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**FUNCTIONING OF EMPLOYEES'
STATE INSURANCE
CORPORATION (ESIC)**

**MINISTRY OF LABOUR AND
EMPLOYMENT**

**PUBLIC ACCOUNTS COMMITTEE
2008-2009**

SEVENTY-SIXTH REPORT

FOURTEENTH LOK SABHA



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

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PUBLIC ACCOUNTS COMMITTEE
(2008-2009)

(FOURTEENTH LOK SABHA)

FUNCTIONING OF EMPLOYEES' STATE INSURANCE
CORPORATION (ESIC)

[Action Taken on 48th Report of Public Accounts Committee (14th Lok Sabha)]

MINISTRY OF LABOUR AND EMPLOYMENT



Presented to Lok Sabha on
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LOK SABHA SECRETARIAT
NEW DELHI

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2008-2009)

Prof. Vijay Kumar Malhotra — *Chairman*

Lok Sabha

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3. Shri Vijay Bahuguna
4. Shri Khagen Das
5. Shri Sandeep Dikshit
6. Shri P.S. Gadhavi
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1. Shri S.K. Sharma — *Additional Secretary*
2. Shri A. Mukhopadhyay — *Joint Secretary*
3. Shri Gopal Singh — *Director*
4. Shri Ramkumar Suryanarayanan — *Deputy Secretary*

INTRODUCTION

I, the Chairman, Public Accounts Committee, as authorised by the Committee, do present this Seventy-sixth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 48th Report (14th Lok Sabha) on “Functioning of Employees’ State Insurance Corporation (ESIC)”.

2. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 14th August, 2008. Minutes of the sitting form Part II of the Report.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix to the Report.

4. 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.

5. 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;
21 August, 2008

30 Sravana, 1930 (Saka)

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

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the Recommendations/Observations of the Committee contained in their Forty-eighth Report (Fourteenth Lok Sabha) on Chapter I 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 (ESIC)**".

2. In their Forty-eighth Report presented to Lok Sabha on 21st August, 2007, the Committee had dealt with various issues concerning the functioning of the ESIC. The Report contained 18 Recommendations/Observations.

3. The Action Taken Notes have been received from the Ministry of Labour and Employment in respect of all the 18 Recommendations/Observations and these have been categorised as under:—

- (i) Recommendations/Observations which have been accepted by the Government:

Recommendations Sl. Nos. 1-4, 7-9, 11-17 and 18 (Para Nos. 143-146, 149-151, 153-159 and 160)

Total: 15
Chapter II

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the reply received from the Government:

Recommendation Sl. No. 6
(Para No. 148)

Total: 1
Chapter III

- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:

Recommendation Sl. Nos. 5 and 10
(Para Nos. 147 and 152)

Total: 2
Chapter IV

- (iv) Recommendations/Observations in respect of which Government has furnished interim reply:

—NIL—

NIL
Chapter V

A. Important Recommendations/Observations contained in the 48th Report of PAC (14th Lok Sabha)

4. The gist of the important Recommendations/Observations made by the Committee in their 48th Report on the subject are as follows:—

- 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.
- Government was asked to expand the scope of ESI Scheme to cover maximum number of employees and to impart the quality of services to the beneficiaries.
- ESI should adopt a target oriented approach for covering all the eligible employees in the country under the scheme. 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.
- Creation of 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.
- The Government have been asked to 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.
- ESIC has been asked to impress upon the State Governments to hand over the administration of the hospitals having percentage of non-commissioning of beds.
- ESIC must identify the idle equipments in all the ESIC hospitals and dispensaries in the country and take urgent steps to make them functional.
- The ESIC has been urged to open hospitals on the vacant plots and if the number of Insured Persons in the areas is not adequate, it may be considered to be opened for the general public also.

5. The Action Taken by the Ministry/ESIC, as furnished in their Action taken Notes, on the Committee's Observations/Recommendations may be summed up as under:—

- (i) Introduction of ISO standards for hospitals and offices (ii) enhancing delegated powers to field offices for better functioning (iii) setting up of super speciality hospitals of Kollam, Kerala and elsewhere (iv) decision to open ESI hospitals having unutilised capacity to the beneficiaries of Rashtriya Swasthya Beema Yojna launched by Govt. of India for BPL families in the unorganized sector (v) proposal to amend the Act for opening of under-utilised facilities in ESI hospitals to general public on user charges (vi) running

of ESI hospitals through third party participation (vii) introduction of system of self certification (viii) Constitution of a Sub-Committee of the Corporation for suggesting amendment to the ESI Act (ix) taking over of more ESI Schemes run by State Governments (x) progressive implementation of the ESI Scheme to new areas as per phased programme (xi) intensive action for prosecution cases and recovery of arrears (xii) relaxation of conditions in the Rajiv Gandhi Shramik Kalyan Yojna (xiii) gradation of hospitals by competent external professional agencies (xiv) introduction of computerization (xv) crash programme for physical upgradation of hospitals (xvi) conducting customer satisfaction surveys (xvii) conducting evaluation of the functioning of the ESI Corporation etc. through organizations like IIM, Ahmedabad, IIMC, New Delhi, ICRA, New Delhi XIM, Bhubaneshwar etc. (xviii) for procurement of medicines centralized RC regime has been introduced (xix) for efficient property management, engineers in all the grades from junior engineer to chief engineer are being (xx) recruited and for better coverage, in addition to the existing inspection regime, census of employers etc. is also being considered.

6. The Action Taken Notes furnished by the Ministry of Labour and Employment have been reproduced in the subsequent Chapters of this Report. The Committee will now deal with the Action Taken by the Government on some of their Recommendations/Observations that require or merit comments.

B. Widening of Scope with Improvement in Services

(Recommendation (Sl. No. 5, Para No. 147)

7. Examination of the subject by the Committee had revealed 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 has been no corresponding increase in providing medical and cash benefit to the beneficiaries. Many of the ESI hospitals do not have proper facilities and are suffering from lack of modern equipment and shortage of medical/paramedical staff. Also that 9.78 lakh eligible employees were not covered under the scheme as on 31st March 2004. The Committee, therefore, strongly recommended in their earlier Report that the ESIC should examine not only the feasibility of expanding the scope of the scheme in terms of beneficiaries spreading over various States/UTs lying hitherto uncovered/partially covered but also initiate measures for improvement in the quality of services to the existing beneficiaries.

8. While furnishing the Action taken Notes, the Ministry have replied as under:—

"As per the provisions of Section 58 of the ESI Act, 1948, the State Governments are required to set up medical facilities for providing medical care to the insured persons and their families in areas where the Scheme is to be implemented. Making necessary arrangements for medical care by the State Government is pre-requisite before the Scheme is implemented in any new area/State. In order to expedite the implementation of the Scheme in North-Eastern States, the Corporation had taken a decision to bear the entire expenditure on the Scheme in North-Eastern States for an initial period of five years. The matter is also reviewed and discussed regularly in the meetings of the ESI Corporation. Regarding the observation that there was no corresponding increase of medical and cash benefits compared to rise in

income, it may be seen that the expenditure on medical and cash benefits for the year 2004-05 has increased by 17.07% over the year 1999-2000. The increase for subsequent year of 2005-06 is 22.85% and for the last year of 2006-07 the increase is 29.70% over the year 1999-2000".

9. The Ministry in their Action Taken Note have not been able to convincingly reply to the Committee's Observation that there was no increase of medical and cash benefits to the insured persons corresponding to the rising income of the ESIC. The Committee's concern in this regard for better coverage of the scheme and significant improvement in the quality of services in the ESIC hospitals/ dispensaries by way of greater investments of available funds has not been addressed by the Ministry in their reply. In their earlier Report, the Committee had brought to light an ironical situation wherein ESIC had recorded 'savings' in their accounts over the revised budget estimate while showing no significant improvement in coverage or quality of service. The Committee are thus constrained to reiterate their recommendation that ESIC must set right their budgeting and financial management systems so that the organization is well-equipped to fully utilize its funds for providing superior services.

C. Database of Insured Persons

Recommendation (Sl. No. 10, Para No. 152)

10. The Committee had observed that as a result of deficient internal control mechanism of ESIC, 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. The Committee, therefore, have recommended 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.

11. In their Action Taken Notes, the Ministry have stated as follows—

"Against the payment of Rs. 11.97 lakhs as excess to the IPs in respect of Andhra Pradesh, Assam, Delhi, Maharashtra and Orissa, an amount of Rs. 471295.40 has been recovered as on 16.3.07. Further, an amount of Rs. 2.25 lakhs pertains to medical reimbursement which is to be recovered by the State Governments. Particulars of recovery of balance excess payment of Rs. 516118.50 is being obtained from the respective regions."

12. The Committee are surprised that the Ministry have skirted the issue of creation of database of insured persons as recommended by them in their earlier Report. As such a database will go a long way in tracking and preventing serious lapses like wrong declaration of Insured Persons, wrong computation of entitlements and improper payments etc., the Committee would like the ESIC to review this matter and initiate steps for creating a computerized database of Insured Persons, which will help to strengthen their internal control mechanism and prevent recurrence of lapses and fraudulent practices brought into light by Audit. This will not only prevent misuse of medical benefits but will also ensure prompt settlement of medical claims.

CHAPTER II
RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED
BY THE GOVERNMENT

Recommendation

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-conceived 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 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 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, 11 Sub-Regional Offices and 1084 Local Offices spreading over the various States/UTs of the Country.

[Sl. No.1, Para 143 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

No comments, being factual.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015/1/06/DRG
dated 20th February, 2008]

Recommendation

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 Governments, 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 Government 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, Para 144 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

The Committee has recommended that the Govt. 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.

According to Regulation 10 of ESI (General) Regulations, 1950 framed by the ESI Corporation, the Regional Board shall normally consist of a Chairman and a Vice-chairman nominated by the Chairman of the ESI Corporation in consultation with the concerned State Govts., Representative of the State, the officer directly Incharge of the ESI Scheme, the SSMC/SMC, one representative each of the employers and employees and the Regional Director as Member Secretary. In addition, the Regional Board shall also include all the nominated members of the Corporation and Medical Benefit Council residing in the State as ex-officio members. Further, the chairman of the Corporation can also nominate upto 3 representatives of the employers and employees. Further, the Regional Board may also co-opt the officer Incharge of a Sub Regional Office in the State.

It may, therefore, be seen that members of the Regional Board are nominated either by the Chairman of the Corporation or by the State Govt. or are members by virtue of their other positions. Unlike the Corporation which has three Members of Parliament as provided under Section 4(i) of the ESI Act, there is no provision for inclusion of Members of Parliament or of State legislature in the Regional Board.

However, in order to implement the observation of PAC to include MPs/MLAs/ Representatives of the Local Bodies, this requires amendment in the relevant provisions of Act/Rules/Regulation. For this purpose views of State Govts. are considered necessary. Accordingly, ESI Corporation is taking action in the matter.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015/1/06/DRG
dated 20th February, 2008]

Recommendation

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 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 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 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 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 Tamilnadu 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, Para 145 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

Consequent upon approval of Chairman, ESIC, necessary action for issue of notification for re-constitution of Regional Boards, Chhattisgarh and Tamil Nadu has been taken.

The Uttaranchal Govt. was requested to furnish proposal for constitution of Regional Board on 4.2.2002. However, recommendation of State Govt. were received on 23.7.2002 and with the approval of Chairman, ESIC, Regional Board was constituted on 26.2.2004.

The following meeting of ESI Corporation, Standing Committee and Medical Benefit Council were held from 2005 to date.

Years	Date of ESIC meeting	Date of Standing Committee Meeting	Date of Medical Benefit Council Meetings
2005	1.2.2005, 27.2.2005 19.4.05, 7.7.05 & 21.12.05	1.2.05, 2.6.05 & 13.12.05	—
2006	21.2.2006, 15.6.2006 & 23.12.2006	31.1.2006, 9.6.2006 & 6.12.2006	31.10.2006*
2007	14.2.2007, 17.7.2007, 11.10.2007 & 18.12.2007	31.1.2007, 6.6.2007, 12.10.2007 & 18.12.2007	—
2008	The ESIC meeting to be held on 18.2.2008	23.1.2008	—

* Shortfall in meetings of MBC is due to the reasons that these meetings are Chaired by the Director General, Health Services, Govt. of India and things could not be coordinated properly. The Director General, ESIC is not member of this important decision making body. Therefore, now it is proposed to amend the relevant Section 10 of the ESI Act, so that Director General, ESIC becomes the Chairman of the MBC and DGHS becomes Co-Chairman of the Medical Benefit Council. After this amendment, it will be possible to hold the meetings of the MBC regularly. Accordingly, an agenda

item is being placed for the approval of the ESIC in its ensuing meeting to be held on 22.2.2008 and it has been approved.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015\1\06\DRG
dated 20th February, 2008]

Recommendation

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 Ministry about the specific action taken by them on the recommendations of the Verma Committee.

[Sl. No. 4, Para 146 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

A Sub-Committee consisting of Director General, Shri R.K. Somani, Insurance Commissioner, Medical Commissioner and other senior officers of ESIC examined and discussed in detail the various recommendations of Verma Committee.

The Committee accepted many of the recommendations of the Verma Committee which include simplification of procedure for payment of cash benefits, need for computerization, rationalization of staff in offices, hospitals and dispensaries, need to bring structural changes in the functioning of the ESI Corporation, improvement of primary and secondary medical care, face lift of buildings, delegation of more financial and administrative powers to IMO Incharge, Medical Suptds. and Regional Directors etc., modernisation and upgradation of medical services, enlarging the scope of revolving fund, construction of more Model Hospitals and provision of latest equipment and technologies to them, training of staff, improvement in purchase and distribution of drugs through Rate Contract system, procurement, storage, distribution and inventory control of drugs, introduction of professional management for the hospitals, emphasis on Human Resource Development and CME programmes, promotion of AYUSH, computer linkage among all offices, simplification of systems, conducting patient satisfaction surveys, coordination between ESIC and EPFO etc. Further, the recommendation of Verma Committee to raise the wage ceiling for coverage under the Scheme, provisions for medical benefits separately for family members, wage period for availing super-speciality treatment, enhancement of ceiling on per capita payment to the State Govts., introduction of quality assurance programme have already been implemented.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015\1\06\DRG
dated 20th February, 2008]

Recommendation

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. 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-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 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 2005-06, 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, Para 149 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

The determination of contribution is an ongoing process and the increase in arrears is the result of the timely action taken by the Corporation against the defaulting employers. Further, it is submitted that prior to setting up of Corporation's own Recovery Machinery, recovery of arrears was entrusted to the Certificate Officers/ District Collectors of State Govts. Following insertion of 45 C to 45 I in the ESI Act, the Revenue Recovery Machinery of ESI Corporation was set up from 1.1.1992 onwards in all regions to recover the dues from the defaulting employers. The comparative figures of recovery made by Collectors and by the Recovery Officers are again given below:—

Year	Recovery made through District Collectors (Rs. in Crores)
1	2
1984-85	4.74
1985-86	5.43
1986-87	4.29
1987-88	5.62

1	2
1988-89	9.17
1989-90	7.81
1990-91	8.95
1991-92	10.47

As a result of continuous monitoring from the headquarters office of the ESI Corporation and collective efforts of the Recovery Officers working in the field, the Corporation could recover a total sum of Rs. 1124.19 crores during the period from 1992-93 to 2006-07. The year-wise break-up of the same is given below:—

Year	(Rs. in Crore)
	Dues recovered through Recovery Machinery of ESI Corporation
1992-93	12.15
1993-94	16.90
1994-95	21.40
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
2006-07	168.11

The details of total dues outstanding, the dues recoverable and dues presently not recoverable due to court cases, factories gone into liquidation, dues pending with Claim & Commissioner for last three years are given below:—

(Rs. in crores)

BREAK UP	As on 31.3.2005	As on 31.3.2006	As on 31.3.2007
1	2	3	4
Recovery Officers			
A) ARREARS RECOVERABLE			
Amount pending with	550.47	443.61	397.70
Total	550.47	443.61	397.70
(B) ARREARS NOT RECOVERABLE FOR THE PRESENT			
(i) Amount of arrears disputed in Courts	366.04	445.38	430.42
(ii) Amount due from factories/ Estt. Which have gone into liquidation	74.79	103.16	151.47
(iii) Amount pending with Claim Commissioner	12.34	9.36	4.75
(iv) Amount due from factories/Estt. Which have closed and whereabouts of employers are not known	11.42	14.39	40.10
(v) Decree obtained and execution proceedings in progress	0.09	0.09	0.11
Total (i to v)	464.48	572.38	626.85
(C) DUES FROM SICK INDUSTRIES/ EXEMPTION GRANTED BY STATE/ CENTRAL GOVT.			
(i) Factorier regd. With BIFR but rehabilitation scheme yet to be sanctioned		46.20	48.93
(ii) Factories/establishments which have been declared sick and rehabilitaqtion scheme sanctioned by BIFR		11.22	34.86
(iii) Closed unit in respect of which particulars of employer is known/available		38.89	41.96
(iv) Dues from factories/estt. Where exemption granted by State Govt. and arrears continued to be shown		28.57	0.68
Total (i to iv)		124.88	126.43
GRAND TOTAL (A+B+C)	1015.15	1140.87	1150.98

It may be observed that recoverable dues pending with Recovery Officers are decreasing gradually.

The Recovery Officers of the ESIC are making all out efforts to recover the dues of the Corporation. The progress of recovery of the dues is monitored on month to month basis. Further, the special drives are also undertaken from time to time to recover maximum dues of the Corporation.

The Amnesty Scheme, as such, introduced in August 2006 had no direct bearing upon the arrears. Rather Amnesty Scheme was a fall out of the request received from different quarters representing the interest of employers and employees against whom prosecution actions were pending in different courts and were dragging on for years together. ESI Corporation with a view to reducing the huge pendency of prosecution cases in different courts decided to introduce the Amnesty Scheme on conditions of payment of contribution dues by the employers for the period in respect of which prosecution action was pending in court, payment of interest thereto and damages leviable on amount of default. In the process of collection of past arrears improved to some extent and in fact such collection in respect of the Amnesty Scheme which was in vogue during the period from 1.8.06 to 30.6.07, a sum of Rs. 4.36 crores was collected as contribution while Rs. 1.90 crores was collected as interest and Rs.1.66 crores was collected as damages. The Amnesty Scheme, therefore, helped to increase collection of arrears to the extent indicated without detracting from the main focus of collection of arrears through the process of recovery and enforcement of recovery provisions through the Corporations' Recovery Machinery. In this process, 1976 cases were settled.

The Amnesty Scheme has been approved by the ESI Corporation in its 141st meeting held on 18.12.07 with an aim to facilitate smooth enforcement of the Scheme by settlement of litigation as well as minimizing the arrears.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No.PO 28015/1/06/DRG
dated 20th February 2008]

Recommendation

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 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 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 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. 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 Para 150 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

The following steps have been taken to enlarge the scope of the coverage of the Scheme—

- (a) The ESI Corporation in its meetings held on 21.2.2003 and 23.2.2005 has approved extension of Scheme to the workers of educational and medical institutions. The State Govts. are required to issue a notification under Section 1(5) of the ESI Act after seeking the approval of Govt. of India. The matter has regularly been pursued by the ESI Corporation and Ministry of Labour and Employment, Govt. of India with State Govts. for early issue of notifications in this regard.

So far, State Govts. of Rajasthan, Bihar, Puducherry, J&K, Uttaranchal, Chhattisgarh, West Bengal and Jharkhand have issued final notifications to extend the Scheme to educational institutions and State Govts. of West Bengal, Rajasthan, Bihar, Kerala and Himachal Pradesh have issued final notifications to extend the Scheme to private medical institutions.

- (b) The Corporation has enhanced the wage ceiling for coverage of employees under the Scheme from Rs.7,500/- to Rs.10,000/- w.e.f. 01.10.2006.
- (c) A proposal to have a uniform threshold of coverage of 10 or more persons for both factories and establishments, irrespective of whether power is used or not, is under consideration of a Sub-Committee of the Corporation for considering necessary amendments in the Act for this purpose.

- (d) Coverage of insured persons under the ESI Act is being enlarged. During the year 2005-06, 84.98 IPs have been covered under the Scheme whereas this has gone up to 101.57 lakhs for the year 2006-07. Similarly the ceiling on expenditure for medical care has been raised from Rs.900 to Rs.1,000 per IP family unit per annum.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015/1/06/DRG
dated 20th February, 2008]

Recommendation

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 reimbursement 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 computerization 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 reinforce the credibility and acceptability of the ESI scheme amongst the beneficiaries.

[Sl. No. 9 Para 151 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

As desired by the Committee, the process of computerization of functioning of ESIC is in progress and a consultant has been appointed for advising ESIC in carrying out the work. Once the same is put into operation it will ensure speedy settlement of all types of claims and will also increase the efficiency in the ESIC.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015/1/06/DRG
dated 20th February, 2008]

Recommendation

The Committee have noted that deficient management of ESIC hospitals and dispensaries resulted in under-utilization 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-utilization of ESIC Hospitals and dispensaries is not a desirable situation for an organization that is required to cater to a vast number of people needing medical attention. Though the primary concern to the ESIC should be to render medical care services to Insured Persons and their dependants, the Committee are of the opinion that the non-utilized 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 Para 153 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

ESI Corporation has already constituted a Sub-Committee for amendment of the ESI Act and make provision for opening of facilities of ESI Hospitals to general public on user charges and running of ESI Hospitals through third party participation. Once the enabling provisions are made in ESI Act, the idle capacity in ESI Hospitals will be made open to general public on user charges to ensure optimum utilization of the facilities.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. P.O. 28015/1/06/DRG
dated 20th February, 2008]

Recommendation

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 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 Para 154 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

ESI Corporation has taken up the issue of under utilization of ESI hospitals and dispensaries with the State Governments. State Governments have been asked to re-organize the hospitals and dispensaries, re-deploy the staff as per the need to ensure optimum utilization of the facilities created. ESI Corporation has further taken up the task of preparing re-organisaton plan of the States and sent it to the State Governments for implementing the same, ESI Corporation has already taken, in principle, decision to take over the administration of ESI Scheme from the State Government wherever there is specific request from the State Government. Additional beds in the Hospital are commissioned based on the work load in the hospitals. In case, the bed occupancy of the Hospital is low and there is no scope for increase in the utilization due to less number of IPs in the region, the bed capacity of the hospital is re-organized to ensure cost effectiveness and adequate utilization. It is an on going process.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015/1/06/DRG
dated 20th February, 2008]

Recommendation

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 Hospital 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 Hospital as per the norms of ESIC. The Committee feel that before fixing the target for setting up the Model Hospital 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 Hospital which have been already commissioned to enable them to remain true to their name and meet the requisite standards.

[Sl. No. 13 Para 155 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

ESI Corporation has taken a decision to run one hospital in each State to be developed as Model Hospital for the State. In the States, where ESI Corporation is already running a hospital, the same was designated as Model Hospital for the State. At present, ESI Corporation is running 18 Model Hospitals in various States and Union Territories. As recommended by the PAC, ESIC has re-assessed the requirements for model hospitals. In addition to the 18 hospitals, Model Hospitals will be started in the State of Pondicherry and Himachal Pradesh subject to the State Govt. giving its consent. In Haryana, the Model Hospital is under construction at Gurgaon. In the remaining four States, at present, there is no ESI Hospital and as and when the number

of IPs increase and justify setting up of the Hospital, the same will be designated as Model Hospitals and to be run by ESIC with the consent of the State Govt.

ESI Corporation has taken several steps to upgrade and modernize the services of ESIC Model Hospitals. Some of the actions taken are as under:—

- (1) Modernization and upgradation of hospitals by providing modern equipments for diagnostic and clinical services. To facilitate early sanction of equipments for hospitals, Medical Superintendents have been delegated powers to sanction equipments up to Rs.15 lakhs per unit at the State level itself.
- (2) Medical Superintendents have been delegated powers for Special Repairs and R&M of the Model Hospitals.
- (3) Action has been taken for absorption of staff on deputation to Model Hospitals and filling up of the remaining vacancies on regular basis.
- (4) Powers have been delegated to Medical Superintendents to recruitment of group C & D staff on regular basis.
- (5) Medicines are being issued to both out patient and discharged patients from the hospital.
- (6) Tie up arrangements have been made with other reputed Govt./non Govt. hospitals for providing super speciality/speciality services which are not available in ESI Hospitals.
- (7) ESI Corporation is in the process of getting all the Model Hospitals graded by professional agencies.
- (8) The ESI Corporation is in the process of getting hospitals ISO 9001-2000 certification. One ESI Hospital in Delhi has already been granted ISO certification.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015/1/06/DRG
dated 20th February, 2008]

Recommendation

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 unutilized/under-utilized 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 equipments 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.

[Sl. No. 14 Para 156 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

As per the recommendation of the Committee, ESIC has written to all the State Govts. to identify the idle equipments in the hospitals and dispensaries to take urgent steps to make them functional. Further, instructions have also been given to ensure annual maintenance contract in respect of the equipments. A strict watch is being kept on the idle equipments in the hospitals and dispensaries and pursue the matter with the State Govt. to ensure that equipments are made functional at the earliest.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015/1/06/DRG
dated 20th February, 2008]

Recommendation

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 drugs, there is a provision 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 following-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 Para 157 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

As recommended by the Committee, the State Govts. have been asked to enquire into the matter and submit an action taken report. ESI Corporation on receipt of any

communication from the Drug Controller General of India regarding banning of any drug, circulates the same to all the State ESI Directorates by Fax and Speed Post for taking necessary action.

In future, if any such instructions received from the office of Drug Controller General of India, it will be ensured that the same is communicated to all State ESI Directorates immediately for taking action. It is also informed that DCGI issues instructions to all State Governments and all State Govt. Institutions including ESI Directorates are supposed to take action on these without waiting for any communication from ESI Corporation/Ministry of Labour.

ESIC have been issuing guidelines regarding adoption of scientific inventory control and store management techniques for store management. The same has again been circulated to the State Govt. for adoption so as to reduce the possibility of expiry of drugs.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015/1/06/DRG
dated 20th February, 2008]

Recommendation

The Committee have noted that ESIC has been awarded a project by World Bank/ National AIDS Control Organization (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 Centre. Against this target, only 42 clinics could be set up and neither the STD laboratories nor the Voluntary Testing Centre were established. As regards, the utilization of available funds during the years 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 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 Para 158 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

ESI Corporation has proposed for setting up of 85 STD clinics and 73 STD labs all over the country. But NACO had sanctioned only 42 STD clinics and 42 STD labs only. The sanctioned STD clinics and STD labs have already been set up. In addition 35 VCTC clinics have been sanctioned and established. It is further stated that the expenditure has increased in the year 2005-06 and 2006-07 to Rs. 87.88 lacs and Rs. 64.32 lacs. Further, letters have been written to the Directors of ESI Schemes in various States and to Sr. State/State Medical Commissioners to take personal interest to strengthen the HIV AIDS control programme in their States and ensure that the entire funds allocated are utilized to achieve the targets assigned.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015/1/06/DRG
dated 20th February, 2008]

Recommendation

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 re-industrialization 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 Para 159 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

ESIC has taken steps for construction of hospitals, dispensaries on the vacant plots wherever the number of insured persons justifies the establishment of the same.

ESIC is periodically reviewing whether the plots purchased by ESIC but not utilized for construction of hospitals/ dispensaries can be utilized taking into account increased IP population. For example, ESIC has taken decisions to construct the buildings in plots at Narela, Marthal, Karnal, Vilakudi, Mylon, Alwar, Bhiwadi, Virudhnagar, Palladam, Radiapallayam & Ariankuppam. ESIC is in the process of increasing their coverage to various new sectors and the other vacant plots will also be utilized in due course.

Regarding opening of facilities to general public by levying user charges, ESIC has already initiated action and a proposal for amendment of ESI Act, 1948 in this regard has been sent to the Ministry of Labour & Employment.

Signature of Secretary/Addl. Secretary/

Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015/1/06/DRG
dated 20th February, 2008]

Recommendation

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 employee's 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 objectives have been achieved.

[Sl. No. 18 Para 160 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

The Committee has felt that it is imperative to improve some of the key areas of functioning such as quality of services, recovery of arrears, bed utilization, inventory

management of medicines and equipments, property management, under coverage of employees etc.

In this regard, it is stated that constant efforts are being made from time to time to improve the functioning of the Corporation by introduction of ISO standards for hospitals and offices, enhancing delegated powers to field offices for better functioning, enhancement of PDB and DB rates, setting up of super speciality hospitals at Kollam, Kerala and elsewhere, decision to open ESI hospitals having unutilised capacity to the beneficiaries of Rashtriya Swasthya Beema Yojana launched by Govt. of India for BPL families in the unorganized sector, proposal to amend the Act for opening of under-utilised facilities in ESI hospitals to general public on user charges and running of ESI hospitals through third party participation, introduction of system of self certification, Amnesty scheme for defaulting employers, recruitment plans for filling up of all vacancies in ESIC institutions, Constitution of a Sub-Committee of the Corporation for suggesting amendments to the ESI Act, taking over of more ESI Schemes run by State Govts., progressive implementation of the ESI Scheme to new areas as per phased programme, intensive action for prosecution cases and recovery of arrears, relaxation of conditions in the Rajiv Gandhi Shramik Kalyan Yojana, gradation of hospitals by competent external professional agencies, introduction of ERP and computerization, crash programme for physical upgradation of hospitals, conducting customer satisfaction surveys, conducting evaluation of the functioning of the ESI Corporation etc. through organizations like IIM, Ahmedabad, IIMC, New Delhi, ICRA, New Delhi, XIM, Bhubaneshwar etc. For procurement of medicines centralized RC regime has been introduced and for efficient property management, engineers in all the grades from junior engineer to chief engineer are being recruited and for better coverage, in addition to the existing inspection regime, census of employers etc. is also being considered.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015/1/06/DRG
dated 20th February, 2008]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE GOVERNMENT

Recommendation

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.

[Sl. No. 6 Para 148 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

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	Revised Estimate	Percentage of savings with reference to Revised Estimate
1999-2000	1386.38	1338.61	3.45
2000-01	1422.32	1423.51	16.93
2001-02	1287.39	1176.77	8.59
2002-03	1401.02	1164.52	16.88
2003-04	1498.20	1323.78	11.64
2004-05	1484.07	1372.18	7.54
Total	8479.38	7799.37	8.02

From the above, it is seen that the percentage of savings are only 8.02% on an average which cannot be termed to be very high.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015/1/06/DRG
dated 20th February, 2008]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee are constrained 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 wasteful/infructuous expenditure and economising the expenditure 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 hospital 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 to 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 Para 147 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

As per the provisions of Section 58 of the ESI Act, 1948, the State Govts. are required to set up medical facilities for providing medical care to the insured persons and their families in areas where the Scheme is to be implemented. Making necessary arrangements for medical care by the State Govt. is pre-requisite before the Scheme is implemented in any new area/State. In order to expedite the implementation of the Scheme in North –Eastern States, the Corporation had taken a decision to bear the entire expenditure on the Scheme in North-Eastern States for an initial period of five years. The matter is also reviewed and discussed regularly in the meetings of the ESI Corporation.

Further, Hon'ble Minister of State (L&E) (IC) has addressed the Labour Ministers of Sikkim, Tripura and Mizoram to expedite implementation of the Scheme in these States. Concerted efforts are continued to extend the Scheme in North-Eastern States.

The Scheme is already in force in Delhi, Chandigarh and Puducherry.

Regarding the observation that there was no corresponding increase of medical and cash benefits compared to rise in income, it may be seen that the expenditure on medical and cash benefits for the year 2004-05 has increased by 17.07% over the year 1999-2000. The increase for subsequent year of 2005-06 is 22.85% and for the last year of 2006-07 the increase is 29.70% over the year 1999-2000.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015/1/06/DRG
dated 20th February, 2008]

Recommendation

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 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-à-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.

[Sl. No. 10 Para 152 of 48th Report of PAC (14th Lok Sabha)]

Action Taken

Against the payment of Rs.11.97 lakhs as excess to the IPs in respect of Andhra Pradesh, Assam, Delhi, Maharashtra and Orissa, an amount of Rs. 471295.40 has been recovered as on 16.3.07. Further, an amount of Rs. 2.25 lakhs pertains to medical reimbursement which is to be recovered by the State Govts. Particulars of recovery of balance excess payment of Rs. 516118.50 is being obtained from the respective regions.

Signature of Secretary/Addl. Secretary/
Jt. Secretary

[Ministry of Labour & Employment O.M. No. P.O. 28015/1/06/DRG
dated 20th February, 2008]

CHAPTER V
RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH
GOVERNMENT HAS FURNISHED INTERIM REPLY

— NIL —

NEW DELHI;
21 August, 2008

30 Sravana, 1930 (Saka)

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

PART II

MINUTES OF THE FIFTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2008-2009) HELD ON 14th AUGUST, 2008

The Committee sat from 1100 hrs. to 1315 hrs. on 14th August, 2008 in Committee Room "C", Parliament House Annexe, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra—*Chairman*

MEMBERS

Lok Sabha

2. Shri Furkan Ansari
3. Shri Vijay Bahuguna
4. Shri Khagen Das
5. Shri Bhartruhari Mahtab
6. Prof. M. Ramadass
7. Shri Rajiv Ranjan 'Lalan' Singh
8. Shri Kharabela Swain

Rajya Sabha

9. Shri Raashid Alvi
10. Shri Prasanta Chatterjee
11. Shri B.K. Hariprasad
12. Prof. P.J. Kurien
13. Dr. K. Malaisamy

SECRETARIAT

1. Shri A. Mukhopadhyay — *Joint Secretary*
2. Shri Gopal Singh — *Director*
3. Shri M.K. Madhusudhan — *Deputy Secretary - II*
4. Shri Ramkumar Suryanarayanan — *Deputy Secretary - II*

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

1. Shri A.K. Thakur — *DG ACR*
2. Shri Nand Kishore — *Pr. Director (RC)*

APPENDIX

STATEMENT OF RECOMMENDATIONS AND OBSERVATIONS

Sl. No.	Para No.	Ministry/ Department	Recommendations/Observations
1	2	3	4
1.	9	Labour and Employment	The Ministry in their Action Taken Note have not been able to convincingly reply to the Committee's Observation that there was no increase of medical and cash benefits to the insured persons corresponding to the rising income of the ESIC. The Committee's concern in this regard for better coverage of the scheme and significant improvement in the quality of services in the ESIC hospitals/ dispensaries by way of greater investments of available funds has not been addressed by the Ministry in their reply. In their earlier Report, the Committee had brought to light an ironical situation wherein ESIC had recorded 'savings' in their accounts over the revised budget estimate while showing no significant improvement in coverage or quality of service. The Committee are thus constrained to reiterate their recommendation that ESIC must set right their budgeting and financial management systems so that the organization is well-equipped to fully utilize its funds for providing superior services.
2.	12	-do-	The Committee are surprised that the Ministry have skirted the issue of creation of database of insured persons as recommended by them in their earlier Report. As such a database will go a long way in tracking and preventing serious

1	2	3	4
			<p>lapses like wrong declaration of Insured Persons, wrong computation of entitlements and improper payments etc., the Committee would like the ESIC to review this matter and initiate steps for creating a computerized database of Insured Persons, which will help strengthen their internal control mechanism and prevent recurrence of lapses and fraudulent practices brought into light by Audit. This will not only prevent misuse of medical benefits but will also ensure prompt settlement of medical claims.</p>
