

CHAPTER-I: INTRODUCTION

1.1 About the ECHS

Ministry of Defence (MoD) in December 2002 sanctioned a health care Scheme namely “Ex-servicemen Contributory Health Scheme (ECHS)” to cater for medicare of all ex-servicemen (ESM) in receipt of pension, including disability and family pension, as also their dependents to include wife/husband, legitimate children and wholly dependent parents. The Scheme was sanctioned by the MoD in December 2002 and came into effect from 1 April 2003. The Scheme provided that the personnel retiring from 1 April 2003 onwards would compulsorily be the members. The total strength of the beneficiaries (ex-servicemen and their dependents) across the country as of April 2015 was 47.24 lakh. MoD initially sanctioned 227 Polyclinics (PCs) in December 2002 and sanctioned 199 additional PCs in October 2010, thereby taking the total number of sanctioned PCs to 426. As of March 2015, 414 PCs were functional.

The Scheme aimed to provide healthcare to all beneficiaries in the manner as applicable in Central Government Health Scheme (CGHS) through a network of ECHS polyclinics, Service hospitals, Government and private empanelled hospitals spread across the country. It was structured to provide cashless treatment for beneficiaries, who were issued life time Smart Cards¹ by the concerned Regional Centres (RCs), based on their entitlement, number of dependents *etc.*

1.2 Management structure of the Scheme

The Scheme was to be implemented by a project organisation with a three tiered structure. This comprises a Headquarters (Central Organisation) located at Delhi, headed by Managing Director (MD, ECHS) and 28 Regional Centres (RCs) each headed by a Director to oversee the functioning of the polyclinics, which in turn are headed by an Officer-in-Charge (OIC) employed on contractual basis. Army, Navy and Air Force are to provide manpower to administrative organisations at the Central Organisation and 28 RCs, from within their existing resources. The PCs are run by contractual manpower only.

¹**Smart Card** is an IC Chip contact card with a microprocessor having memory of 16kb or 32 kb used for storing data of Ex-servicemen and dependents pertaining to their personal information, biometrics (finger prints), medical details of known drug allergy, medical history for chronic and surgery disease, health examination history, OPD records, Referral details, Hospital details, Emergency treatment details, Medicines issued log, Medical equipment issued and Photograph.

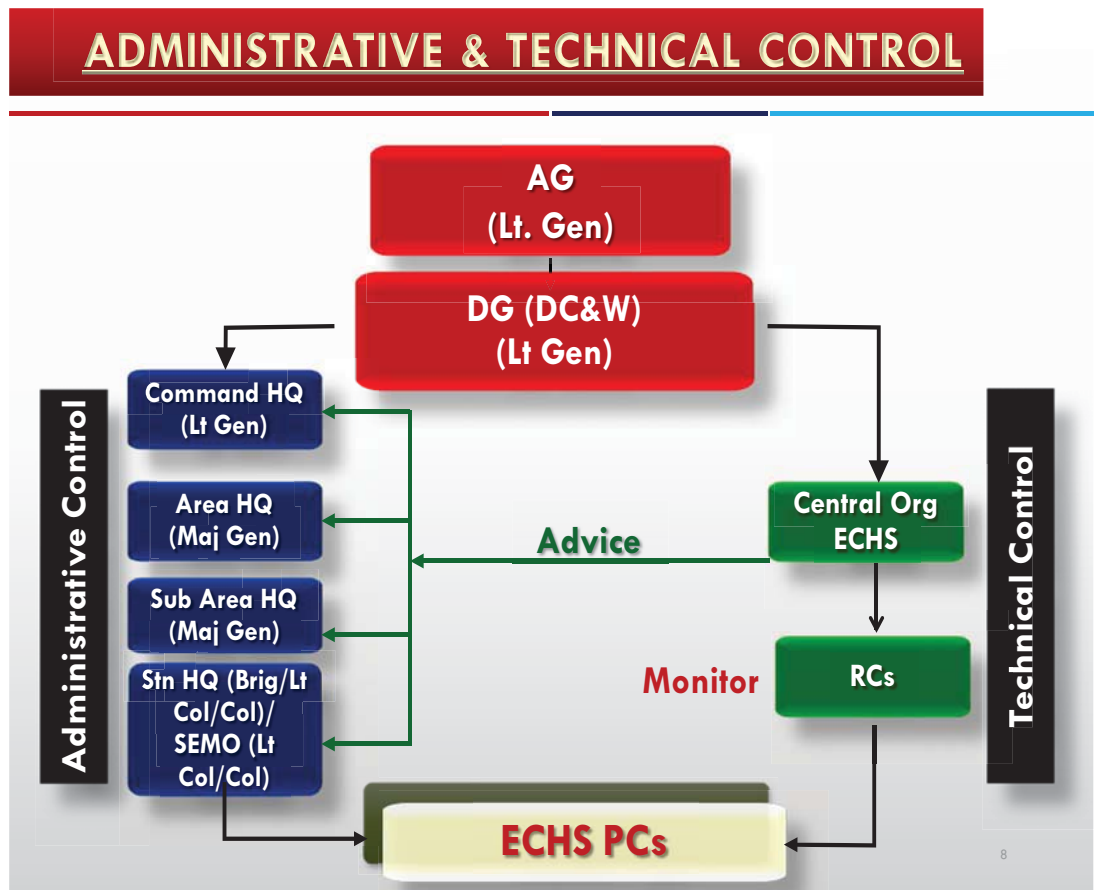
PCs are configured into five types as ‘A’, ‘B’, ‘C’, ‘D’ and ‘E’ based on the Ex-Servicemen (ESM) population and facilities desired thereto as shown below:

Type of PCs	Population of ESM	No. of PCs
A	Above 20000	19
B	Between 10000 and 20000	42
C	Between 5000 and 10000	78
D	Between 2500 and 5000	270
E (Mobile)	Below 2500	17

1.3 Administrative and Technical Control of the Scheme

Policy framework for the Scheme is laid down by the MoD and executive control is exercised by the Department of Ex-servicemen Welfare (ESW) under MoD. In the Army Headquarters, Administrative and Technical control is exercised by the Adjutant General as depicted in the **Chart-1** below:

Chart-1



Note: AG: Adjutant General, DG (DC&W): Director General of Discipline & Vigilance and Ceremonials & Welfare, HQ: Headquarters, Stn: Station, SEMO: Senior Executive Medical Officer (at ECHS Cell at Service Hospital), RCs: Regional Centres, (ECHS), PCs: Polyclinics.

The authority-wise responsibilities/functions under the Scheme are explained in **Annexure-I**.

1.4 Budget allotment and expenditure

The requirement of funds of Capital and Revenue nature for the ECHS is projected annually by the Central Organisation to the Ministry through Additional Director General (Financial Planning) at Army Headquarters. The Ministry accordingly allocates funds separately under Capital and Revenue heads of expenditure. Allocation under Capital head, *inter alia*, includes purchase of land, construction of buildings and procurement of medical equipment, *etc.* Revenue head of expenditure includes pay and allowances in terms of fees of the contractual staff which includes medical officers, medical specialists, technicians, other para-medical and non-medical staff, *etc.*

The overall allotment and expenditure of ECHS under Capital and Revenue heads of expenditure for the three years period 2012-13 to 2014-15 as selected in audit (**Paragraph 1.6 refers**), is indicated in **Table-1** below:

Table-1: Allotment and expenditure under Capital and Revenue heads

(₹ in crore)

Type of expenditure	Expenditure Head	2012-13		2013-14		2014-15	
		Allotment	Expenditure	Allotment	Expenditure	Allotment	Expenditure
Capital	Purchase of land	0.40	0.30	0.23	0.55	0.05	0.03
	Construction of building	3.40	3.08	4.40	3.88	5.01	5.06
	Medical equipment	1.63	0.45	7.82	6.48	0.05	1.52
	Total	5.43	3.83	12.45	10.91	5.11	6.61
Revenue	Pay & Allowance (Contractual Staff)	61.02	58.85	113.00	111.66	142.00	135.99
	Medical Store (Medicines/ consumables)	391.69	385.68	399.89	398.81	487.77	471.96
	Medical Treatment Related Expenditure (Payment to empanelled facilities)	975.24	966.93	1251.95	1248.24	1605.74	1604.68
	Transportation	0.82	0.73	1.05	0.90	1.35	1.29
	Others- IT, Misc. & Revenue	22.22	18.59	23.57	1.77	23.72	22.25
	Total	1450.99	1430.78	1789.46	1761.38	2260.59	2236.17

The above table shows that expenditure towards payment to empanelled facilities (hospitals/laboratories, *etc.*) ranged² from 68 per cent to 72 per cent of the total revenue expenditure during the years 2012-13 to 2014-15. This trend of expenditure reflects that the services envisaged to be provided under the Scheme are mainly dependent on outsourcing.

² **FY-2012-13:** ₹966.93 crore/₹1430.78 crore x 100 = **68%**,

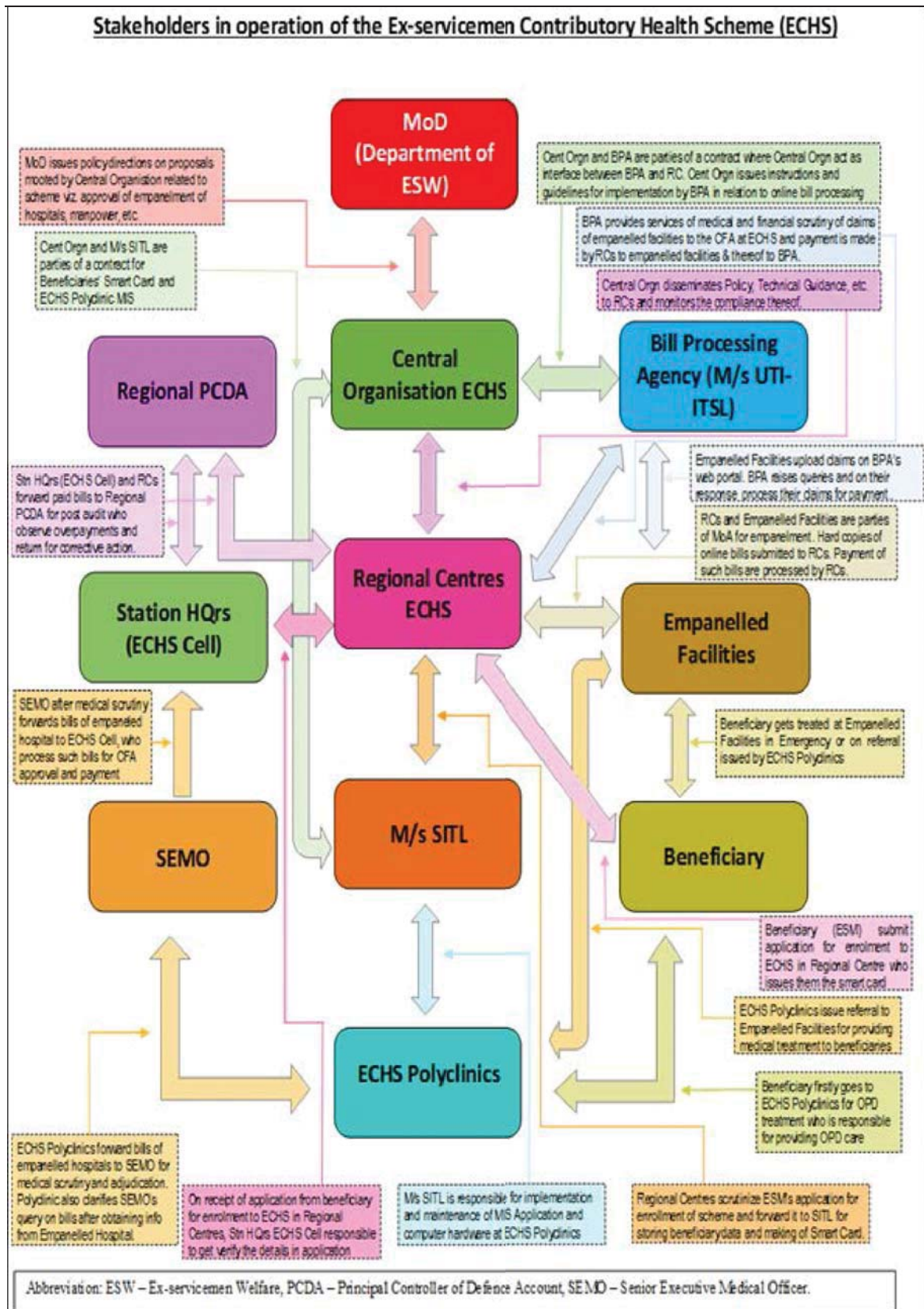
FY-2013-14: ₹1248.24 crore/₹ 1761.38 crore x 100 = **71%**

FY-2014-15: ₹1604.68 crore/ ₹2236.17 crore x 100 = **72%**

1.5 Stake holders in operation of the ECHS

The Stake holders in operation of the ECHS are given in **Chart-2** below:

Chart-2



1.6 Scope of Audit and Audit Methodology

Performance Audit of the Scheme, covering the period 2012-13 to 2014-15 was carried out between December 2014 and April 2015. The units for audit were selected based on the criteria as shown in **Table-2** below:

Table-2: Showing criteria for selection of units/formation for audit

Units/formation	Criteria for selection
PCsDA/CsDA	7 ³ (out of 19 PCsDA/CsDA) based on the highest expenditure booked on procurement of medicines/medical stores and the medical treatment related expenditure by PCsDA/CsDA.
RCs	10 RCs ⁴ (out of 28), including five manual* and five online** falling under the jurisdiction of selected PCsDA/CsDA.
PCs	22 PCs ⁵ (11 each at Military and non-Military stations) out of 175 PCs falling under the above selected RCs. The PCs were selected according to different categories viz. A, B, C, D & E and situated at Military and non-Military stations.
SHQs (ECHS Cell)	20 ⁶ covering the above selected 22 PCs.
Service Hospitals	15 Service hospitals ⁷ covering the 11 selected PCs at Military stations and also the local purchase of medicines for ECHS.
AFMSD	2 ⁸ out of total 4 AFMSDs for central purchase of medicines/medical stores for ECHS.

Besides, (i) the Department of Ex-servicemen Welfare (ESW) under MoD, New Delhi (ii) Adjutant General's Branch and Director General of Discipline & Vigilance and Ceremonials & Welfare, in IHQ of MoD (Army) New Delhi (iii) Managing Director, Central Organisation, ECHS, Delhi Cantt. (iv) Controller General of Defence Accounts (CGDA), Delhi Cantt. and (v) Controller of Defence Accounts (CDA), Secunderabad (for audit of online

³PCsDA/CsDA at SC, Pune, CC, Lucknow, (Army) Meerut, Jabalpur, WC, Chandigarh, (SWC) Jaipur, NC, Jammu =07.

⁴ RCs at Dehradun*(RC was made online w.e.f. December 2014), Ahmedabad*, Allahabad*, Hisar*, Jammu* (4 RCs were made online w.e.f. April 2015), Pune**, Trivandrum**, Chandimandir**, Delhi Cantt. (RC-I)** (4 RCs were made online w.e.f. April 2012) and Jalandhar** (RC was made online w.e.f. April 2013) =10.

⁵PCs at Kolhapur, Satara, Pune, Trivandrum, Kollam, Ahmedabad, Lucknow, Raibareli, Varanasi, Mirzapur, Unnao, Dehradun, Chandigarh, Chandimandir, Ludhiana, Hisar, Charkhi Dadri, Abohar, Base Hospital Delhi Cantt, Lodhi Road New Delhi (including AFC New Delhi), BD Bari, Jammu=22.

⁶ECHS Cell, SHQ at Kolhapur, Pune, Trivandrum, Ahmedabad, Deolali, Ahmednagar, Jodhpur, Lucknow, Varanasi, Kanpur, Dehradun, Meerut, Jabalpur, Chandimandir, Ludhiana, Hisar, Jalandhar, Delhi Cantt., Jammu, BD Bari=20.

⁷Service Hospitals at Pune (CH), Trivandrum (MH), Ahmedabad (MH), Kirkee (MH), Pune (MH, CTC), Lucknow (CH), Varanasi (MH), Dehradun (MH), Meerut (MH), Jabalpur (MH), Chandimandir (CH), Hisar (MH), Delhi Cantt (Base Hospital), Army Hospital R&R Delhi Cantt., Jammu (MH)=15.

⁸AFMSDs at Delhi Cantt. and Mumbai=02.

post audit module only - as a pilot project for online post audit was implemented in this CDA) were also covered in audit. An Entry Conference was held on 19 January 2015 with the Secretary, ESW, MoD.

Central Organisation, ECHS implemented a Management Information System (MIS) viz. Polyclinic Information System at ECHS Polyclinics along with Smart Card issued to beneficiaries by M/s Score Information Technologies Limited (SITL), Kolkata from January 2004 and online processing of bills of empanelled hospitals and individuals by Bill Processing Agency (BPA) i.e. M/s UTI Infrastructure Technology and Services Limited (UTI-ITSL), Navi Mumbai from April 2012. Following data as shown below was provided by MD ECHS:

- i. MIS Application Database (MIS Database) of 10 polyclinics⁹.
- ii. Card Production Database (Card Database).
- iii. Claims Data of online processed bills for the period from April 2012 to March 2013 in respect of five Regional Centres¹⁰ and for the period from April 2013 to March 2015 in respect of additional five Regional Centres.¹¹

The above data were analysed in audit by using CAATS (Computer Assisted Audit Techniques) viz. MS-Access, Tableau and IDEA.

A preliminary draft report was issued to the Secretary, ESW, MoD and MD, ECHS in June 2015 and a request for arranging an Exit conference was made. MD, ECHS furnished reply to the preliminary draft report in August 2015. Subsequently, a draft report, duly incorporating the reply of MD, ECHS was issued to the Secretary, MoD, Secretary, ESW and MD, ECHS in August 2015. MD, ECHS also furnished reply to the draft report in October 2015, which has also been incorporated in the draft report. Despite the request for Exit conference, the same was not held. Ministry's reply to the draft report was also awaited (November 2015).

1.7 Audit Objectives

The Performance Audit was conducted with a view to assess whether:

- The ECHS was able to fulfill its mandated aims and objectives;

⁹ **10 polyclinics** at Delhi Cantt., Chandigarh, Dehradun, Jammu, Lucknow, Ludhiana, Pune, Satara, Trivandrum and Varanasi.

¹⁰ **Five Regional Centres** initially proceeded with online bill processing at Delhi, Chandimandir, Pune, Trivandrum and Secunderabad.

¹¹ **Five Regional Centres** proceeded with online bill processing in second phase at Jalandhar, Jaipur, Lucknow, Kolkata and Kochi.

- The Scheme was being run efficiently and adequate manpower, infrastructure and equipment was available with the ECHS as per authorisation;
- The referrals to empanelled hospitals were as per the laid down norms and the mechanism in place was adequate to ensure that inflated bills/unauthorised payments were not made to these hospitals;
- Provisioning and issue of medicines to polyclinics as per requirement were ensured;
- The Online Bill processing by the Bill Processing Agency, which was introduced to overcome the deficiencies relating to pendency of outstanding bills due to manual processing, was effective, efficient and the integrity of the data of the Bill processing system was ensured.

1.8 Audit Criteria

Audit criteria for evaluation of the performance of the Scheme was derived from the MoD's orders relating to sanction of the Scheme, procedures for payment and reimbursement of medical expenses under ECHS, sanction for scales of medical equipment for ECHS polyclinics, financial procedure for ECHS, orders issued by the Ministry of Health and Family Welfare (MoH&FW) on rates of medical treatment packages, medical treatments *etc.*, Memorandum of Agreement (MoA) with empanelled Hospitals/Diagnostic Centres/Labs, *etc.*, procedure relating to contractual employment of staff at ECHS polyclinics, Delegation of Financial Powers for procurement under ECHS, MoD sanction relating to Online Bill processing *etc.*

1.9 Acknowledgment

We acknowledge the cooperation of officers and staff of the Department of Ex-servicemen Welfare under MoD, Adjutant General's Branch in IHQ of MoD (Army), MD, ECHS, DGAFMS, CGDA and the offices thereunder.