous.

(g) ESIC released Rs. 35 lakh to the State PWD in May 1996 for construction of 10 staff quarters for ESI hospital, Shahabad, Karnataka at an estimated cost of Rs. 47.54 lakh. Though the construction work started in April 1998 and was nearing completion, further work was held up as the ESI hospital at Shahabad was found to be grossly underutilised since inception. The State Government was considering establishing an Industrial Training Institute in the hospital building. Thus, improper planning resulted in avoidable expenditure of Rs. 35 lakh.

Recommendation

- ESIC needs to ensure optimum utilisation of its medical infrastructure. Hospitals with low bed occupancy due to non-availability of sufficient IPs, should be considered for access to the general public on payment basis to ensure cost effectiveness. Hospitals with adequate IPs but which are not functioning well should be provided with adequate staff and equipment. ESIC should have closer coordination with State Governments to ensure medical facilities to the IPs.

1.15 Idle equipment

Audit ascertained that equipment purchased for hospitals and dispensaries remained unutilised in many cases for want of medical staff, lack of repair and maintenance, mismanagement and improper planning as discussed below:—

In Delhi solar heating systems for heating water for clinical purposes costing Rs. 26.20 lakh were installed at I.G. Hospital, ESIC Jhilmil in 1988 and ESI Hospital, Okhla in 1995 respectively. The systems were never made functional due to non-award of AMC with installation agency or with CPWD in Jhilmil and acute shortage of water in Okhla.

In Uttar Pradesh, ESIC provided (1999-2000) Rs. 74.60 lakh for purchase of dental equipment for ESI hospitals. However, the equipment could not be utilised effectively as the post of dentist remained vacant for most of the time.

In Haryana, Ultra Sound machines were lying idle in ESIC Hospital Faridabad since April 2002 for want of repairs and non-availability of Radiologist in Bhiwani and Jagadhri hospitals. In ESI Dispensary, Hisar, an X-ray machine was lying idle since April 1995 for want of a technician. In ESI Hospital, Jagadhri, the X-ray machine was lying idle since January 2003 for want of repair and non-availability of technical staff.

In Himachal Pradesh, an Ultra Sound Machine at ESI hospital, Parwanoo remained out of order for 38 months from March 2001 to April 2004. A Cardiac Monitor purchased in March 1995 for Rs. 0.52 lakh, was installed only July 2003.

The concerned SMO stated (June 2004) that the monitor could not be installed in time due to non-posting of technical staff and doctor.

In Maharashtra, it was noticed that equipment costing Rs. 48.34 lakh acquired between 1994 to 2003 were lying unutilised for want of rapairs.

In Orissa, a departmental review of medical facilities available in six ESI Hospitals revealed that more than 50 per cent of the essential equipment and instruments were not available and there was a gross mismatch between equipment and staff available.

In Delhi, there were delays ranging upto 49 months in purchase of various essential equipment worth Rs. 2.41 crore resulting in handship to the patients and additional expenditure on providing treatment from outside agencies.

Recommendation

- ESIC must establish an effective monitoring system to identify idle equipment. This information must be brought to the notice of the appropriate authority at periodic intervals for remedial action.

1.16 Injudicious purchase and supply of drugs

In Maharashtra, drugs were being regularly purchased by the Medical Superintendent ESI hospital on rate contract fixed by ESIC. In March 2000 Hepatitis B vaccine was issued to all the hospitals without any requisition. Consequently, vaccine costing Rs. 10.66 lakh, supplied to 5 hospitals at Thane, Andheri, Vashi, Pune and Kandivali could not be used before their expiry date (January 2003).

In **O**rissa, 1120 Phenformin capsules, which were banned (October 2003) by the Union Government, were distributed in Kansbahal Hospital between October 2003 and February 2004. There was delay in communication of the ban from the State Government and no responsibility had been fixed for the same as of December 2005.

In Tamil Nadu, according to the instructions of the State Government, the medicines required were to be purchased from the Tamil Nadu Medical Services Corporation (TNMSC) and only items not available with it were to be purchased from the firms that had been awarded Running Rate Contract (RRC) by ESIC. However, Audit noticed that medicines which were available with the TNMSC were purchased from firms with running rate contract against the prescribed procedure during the years 2002-04, resulting in excess expenditure of Rs. 32.56 lakh.

In West Bengal, medicines worth Rs. 8.10 lakh were held over beyond their expiry date during 2002—04. Out of these, medicines worth Rs. 6.85 lakh were purchased during 2003-04. The ESIC centre stated, (June 2004) that procurement of medicines would be done more judiciously in future.

1.17 Unfruitful outlay on construction of staff quarters

(a) In paragraph 9.3 of Audit Report No.4 of 2000 it was mentioned that out of 185 staff quarters which were constructed at New Vasna, Ahmedabad (Gujarat) at a cost of Rs. 1.54 crore, 160 quarters remained unutilised since

1991 because of the poor construction and failure of ESIC in assessing of the actual requirement of staff quarters. Ministry in their ATN (January 2004) had stated that ESIC was exploring ways of disposal of the surplus quarters including selling these to the Government of Gujarat. Audit ascertained that these quarters were still lying vacant and action taken to sell/allot them to other departments had also not succeeded due to lack of demand.

(b) A 650 bed ESI hospital was constructed at Vashi (Mumbai), Maharashtra during the year 1977 alongwith 346 staff quarters of different categories. Subsequently, at the request of the State Government, the State PWD constructed additional 260 staff quarters in 1986 at a cost of Rs. 2.25 crore. As a part of re-structuring the ESIS, the State Government did not commission the hospital to its full capacity. The 260 quarters were also not taken over by the State Government due to which these remained vacant. The poospect of utilisation of these facilities was also remote due to opening of a Corporation Hospital at Navi Mumbai and decline in the number of insured persons in the area.

(c) The construction of 52 staff quarters at Rourkela, Orissa, was awarded (October 1999) to M/s UPRNN Ltd. at a cost of Rs. 2.38 crore with 15 September 2000 as the scheduled date for completion. The work was completed in May 2001. Only 14 quarters were taken over from the construction agency in October 2003 and allotted to the staff of the Model Hospital, which had started functioning from May 2003. The remaining 38 staff quarters were yet to be taken over due to non-posting of the required staff for the hospital.

(d) In West Bengal, out of 213 residential quarters in five categories (Type A to E), 125 quarters remained vacant during 1999-2000 to 2003-04. Non-occupation of these quarters for long periods rendered the expenditure on their construction unfruitful.

(e) in Kerala ESIC Headquarters spent Rs. 2.79 crore in constructing 174 staff quarters of various types at Trichur. These were finally taken over in December 1998. During July 2000 ESIC Headquarters declared 66 type B quarters as surplus and decided to let out the surplus quarters to the staff of other Central Government Departments/Organisations. However, the effort did not succeed, as the rent fixed by the ESIC was very high. As of November 2005, 60 quarters were still lying vacant. Thus, non-assessment of the housing requirement properly resulted in idling of investment of Rs. 96.28 lakh (approximately) on the 60 quarters that remained vacant from December 1998 onwards.

The unfruitful outlay on construction of staff qaurters was due to improper assessment of demand, defective selection of sites, deficient staff strength in hospitals and poor coordination with State Governments.

1.18 Model Hospitals

The ESIC decided (February 2001) to set up one Model Hospital in each State with a view to improving the quality of medical care provided to the beneficiaries and to serve as the benchmark for upgradation of other hospitals by the State Governments. Under the scheme, the ESIC had to renovate and expand the buildings, provide equipment and staff as per its norms and bear the entire expenditure of running these hospitals. Audit ascertained (November 2005) that of the 25 Model Hospitals to be set up in the States/ (UTs), only 16 had been set up in the States of Andhra Pradesh, Assam, Jharkhand, Karnataka, Kerala, Orissa, Punjab, Rajasthan, Uttar Pradesh, Bihar, Tamil Nadu, Maharashtra, Madhya Pradesh, Delhi, Chandigarh and West Bengal.

In Andhra Pradesh, ESI Hospital, Nacharam was taken over by the ESIC in August 2002 for developing it as a model hospital. Audit ascertained that the hospital lacked proper facilities like staff and equipment, due to which 1102 cases were referred to other hospitals during August 2002 to April 2004. A blood bank refrigerator and a Dark Field Microscope costing Rs. 0.49 lakh and Rs. 4.03 lakh respectively procured in March 1999 and April 2002, were not put to use.

In Rourkela, Orissa, A 50-bed hospital constructed at a total cost of Rs. 4.27 crore in May 2001 was selected as a model hospital by the standing committee of ESIC (July 2001). The hospital, however, could be commissioned only partially from May 2003. ESIC attributed the partial commissioning to the ban on the creation of posts by the Union Government. The reply was not tenable as when the work was awarded in December 1993, ESIC was fully aware of the ban on recruitment.

1.19 World Bank/NACO project for the prevention and Control of HIV/AIDS amongst ESI beneficiaries

ESIC has been awarded a project by World Bank/National Aids Control Organisation (NACO) for the prevention and control of HIV/AIDS amongst ESI beneficiaries. The project envisaged setting-up of 85 Sexually Transmitted Diseases (STD) clinics, 73 STD laboratories and 35 Voluntary Testing Centres. Funds released during 1999-2000 to 2004-2005 and expenditure incurred were as under :—

(Rupees in lakh)

Year	Opening Balance	Funds released by World Bank/NACO during the year	Total funds available	Expenditure incurred during the year/ Percentage	Closing balance
1999-2000	—	121.54	121.54	40.19 (33.06)	81.35
2000-2001	81.35	40.00	121.35	38.76 (31.94)	82.59
2001-2002	82.59	120.97	203.56	12.78 (6.27)	190.78
2002-2003	190.78	150.00	340.78	23.16 (6.79)	317.62
2003-2004	317.62	200.00	517.62	34.44 (6.65)	483.18
2004-2005	483.18	—	483.18	46.67 (9.66)	436.45

The utilisation of available funds during the years 1999-2005 was poor and ranged between 6.27 and 33.06 per cent. Audit noted that as against a target of 85 STD clinics, only 42 clinics were set-up as of March 2004 and as against a target of 73 STD laboratories, none was set up. Similarly, no Voluntary Testing Centre had been set-up during the period from 1999 to 2004 against the target of 35. The ESIC stated that funds were being released to the State Governments, which were not in a position to utilise the same. The following defeciencies were noticed in different States:—

The ESIC had released Rs. 8.58 lakh to the Regional Office in Goa during March 2000 to March 2005, for carrying out various activities for prevention and control of HIV/AIDS among ESI beneficiaries. The funds had remained unutilised as of December, 2005.

Rs. 16.36 lakh was released from March 1999 to March 2005 to ESI Dispensaries/ Hospitals in Kerala for the AIDS control programme. However, no activities for the prevention and control of HIV/AIDS were carried out during this period except for expenditure of Rs. 1.05 lakh on printing of posters and releases to CPWD for setting up of STD clinics in 2 hospitals. The balance Rs. 15.31 lakh remained unspent as of December 2005.

In Orissa, out of Rs. 16.60 lakh released under the programme during 1999-2005 for expenditure on AIDS Cell in ESI Directorate, Bhubaneswar, only Rs. 6.54 lakh had been utilised for the purchase of stationery, fax-machine, air conditioner etc. and the balance of Rs. 10.06 lakh was lying unspent as of December 2005.

Recommendation

- There is an urgent need to speed up the pace of implementation of the activities under this programme. STD clinics need to be strengthened and voluntary testing centres set up to help in preventing the spread of HIV/AIDS.

1.20 Human Resource Management

Audit ascertained that there were large shortages in different categories of staff as discussed below:—

The medical and para-medical staff in position in the ESI Hospitals in Delhi as of March 2004 were as follows:—

Category of staff	ESI Hospital Basaidarapur	ESI Hospital Rohini	ESI Hospital Okhla	ESI Hospital Jhilmil
Medical Staff				
Sanctioned strength	304	111	71	112
Men in position	197	63	60	82
Vacancy	107	48	11	30
Percentage vacany	35	43	15	27
Para-Medical Staff				
Sanctioned strength	1036	329	157	333
Men in position	845	248	117	217
Vacancy	191	81	40	116
Percentage vacany	18	25	25	35

In Assam, against a sanctioned strength of 326 medical, para-medical and other staff only 265 persons were in position. The shortfall was around 23 per cent.

In Haryana, 92 to 110 posts remained vacant against the sanctioned strength of 456 to 459 officers/officials in various cadres during 1999-04. The Regional Director stated (May 2004) that the vacant posts could not be filled due to the Staff Selection Commission not being able to provide sufficient number of candidates.

In Goa, it was noticed that as of March 2004, against the sactioned strength of 82 staff (Group A: 2, Group B, Group C: 60 and Group D: 19), only 46 were in position (including one Deputy Director, Group 'A', who had been appointed although the post had not been sanctioned). The Regional Director attributed the shortage of staff to the fact that Group 'C' staff were recruited by ESIC Headquarters and the staff posted being from outside Goa State did not report to Goa Region.

In Jharkhand, 63.07 per cent of medical, para-medical and non-medical staff were vacant in the ESI hospitals and dispensaries.

in Kerala, a test check of 7 hospitals and 27 dispensaries revealed that in a majority of institutions, medical and para-medical staff as per the sanctioned strength were nto in position and the vacancies had been continuing for two to five years. The norms of fixing staff strength have not been revised during the last five years with reference to the fall in the number of patients.

Recommendation

- ESIC need to address the Numan resources issues especially those relating to the medical and para-medical staff of its hospitals/dispensaries to ensure that proper medical services is rendered to the IPs and their dependents.

1.21 Conclusion

The Employees' State Insurance Scheme (ESIS) was introduced in 1952 to achieve the objectives of the Employees' State Insurance Act, 1948 for providing comprehensive social security for the workers deployed in orgainsed sector other than factories or establishments run by the Central/States Governments. However, the Employees' State Insurance Corporation, which is the apex corporate body administering the ESIS, could not fully achieve the objectives of the Scheme.

While the income of ESIC had risen by 42.45 per cent in 2004-05 over the level of 1999-2000, it failed to utilise its financial resources to correspondingly increase the facilities and benefits to the insured persons. The expenditure on benefits increased merely by 17.07 per cent which was lower than even the 34.29 per cent rise in the contribution income during 1999-05.

Deficient financial management of the ESIS led to unadjusted advance payments of Rs. 3.13 crore to various hospitals, loss of interest of Rs. 1.18 crore on excess investment in SBI and accumulation of arrears fo contribution of Rs. 918.47 crore from 1.04 lakh defaulting establishments.

Despite the overall growth of industrial activity in the country, the coverage of employees under the Scheme had decreased from 80.85 lakh insured persons in March 1999 to 70.82 lakh insured persons in March 2004.

The internal control mechanism of ESIC was deficient resulting in delay in providing cash benefits to the insured persons and excess/Fraudulent payments of medical benefits.

Lapses in planning and delays in construction of hospitals/dispensaries in several cases resulted in delay in extension of benefits to insured persons and their dependents besides blocking of funds invested in acquiring land.

Mismanagement in hospitals and dispensaries resulted in idling of equipment non-commissioning/under-utilisation of beds and procurement of sub-standard drugs.

Of the 25 model hospitals targeted to be established, only 16 could be established and these too lacked proper facilities.

Annexure-I

(Referred to Paragraph 1.1.2)

Organizational Structure of ESIC

Chairman (Union Labour Minister)

Director General

Standing Committee

Chairman (Secretary, Ministry of Labour)
One member, each State one member for all UTs
Three MPs
Two members, medical Profession
Ten ESIC employees
Director General (ESIC)

Sub-Regional Offices

State Regional Board

Chairman (State Labour Minister, State Health Minister), Representatives of Employees, employers

Local Committees
Chairman, Collector
Representative of Employees and Employers

Insurance Commissioner

Medical Benefit Council

Chairman (Director General-Central Health Services)
Deputy Director (CHS)
One member, each State
Member, employee
Member, employer
Member, medical Profession,
Director General (ESIC)
Medical Commissioner
State Regional and Regional Director
Joint Director

Deputy Director Revenue

Medical Reference Administration

Local and Pay Offices

Deputy Director Finance

Deputy Director

Financial Commissioner
Actuary

Central Complaint Division

Regional Complaint Cell

Local Complaint Cell
Chief Vigilence Oficer

Inspection Offices

ESI Central Vigilance Cell
Regional Vigilance Cell

Local Vigilence Cell

ANNEXURE-II

(Referred to Paragraph 1.4)

List of test checked units

Sl.No.	Name of State/UTs	Regional Office/Sub-Regional Office	Local Offices (Branch/Pay/Inspection offices)	Hospitals	Dispensaries
1.	Andhra Pradesh	2	19	11	35
2.	Assam	1	5	2	12
3.	Bihar	1	8	3	6
4.	Delhi	5	6	4	9
5.	Goa	1	2	1	4
6.	Gujarat	3	21	10	27
7.	Haryana	2	10	5	20
8.	Himachal Pradesh	1	2	1	3
9.	Jammu & Kashmir	1	2	-	7
10.	Jharkhand	1	6	4	7
11.	Karnataka	2	20	10	35
12.	Kerala	1	13	7	27
13.	Madhya Pradesh	1	10	6	5
14.	Maharashtra	5	21	11	3
15.	Meghalaya	-	1	-	1
16.	Orrisa	1	12	6	13
17.	Pondicherry	1	1	1	4
18.	Punjab	1	12	7	20
19.	Rajasthan	1	13	5	16
20.	Tamil Nadu	3	40	9	47
21.	Uttaranchal	1	4	-	7
22.	West Bengal	3	33	15	11
	Total	38	261	118	319
	Total number	38	1080	143	1452

ANNEXURE-III

(Referred to Paragraph 1.9.1)

Public and Private Sector defaulting establishments

Region	Public Sector		Private Sector		Total arrears as on 31-3-2004	
	No. of cases of defaulting estts.	Amount in Rs. crore	No. of cases of defaulting estts.	Amount in Rs. crore	No. of cases of defaulting estts.	Amount in Rs. crore
Andhra Pradesh	5271	30.42	37	9.52	5308	39.94
Vijayawada	2266	17.06	45	15.24	2311	32.3
Assam	921	3.88	16	1.05	937	4.93
Bihar	521	3.55	57	4.71	578	8.26
Jharkhand	639	5.72	16	0.47	655	6.19
Delhi	3073	14.58	11	0.52	3084	15.1
Goa	797	4.16	1	0.02	798	4.18
Gujarat	2883	24.5	38	7.69	2921	32.19
Baroda	649	5.07	2	0.08	651	5.15
Surat	290	5.67	-	-	290	5.67
Haryana	4183	17.11	31	0.19	4214	17.3
Karnataka	6924	22.83	44	12.08	6968	34.91
Hubli	928	7.31	25	2.14	953	9.45
Kerala	4481	27.18	113	4.65	4594	31.83
Madhya Pradesh	4430	18	31	12.24	4461	30.24
Chhattisgarh	28	1.8	6	2.14	34	3.94
Mumbai	5173	46.41	28	36.75	5201	83.16
Marol	3308	14.46	1	0.15	3309	14.61
Nagpur	758	5.24	27	2.61	785	7.85
Pune	6624	29.61	30	10.92	6654	40.53
Thane	2786	15.9	6	1.87	2792	17.77
Orissa	1564	9.4	88	10.35	1652	19.75
Punjab	7114	13.82	44	1.12	7158	14.94
Himachal Pradesh	552	1.52	3	0.01	555	1.53
Jammu & Kashmir	1288	0.5	169	2.95	1457	3.45
Rajasthan	3571	10.75	122	4.54	3693	15.29
Tamil Nadu	10535	86.32	141	2.97	10676	89.29
Pondicherry	383	1.95	2	0.12	385	2.07
Coimbatore	3317	22.03	10	1.1	3327	23.13
Madurai	2792	20.36	10	2.67	2802	23.03
Uttar Pradesh	6225	45.85	140	33.71	6365	79.56
Uttaranchal	361	1.45	17	4.29	378	5.74
West Bengal	6711	69.68	60	54.12	6771	123.8
Barrackpore	881	54.41	38	16.98	919	71.39
Total	102227	658.50	1409	259.97	103636	918.47

ANNEXURE-IV

(Referred to Paragraph 1.9.2)

Region-wise arrears of damages as on 31-3-2004

(Rupees in lakh)

State/Region	Not recoverable for the present	Recoverable	Total
A.P.	22.18	109.94	132.12
Vijayawada	7.5	218.98	226.48
Assam	Nil	15.48	15.48
Bihar	28.14	125.04	153.18
Jharkhand	4.13	57.34	61.47
Delhi	12.79	33	45.79
Gujarat	0.98	207.06	208.04
Baroda	10.88	76.17	87.05
Surat	Nil	13.51	13.51
Haryana	78.32	160.09	238.41
Bangalore	24.94	330.86	355.8
Hubli	6.95	84.21	91.16
Kerala	87.01	309.21	396.22
Madhya Pradesh	77.73	1036.42	1114.15
Chhattisgarh	7.44	53.73	61.17
Mumbai	20.43	308.22	328.65
Marol	0.34	60.39	60.73
Thane	7.84	133.17	141.01
Nagpur	47.65	381.53	429.18
Pune	56.35	271.44	327.79
Goa	0.21	24.94	25.15
Orissa	13.45	294.4	307.85
Punjab	38.86	210.11	248.97
Himachal Pradesh	Nil	15.86	15.85
Jammu and Kashmir	6.74	91.16	97.9
Rajasthan	10.01	66.51	76.52
Tamil Nadu	46.23	263.44	309.67
Pondicherry	0.22	8.69	8.91
Coimbatore	59.66	116.86	176.52
Madurai	7.2	59.68	66.88
Uttar Pradesh	375.18	380.03	755.21
Uttarnachal	Nil	6.14	6.14
West Bengal	394.24	3.87	781.24
Barrackpore	1007.96	199.54	1207.5
Total	2461.56	6110.14	8571.70

ANNEXURE-V

(Referred to Paragraph 1.14)

Under utilisation of ESI Hospitals

Sl. No.	Name of Hospital	No. of beds constructed	Year of establishment	Cost construction (*Rupees in lakh)*	Percentage of bed occupancy
1	2	3	4	5	6
1.	ESIH Adoni (Andhra Pradesh)	52	1970	51.78	31
2.	Tirupati (Andhra Pradesh)	50	1989	504.17	41
3.	Nizamabad (Andhra Pradesh)	50	1998	348.13	11
4.	Beltola (Assam)	50	1983	129.07	45
5.	Phulwarisharif (Bihar)	50	1981	81.28	14
6.	Dalmianagar	72	1972	27.58	NIL
7.	Mungyr (Bihar)	30	1963	2.64	NIL
8.	Bapunagar (Gujarat)	600	1981	155.95	26
9.	Naroda (Gujarat)	225	1970	57.14	19
10.	Kalol (Gujarat)	50	1982	40.32	32
11.	Baroda (Gujarat)	200	1983	37.79	47
12.	Surat (Gujarat)	150	1982	230.97	20
13.	Rajkot (Gujarat)	50	1982	44.87	17
14.	Bhavnagar (Gujarat)	50	1988	161.84	29
15.	Baroda (Chest)	100	1986	40.51	42
16.	Vapi (Gujarat)	100	1993	220.49	25
17.	Jamnagar (Gujarat)	150	1998	335.03	22
18.	Ankeleshwar (Gujarat)	25	1998	29.83	31
19.	Faridabad (Haryana)	188	1968	95.01	42
20.	Jagadhari (Haryana)	80	1968	22.71	35
21.	Panipat (Haryana)	75	1971	19.20	44
22.	Bhiwani (Haryana)	50	1997	140.22	12
23.	Parwanoo (Himachal Pradesh)	50	1995	224.00	NA
24.	Hubli (Karnataka)	50	1986	158.65	44
25.	Mysore (Karnataka)	100	1981	223.22	47
26.	Mangalore (Karnataka)	100	1979	102.37	26
27.	Shahbad (Karnataka)	50	1997	340.90	NIL
28.	Belgaum (Karnataka)	50	1998	515.50	14
29.	Mulamkunnathakaru (Kerala)	110	1968	21.97	24
30.	Olarikara (Kerala)	90	1971	33.91	37

1	2	3	4	5	6
31.	Palakkad (Kerala)	50	1985	164.79	35
32.	Udyogmandal (Kerala)	150	1971	56.10	30
33.	Vadavathua (Kerala)	65	1972	45.35	45
34.	Feroke (Kerala)	100	1987	253.75	41
35.	Thottada (Kerala)	50	1987	281.27	35
36.	Indore (TB) (Madhya Pradesh)	75	1965	32.39	38
37.	Ujjain (Madhya Pradesh)	100	1971	77.00	27
38.	Gwalior (Madhya Pradesh)	116	1976	86.01	48
39.	Bhopal (Madhya Pradesh)	84	1988	351.80	37
40.	Dewas (Madhya Pradesh)	50	1991	236.16	45
41.	Nagda (Madhya Pradesh)	50	1999	552.00	45
42.	Ulhasnagar (Maharashtra)	200	1976	214.65	33
43.	Thane (Maharashtra)	632	1981	594.99	49
44.	Vashi (Maharashtra)	650	1977	542.06	15
45.	Chinchward (Pune)	100	1997	681.85	NIL
46.	Brajrajnagar (Orissa)	50	1972	93.49	6
47.	ESIH Amritsar (Punjab)	125	1966	102.12	31
48.	Jallandhar (Punjab)	190	1973	780.50	39
49.	Ludhiana (Punjab)	262	1969	1513.80	NA
50.	Mohali (Punjab)	30	1989	102.48	41
51.	Rajpura (Punjab)	30	1992	174.12	27
52.	Hoshiarpur (Punjab)	50	1993	231.35	23
53.	Jodhpur (Rajasthan)	50	1991	200.93	43
54.	Bhilwara (Rajasthan)	50	1997	314..37	15
55.	Pali (Rajasthan)	50	1998	227.01	NA
56.	Chennai (Tamil Nadu)	625	1979	483.19	45
57.	Kanpur (Uttar Pradesh)	312	1962	176.27	26
58.	Kanpur (Chest)	180	1967	37.20	35
59.	Modinagar (Uttar Pradesh)	100	1968	32.35	18
60.	Naini (Uttar Pradesh)	100	1981	133.54	6
61.	Kanpur (Mat.) (Uttar Pradesh)	144	1967	23.82	13

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62.	Lucknow (Uttar Pradesh)	100	1981	225.23	42
63.	Sahibabad	48	1982	175.83	NA
64.	Saharanpur (Uttar Pradesh)	50	1985	114.04	30
65.	Kidwainagar (Kanpur)	100	1987	303.35	32
66.	Bareilly	50	1987	137.28	34
67.	Jagmau Kanpur (Uttar Pradesh)	100	1987	304.32	20
68.	Aligarh (Uttar Pradesh)	60	1989	156.59	37
69.	Pipri (Uttar Pradesh)	60	1992	175.00	12
70.	Varanasi (Uttar Pradesh)	60	1998	207.86	2
71.	Assansol (West Bengal)	150	1980	78.99	25
72.	Maithan (Jharkhand)	110	1968	25.68	4
73.	Adityapur (Jharkhand)	50	1981	53.78	39
74.	Ranchi (Jharkhand)	50	1987	81.26	NA

APPENDIX-II

STATEMENT OF OBSERVATIONS AND RECOMNENDATIONS

Sl. No.	Para No.	Ministry/Deptt. Concerned	Observations/Recommendations
1	2	3	4
1.	143	Labour and Employment	The Committee note that the Employees' State Insurance Scheme (ESIS) was initiated in 1952 as an integrated Social Security Scheme to provide comprehensive social security to workers employed in the organised sector other than Government establishments. The Scheme applies to the non-seasonal factories or manufacturing units located in geographical area notified for implementation of the scheme and has also been extended to other establishments such as shops, hotels and restaurants, road and motor transport undertakings, newspaper establishments and cinema halls. The Scheme provides for medical protection to workers in contingencies such as sickness, maternity disablement due to employment injury or occupational disease. This is a progressive, well-concieved and a multi-dimensional health insurance scheme providing full medical facilities to the beneficiaries and adequate cash compensation to insured persons for loss of wages or earning capacity in times of physical and employment injury. Wage limit for eligibility of the beneficiaries is enhanced from time to time. Presently, employees drawing wages upto Rs. 10,000 per month from 1st October, 2006 are entitled to be covered under the scheme. The ESI Scheme is self-financing in which contributions are raised from covered employees and

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			employers as a fixed percentage of wages. The contributions paid by the employees and the employers and deposited in a common pool known as ESI fund, which is utilized for meeting the administrative expenses as well as cash and medical benefits to the insured persons and their dependents. From 1st January, 1997, covered employees contribute 1.75 per cent of wages and the employers conribute 4.75 per cent of the wages of the covered employees. Employees earning less than Rs. 40 per day, as daily wage, are exempted from payment of their share of contribution. The State Governments are required to bear one-eighth share of the expenditure on medical benefit, within the per capita ceiling of Rs. 900 per annum from 1st April, 2005 and the whole of any additional expenditure beyond the ceiling. The ESI Scheme is administered by an apex corporate body called the Employees State Insurance Corporation (ESIC) under the Chairmanship of the Union Minister of Labour subordinate to which are Standing Committee and Medical Benefit Council. The Scheme is being administered by ESIC through 23 Regional Offices, 12 Sub-Regional Offices and 844 Local Offices spreading over the various States/UTs of the Country.
2.	144	Labour and Employment	Keeping in view the social objectives of the scheme the Employes' State Insurance Corporation (ESIC) have members representing vital interest groups including employees, employers, representatives of the Central and State Governments, medical profession and Members of Parliament. However, the

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			Committee find it surprising that no elected representative of the people is associated with the Regional Boards constituted at the State level to oversee the implementation of the Scheme. The Committee feel that the inputs/ suggestions provided by the people's representatives will help the ESIC to perform their responsibilities in a better way. In this regard, Director General, ESIC also sugested during his deposition before the Committee that the Members of Parliament should also be associated with the Regional Boards but at the same time he expressed his inability to do anything in the matter until the concerned State Governments recommended the same as per the provisions of ESI Act. The Committee recommend that the Government may consider amending the ESI Act. The Committee recommend that the Government may consider amending the ESI Act suitably so as to make it compulsory to associate the elected representatives including Members of Parliament with the Regional Boards of the Corporation for overseeing the implementation of the scheme.
3.	145	Labour and Employment	The Committee have noted that Employees' State Insurance Corporation (ESIC) is an apex body for effective administration of Employees' State Insurance Scheme (ESIS) through Standing Committee and Medical Benefit Council. The ESIC is required to meet at least twice in a year, the Standing Committee four times in a year and Medical benefit Council twice in a year to take policy decisions as well as to monitor the execution of the Scheme. However, the Committee find that while there was no shortfall in holding the

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			meetings of the ESIC, there were shortfalls of 25 percent in holding the meeting of Standing Committee during the years 1999-2000, 2001-2002 and 2005-2006. The Medical Benefit Council (MBC) had met only once during the year 2003-2004 and no sittings were held in 2004-2005 and 2005-2006. Explaining the reasons for shortfall in holding the meetings, the Ministry of Labour and Employment have stated that the dates of meetings are decided as per the convenience of the Labour Minister and Secretary who are the Chairman of ESIC and Standing Committee respectively. The Committee strongly feel that holding of requlr meetings of the ESIC, standing Committee and the MBC, as specified in ESI Act, is meant to review the Corporation's activities at regular intervals for taking corrective measures. They therefore expect that Labour Secretary would be vigilant about meetings being convened and henceforth the number and periodicity of meetings of the ESIC, Standing Committee and the MBC will be held as provided in ESI Act, 1948. The Committee also note that while no Regional Boards were constituted in the States of Chhattisgarh and Jharkhand, there were shortfalls in holding meetings of Regional Boards in other States ranging between 25 and 95 percent during the period 1999-2000 to 2003-2004. Besides, no meetings of the Regional Boards were held in the States of Assam, Bihar, Pondicherry and Tamil Nadu during 2004, 2005 and 2006 (upto September, 2006). As regards the meetings of Local Committees, it was informed by the Ministry that they were held only in the States of Karnataka, Maharashtra, Orissa, Punjab, Rajasthan and Uttar Pradesh. The Committee are

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			thus inclined to conclude that the Standing Committee, Medical Benefit Council, Regional Boards and Local Committees have been virtually inactive over the years. The Committee are perturbed to note as to how in the absence of meetings of the Committee/ Boards/Councils of ESIC, the achievements and shortfalls in performance could be monitored and evaluated for taking corrective measures wherever necessary. It is only after the matter was taken up by the Committee that the Ministry advised all the Member Secretaries to ensure that the Regional Boards and Local Committee meetings were convened as per the prescribed schedule. The Committee are of the opinion that merely issuing instruction by the Ministry will not yield the desired results. The Ministry as well as the ESIC should monitor regularly to ensure that the meetings of the Standing Committee, Medical Benefit Council, Regional Boards and Local Committees are held regularly as per the prescribed schedule for taking appropriate policy decisions and for exercising effective control over the operations with a view to achieving the stated objectives of the Employees' State Insurance Scheme.
4.	146	Labour and Employment	It is understood that the Government had appointed a Committee (Verma Committee) in 2002 to assess the functioning of the ESIC. This expert Committee had suggested various measures for implementing new policies and future development of the Scheme. The Committee swould like to be apprised by the Ministry about the specific action taken by them on the recommendations of the Verma Committee.

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5.	147	Labour and Employment	The Committee are constrained to note that though the income of Employees' State Insurance Corporation (ESIC) has risen by 42.45 per cent in 2004-2005 over thelevel of 1999-2000, there was no corresponding increase in providing medical and cash benefit to the beneficiaries. The expenditure on these components increased merely by 17.07 per cent during the same period. While the achievements made by the ESIC in raising their income is satisfactory, it is very difficult to agree with the plea put forward by the Ministry that the lack of corresponding increase in expenditure is due to the avoiding of wasteful/ infructuous expenditure and economising the expenditure without sacrificing the quantum of benefit paid to the beneficiaries of the scheme. In the backdrop of inflation and stagnant expenditure, it is shocking to note that many of the ESI hospitals do not have proper facilities and are suffering from lack of modern equipment and shortage of medical/para-medical staff. Adding to the dismal scenario, as per a survey conducted by ESIC itself, 9.78 lakh eligible employees were not covered under the scheme as on 31st March, 2004. The Committee thus find that the ESIC has been caught in an ironical situation of rising income but declining expenditure in real terms, resulting in poor coverage and services. Considering the increasing income and savings of the Corporation, the Committee strongly recommend that the ESIC should examine the feasibility of expanding the scope of the scheme in terms of beneficiaries. ESIC should in any case initiate measures for improvements in quality of services to the existing beneficiaries. The Committee further recommend that special efforts are required to be undertaken to bring the

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			States/UTs lying hitherto uncovered/ partially covered like Nagaland, Manipur, Tripura, Sikkim, Arunachal Pradesh, Mizoram, Delhi, Chandigarh and Pondicherry within the ambit of the Scheme.
6.	148	Labour and Employment	While examining the budget framed by the ESIC, the Committee have noticed that there was 'saving' ranging from Rs. 64.21 crore to Rs. 327.72 crore during 1999-2000 to 2004-2005. The percentage of savings was particularly high during the years 2002-03, 2003-04 and 2004-05. The incidence of 'savings' in the face of deteriorating services can only reinforce the opinion of the Committee that the planning mechanism of the ESIC as reflected in their budgeting needs corrections so that the beneficiaries under the scheme get their due benefit. The Committee would like the ESIC to streamline project planning and their budgetary systems with a view to enhancing the efficacy of the scheme.
7.	149	-do-	The Committee find that the recovery of dues from the defaulting employers was initially done through the District Collectors of the concerned States. The progress in recovery through District Collectors was not encouraging. The accelerate the pace of recovery of ESI dues, the Revenue Recovery Machinery of the Corporation was set-up under the new Sections 45-C to 45-I added in the Act by the ESI (Amendment) Act, 1989, in phases from January 1992 onwards in all the Regions. According to the Ministry, target for recovery is fixed at the beginning of each financial year with individual targets for each region and performance of the Recovery Officers/ Machinery is monitored on monthly

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			basis with overall quarterly review. The Committee note that though the process of recovery of ESI dues was accelerated to some extent and a sum of Rs. 956.08 crore was recovered during the period from 1992-93 to 2005-2006, the outstanding arrears also increased simultaneously from Rs. 524.79 crore in March 2000 to Rs. 1015.14 crore in March, 2005 and further to Rs. 1140.87 crore in March, 2006. The arrears for the year 2005-06 alone worked out to Rs. 229.08 crore. The Committee are concerned over the fact that despite the efforts made by the ESIC, the outstanding arrears continued to increase unabatedly. The Committee, therefore, recommend that the Ministry's efforts should be focused on enforcement and not amnesty. If necessary, they may empower themselves with enabling amendments in the Statute/Rules to remove bottlenecks so that the dues are recovered in a time bound manner without any difficulty. The Committee may be apprised about the steps initiated in this regard.
8.	150	Labour and Employment	The Committee have noted that there are 9.78 lakh eligible employees yet to be covered under the Scheme as on 31st March, 2004. Although the Ministry have reported improvements in coverage of insured persons and employees in the subsequent year, *i.e*. 2005-06, it has been conceded that increase in coverage has not taken place commensurate with the growth of industrial activity in the Country. For improving the coverage, the ESIC have enhanced the eligibility wage ceiling from Rs. 7500 to Rs. 10000 w.e.f. 1st October, 2006. However, the Committee believe that the increase in wage ceiling alone will not remedy the

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			situation, as a large number of industrial units are operating in areas where the ESI Scheme has not been implemented and the ESIC was also not able to meet their existing targets due to the inability of the State Governments to fulfil the requirement of medical arrangements stipulated under the statute. Moreover, in certain cases, most of the employees/ industries are scattered in very small numbers over a large areas and hence do not qualify for coverage, as the guidelines stipulate a minimum of 3000 employees to start a dispensary for providing medical treatment. The Committee, therefore, would like the ESIC to make concerted efforts to enlarge the scope of the Scheme and widen its coverage so as to include in the ambit of the scheme all the eligible employees in the organized sector. The eligibility wage ceiling also requires to be monitored to keep pace with the changing income profile in the industrial sector. Further, in view of the growth of labour in the unorganized sector, the Government may also consider extending the coverage of this laudable scheme to these sections of the labour force who are presently languishing without any medical security. This will go a long way in further strengthening the social security system in the Country. In this regard, it would be pertinent to suggest that the ESIC should also make concerted efforts to promote awareness about the scheme and its benefits amongst the masses. As regards the seemingly intractable problem of State Governments not measuring up to expectations, the Committee would like the ESIC to activate their Regional Boards and local offices for more effective coordination and follow-up with State authorities.

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			ESIC must take the initiative and assume a more pro-active role for this purpose even by making appropriate changes in the Statute and Rules, if required.
9.	151	Labour and Employment	The ESI Scheme provides not only medical care for the Insured Persons (IPs) and their dependents but also cash benefits relating to medical care, sickness and maternity, dependents benefit and employment injury benefit to insured workers in consonance with the policy of ILO and as provided in Section 46 of the ESI Act, 1948. The Committee find that medical re-imbursement claims were pending for a long period in some cases and in a few instances, the medical claims were settled very late. The Committee further note that the delay was attributed to poor progress in disposal of claims, flaws in accounting and documentation, non-availability of funds, manpower etc. Although the Ministry have informed that the scheme of revolving fund, and a pilot project of Information Technology enabled services are going to be implemented in all the regions, the Committee desire that the proposed measures including computerisation of records should ensure settlement of all the claims relating to cash benefits for medical care, dependents benefit, and employment injury benefit in a time bound manner. Such efforts will not only add to the efficiency of the ESIC but will re-inforce the credibility and acceptability of the ESI scheme amongst the beneficiaries.
10.	152	-do-	As a result of deficient internal control mechanism of ESIC, the Committee note that Rs. 11.97 lakhs has been paid in cases of excess/fraudulent payment of

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			medical benefits in Andhra Pradesh, Assam, Delhi, Maharashtra and Orissa. The reasons for this lapse have been stated to be the wrong declarations of the Insured Persons, wrong computation *vis-a-vis* the Insured Persons entitlement, reassessment of loss of earning capacity of Insured Persons, etc. Though some recoveries have been stated to have been made in the matter, to avoid excess payment in future, the Committee recommend that a database of Insured Persons be created which will be helpful not only in preventing the misuse of medical benefits but also in ensuring the timely settlement of medical claims. Reportedly, an amnesty scheme has been launched to refund the excess payment to the beneficiaries. Under the scheme notices/cases will be withdrawn against the beneficiaries who refund the excess amount. The Committee would like that after the amnesty scheme is over, strict action is taken against the defaulters.
11.	153	Labour and Employment	The Committee have noted that deficient management of ESIC hospitals and dispensaries resulted in under-utilisation of bed capacity. It has been observed that there were many hospitals that had less than 50 per cent bed occupancy on account of shortage of medical/ paramedical staff including specialists, lack of basic facilities like drinking water in some hospitals, closure of factories, accessibility of other hospitals and other local factors. The Committee note that the ESIC have taken some steps by issuing guidelines to State Governments to ensure optimum utilization of hospitals. The Committee feel that under-utilisation of beds of ESIC Hospitals and dispensaries is not a desirable

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			situation for an organisation that is required to cater to a vast number of people needing medical attention. Though the primary concern of the ESIC should be to render medical care services to Insured Persons and their dependants; the Committee are of the opinion that the non-utilised capacity of ESIC hospitals/dispensaries may be opened for the non-Insured Persons on payment of specific user charges, which will, in the long run, ensure the cost effectiveness of treatment for the Insured Persons and their dependents also. The Committee, therefore, recommended that the ESIC should amend the ESI Act with a view to ensuring optimum-utilization of its medical infrastructure by making them accessible for the general public/ uninsured persons, wherever the specified number of Insured Persons are not available.
12.	154	Labour and Employment	The Committee are perturbed to note that though ESIC had constructed 23,912 beds in 143 ESI Hospitals and 42 ESI Annexes and 86 per cent *i.e.* 20,486 were commissioned by 31st March, 2004; the percentage of non-commissioned beds in the ESIC hospitals in several States/ UTs namely, Andhra Pradesh, Chandigarh, Delhi, Gujarat, Haryana, Maharashtra, Karnataka, Madhya Pradesh, Tamil Nadu, Uttar Pradesh and West Bengal ranged from 18 per cent to 100 per cent on account of various reasons like shortage of medical/ paramedical staff including specialists, closure of factories, accessibility of other hospitals and other local factors. Whatever may be the reasons advanced for non-commissioning of beds, it is the Insured Persons and their dependants who eventually have to bear the brunt. It is ironical that although ESIC are flush

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			with funds, the beneficiaries have to suffer on account of non-commissioning of beds. The Committee find this a rather embarrassing situation for the Corporation. The Committee, therefore, recommend that the ESIC/Ministry should impress upon the States/UTs where the percentage of non-commissioning of beds is higher to hand over the administration of such hospitals and dispensaries so that the intended objectives of providing insurance cover under the ESI Act could be achieved.
13.	155	Labour and Employment	The Committee have found that out of a target of establishing 25 Model Hospitals to improve the quality of medical care provided to the beneficiaries and to serve as benchmark for upgrading other hospitals by the State Governments, only 17 Medical Hospitals had been established in the States so far and even these lacked proper facilities. Citing the reasons for shortfall in setting up of Model Hospitals, the Ministry have stated that in some of the States, where ESI Scheme is being implemented, the number of insured persons does not justify setting up of Model Hospitals as per the norms of ESIC. The Committee feel that before fixing the target for setting up the Model Hospitals across the country, the ESIC ought to have gone for a proper feasibility study. The Committee would now expect them to re-appraise the requirements and determine the targets afresh. In the meantime, ESIC should tone up the services in those Model Hospitals which have been already commissioned to enable them to remain true to their name and meet the requisite standards.

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14.	156	Labour and Employment	The Committee's examination of the subject reveals a grim picture about the state of many ESI Hospitals in a number of States. It has been found that costly and essential equipment purchased for ESI Hospitals and dispensaries remained unutilised/under-utilised for long period due to non-award of Annual Maintenance Contract with installation agencies, non-availability of technical staff and doctors, mismatch between equipments and operating staff and lack of coordination between the Union and the State Governments. While these equipments remained unused, ESIC had to incur additional expenditure on providing treatment to the Insured Persons from outside agencies. Though ESIC has an established mechanism comprising of the post of Senior State Medical Commissioner (SSMC) and State Medical Commissioner (SMC) to monitor the functioning of ESIC Hospitals and review their condition with State Governments on regular basis, it is obvious that obtaining regulatory system did not work. The Committee recommend that ESIC must identify the idle equipment in all the ESIC hospitals and dispensaries in the country and take urgent steps to make them functional. They should also energise their field formations in this regard so that prompt remedial action is taken in coordination with the State Governments. If necessary, punitive measures may also be initiated against the negligent officials.
15.	157	-do-	The Committee have noted that ESIC is providing both allopathic and ayurvedic drugs for which the rate contracts are formulated from time-to-time and forwarded to the dispensaries and hospitals of ESIC. Besides ESIC's

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			centralized rate contract for the procurement of drugs, there is a provisions for tie-up arrangements with local chemists for the purchase of urgent requirement of drugs which are not available in the hospitals, and dispensaries of ESIC. Despite all these provisions the Committee are perturbed to find that medicines were held beyond their expiry date and vaccines could also not be utilized before they expired. Shockingly, Phenformin capsules, which were banned by the Union Government in 2003 were distributed in Kansabahal ESI Hospital (Orissa) on account of delay in communication of the ban from the State Government. The Committee while taking a serious view of such glaring lapses involving ESI hospitals, would like this matter to be enquired into and the Committee kept apprised on the follow-up action taken. Also the ESI should ensure that such urgent information be communicated to concerned ESIC hospitals/dispensaries with twenty four hours from the time/ date of declaration of ban of drugs. The State Governments should also follow scientific inventory control methods for estimating the requirements so that the possibility of shortage/requirements and expiry of drugs can be reduced to the barest minimum.
16.	158	Labour and Employment	The Committee have noted that ESIC has been awarded a project by World Bank/ National AIDS Control Organisation (NACO) for the prevention and control of HIV/AIDS amongst ESI beneficiaries. The project envisaged setting up of 85 Sexually Transmitted Diseases (STD) clinics, 73 STD laboratories and 35 Voluntary Testing Centres. Against this target, only 42 clinics could be set up and neither the STD laboratories nor the

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			Voluntary Testing Centres was established. As regards, the utilization of available funds during the year 1999-2005, it was rather poor and ranged between as low as 6.27 and 33.06 per cent. The Committee would like the State Governments to be motivated to take-up this programme on priority basis. STD clinics, laboratories and Voluntary Testing Centres should be opened up in HIV/AIDS infested areas so that the spread of HIV/AIDS may be prevented and the entire allocated funds may be used to achieve the envisaged target. The Committee would await follow up action by the Ministry/ESIC in this regard.
17.	159	Labour and Employment	The Committee have noted that section 58 of ESI Act 1948 provides full medical care facilities for the Insured Persons and their dependents from the very first day of entering insurable employment through a network of empanelled clinics, ESI dispensaries and hospitals. The ESIC constructs hospitals and dispensaries on the basis of requests made by the State Governments. These requests are examined on the basis of number of Insured Persons and beneficiaries of ESI Scheme residing in that particular area. Subsequently, ESIC acquires land from different State Government for construction of hospitals/dispensaries and staff quarters. The Committee notice that in several States, land acquired at the total cost of Rs. 3.68 crore during the year 1967 to 2003 could not be utilized for the intended purpose. It also resulted in blocking of funds which could have been utilized elsewhere urgently required. the Ministry have sought to explain the situation by

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			stating that when the ESIC decided to commence construction works of hospitals/dispensaries, the number of Insured Persons in these areas declined as a result of closure of some factories and also due to increase in the wage limit of workers. The plots were retained for unduly long periods, some of them even after 37 years, in the hope of increase in the number of Insured Persons on account of reindustrialization of the areas of increase in the wage ceilings required for the coverage of Insured Persons. According to the Ministry, the plots obtained through acquisition process could not be disposed off to third parties. As the ESIC is not left with any other option, rather than wait for re-industrialization of the areas, the Committee would like them to immediately initiate measures for construction of hospitals/dispensaries on the vacant plots. If the number of insured persons in the jurisdiction of the hospitals/dispensaries is not adequate, ESIC may consider opening up the facilities for general public by living user charges. This will also help meet the shortage of standard medical facilities across the country.
18.	160	Labour and Employment	After the matter was taken up for detailed examination by the Committee, the ESIC have taken certain corrective measures to improve the scheme as specified below: • State Government as well as Regional Directors were requested to hold regular meetings of the Regional Boards as per the prescribed schedule. • Medical Benefit Council has been constituted.

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			• New business processes in consonance with the changes occurring in the labour market has been adopted. • Wage ceiling for coverage of employees' has been raised from Rs. 7500 per month to Rs. 10,000 per month. • Savings decreased from Rs. 327.72 crore in 2003-04 to Rs. 225.87 crore in 2004-05 on account of increase in expenditure from Rs. 1170.48 crore to Rs. 1258.20 crore during the same year. • In the year 2005-06, the coverage of the scheme *improved* in as much as 84.98 lakh Insured Persons and 329.73 lakhs beneficiaries got covered under the ESI Scheme. • The extension of ESI Scheme to educational and medical institutions has been approved. • The Scheme has also been extended gradually to other establishments such as shops, hotels and restaurants, road and motor transport undertaking, cinema halls and newspaper establishments employing 20 or more persons. • Ceiling of expenditure on full medical care has also been raised from Rs. 750 to Rs. 900 per I.Ps. family unit per annum. The Committee trust that the aforesaid measures are steps in the right direction. However, for putting the Employee's State Insurance Scheme (ESIS) infrastructure to optimum use with the desired

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			results, it is imperative to improve some of the key areas of their functioning by acquiring more powers under the law, if required, such as quality of services, recovery of arrears on account of contribution of employers to the fund, bed utilization, inventory management of medicines including proper procurement procedures of medicines and equipment, property management and under coverage of the working class as detailed in preceding paragraphs. The Committee would await specific steps taken by the ESIC in these identified areas. The Committee would also like to get a review of the scheme done at periodic intervals by competent medical management professionals with a view to identifying and rectifying its shortcomings as well as to evaluate whether the intended objectives has been achieved.

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