

EXECUTIVE SUMMARY**1. Why did we do this performance audit?**

Government of India, 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 pensioners, as also their dependents, to include wife/husband, legitimate children and wholly dependent parents.

The total strength of the ex-servicemen and their dependents across the country as of April 2015 was 47.24 lakh. The Scheme aims to provide healthcare on cashless basis to all beneficiaries as applicable in Central Government Health Scheme (CGHS) through a network of ECHS Polyclinics, Service hospitals and private empanelled/Government hospitals spread across the country. The Scheme came into effect from 1 April 2003.

2. What does this performance audit cover?

We took up the performance audit of the Scheme for the period from 2012-13 to 2014-15 to obtain reasonable assurance that:

- The ECHS was able to fulfill its mandated aims and objectives;
- The Scheme was being run efficiently and adequate manpower, infrastructure and equipment were available with the ECHS as per authorisation;
- The referral mechanism in place was adequate to ensure that inflated bills/unauthorised payments were not made to empanelled hospitals;
- Provisioning and issue of medicines to polyclinics are made as per requirement;
- The Online bill processing by the Bill Processing Agency was effective, efficient and the integrity of the data of the Bill processing system was ensured.

3 Key findings**Irregularity in agreement for smart cards**

In contravention of the laid down provisions for the renewal/repeat orders, Central Organisation, ECHS renewed the agreement for supply of smart cards

for the ECHS beneficiaries for a period of five years, with the same firm with increased cost for which no sanction of the CFA was produced to Audit. No evidence was found with the Central Organisation to corroborate that the trend of Market price had been verified before renewal of the agreement.

(Paragraph 2.1.1)

Issue of ECHS Smart Cards to beneficiaries on chargeable basis

One-time contribution at the rates prescribed for CGHS pensioners was to be recovered from retiring service personnel to become members. No other charges were specified by the MoD to be recovered from retiring service personnel under the Scheme. Against spirit of this, the entire cost of smart cards was charged from the beneficiaries in addition to membership fees without the approval of the MoD.

(Paragraph 2.1.2)

Multiple enrollments of beneficiaries under ECHS

Comparison of data maintained by ECHS and M/s SITL disclosed that 7,431 cards were stated to be issued by ECHS in excess of total cards produced by M/s SITL resulting in extra payment of ₹6.69 lakh to the firm by ECHS.

(Paragraph 2.1.3)

Short supply of medicines to the polyclinics

The percentage of medicines not issued (NA) by the Armed Forces Medical Stores Depot (AFMSD) Mumbai against the indents of dependent polyclinics ranged from 63 to 76 *per cent*, whereas in case of AFMSD Delhi Cantt., the percentage of NA medicines ranged from 30 to 45 *per cent*. Thus, supply of medicines by the two AFMSDs to their dependent polyclinics was inadequate and led to huge deficiency of medicines in the polyclinics.

(Paragraph 2.3.4)

Non disposal of life expired medicines/drugs

As per guidelines issued by the Director General Armed Forces Medical Services, the vendor is liable to replace medicines lying unconsumed, if informed three months before date of expiry of shelf life of the medicine. However, AFMSD Delhi Cantt. and Polyclinic Lodhi Road were holding life expired medicines worth ₹73.44 lakh without its replacement/disposal, thus

defeating the very purpose of its procurement and consequential loss to the State.

(Paragraph 2.3.5)

Diversion of ECHS Funds/Medical Stores for service personnel by Service Hospitals

Government policy on allotment/expenditure of funds meant for ECHS provides that medical stores procured for ECHS should be accounted for separately and utilised for the benefit of members of ECHS. However, we noticed at Army Hospital Research & Referral (AHRR) Delhi Cantt. that separate accounting of medicines/drugs for ECHS beneficiaries had not been done and the funds/stores meant for the ECHS amounting to ₹40.78 crore were diverted/utilised for treatment of regular Service personnel.

(Paragraph 2.3.9)

Shortage/Deployment of Manpower with polyclinics

Against authorisation of 6,800 contractual manpower for polyclinics all over India, only 5,353 persons were in position as on 31 December 2014. Thus, there was a deficiency of 21 *per cent* of the manpower with the PCs, adversely affecting the proper medicare of the beneficiaries. Despite this the manpower employed and meant for PCs was irregularly being posted and utilised at Central Organisation and Regional Centres at Delhi.

(Paragraphs 2.4.2 & 2.4.3)

Deficiencies in raising of Emergency Information Report (EIR) by empanelled hospitals

In emergencies and life threatening conditions, the patients are permitted to be admitted to nearest empanelled hospital. In such circumstances the empanelled hospital/facility is required to inform the nearest polyclinic, within a period of 48 hours, regarding the particulars of patient and the nature of admission. We observed that empanelled hospitals were not following the above timeline in case of admission of beneficiary in emergency; and the EIR was delayed between three to 584 days which rendered the provision of emergency referral by nearest polyclinic redundant and led to issue of fake EIRs in some cases with a scope to private hospitals to manipulate their bills.

(Paragraph 2.5.3)

Raising of claims by two empanelled hospitals for the same patients during the overlapping period

Analysis of the claims data revealed that claims had been preferred by an empanelled hospital in respect of beneficiaries for the period under which that beneficiary was admitted for treatment in other empanelled hospital as “indoor patient”. There were 64 such claims amounting ₹42.67 lakh which had also been approved and paid. The raising and payment of such claims in this manner revealed the absence of validation checks in the system for online bill processing by BPA.

(Paragraph 2.5.4)

Non- invoking of penal clause of MoA against defaulting hospitals

Despite specific mention in the MoA to provide cashless facility to the beneficiaries and not to indulge in unethical practices, the empanelled hospitals were violating the provisions, such as, over-charging from the ECHS beneficiaries, preferring claims for items already included in the package rates, refusal of cashless treatment, *etc.* However, no penal action had been initiated against defaulting hospitals.

(Paragraph 2.5.5)

Irregular payment towards unaccounted bills of empanelled hospitals

Unaccounted 4,986 manual bills of empanelled hospitals amounting to ₹23.61 crore were paid irregularly by SHQ (ECHS Cell) Delhi Cantt. We observed the following cases of double payments and also the absence of control in accounting which substantiates the audit finding:

- 22 bills (same number) amounting to ₹8.20 lakh, of empanelled hospitals, were admitted and paid twice by SHQ Delhi Cantt., through 44 paid vouchers amounting to ₹16.40 lakh, which resulted in double payment of ₹8.20 lakh.
- Empanelled hospitals raised 123 duplicate bills in respect of patients where the name, referral number, nature of ailment, period of treatment, amount claimed *etc.*, were the same. The SHQ Delhi Cantt. failed to detect the duplicate bills and paid additional amount of ₹23.18 lakh.
- No bank reconciliation statements were prepared and submitted to the PCDA, WC Chandigarh by Station HQ Delhi Cantt.

(Paragraph 2.6.1.1)

Overpayment due to non-adherence to MoA

Test check revealed overpayment of ₹3.51 crore to the empanelled hospitals on account of inflated bills in excess of authorized package rates (₹1.92 crore); non reduction of 10 *per cent* package rate for treatment in General ward (₹11.96 lakh); charging of higher accommodation rate from ECHS beneficiaries as compared to non-ECHS patients (₹26.78 lakh); higher procedure rates for Total Knee Replacements (Bilateral) as compared to non ECHS patients in one empanelled hospital alone (₹99.49 lakh) and non availing of 10 *per cent* rebate on oncology medicines by ECHS (₹20.55 lakh).

(Paragraph 2.6.1.2)

Provision for discount on medicines in MoA

As per the terms of the MoA between the ECHS and empanelled hospitals, the ECHS had paid cost of medicines supplied to in-patient beneficiaries at MRP, which was considerably higher than the local market rate. It was proved from the facts that polyclinics were procuring medicines at discount on MRP which ranged up to 35 *per cent*. Further, payment of cost of an injection to empanelled hospitals under RC Jalandhar at higher rates than the procurement cost of the same injection during the same period by MH Jalandhar resulted in extra expenditure of ₹89.53 lakh.

Apparently, there is sufficient scope for inclusion of provision in the MoA with empanelled hospitals for obtaining discount over MRP in medicines being issued by them to the ECHS beneficiaries, as cost of medicines formed 32 *per cent* of the medical treatment related payments made to empanelled hospitals (₹540 crore out of ₹1,702 crores).

(Paragraph 2.6.1.3)

Non-adherence of the time limit for payment of bills by BPA/CFA resulting in non availing of discount

In MoD's sanction for online bill processing a provision was made for obtaining discount of two *per cent* of amount payable to empanelled hospital, if the payments were made within 10 working days of receiving hard copy of bill or settlement of all queries by the hospital, whichever was later. We observed that stipulated time limit was not being adhered to in the bills processed by BPA and CFA. Due to taking more than 10 working days in processing and payment of bills individually as well as commonly by BPA, CFA and Paying Agency, the discount of two *per cent* amounting to ₹34.10 crore could not be availed.

(Paragraph 2.6.2.3)

Approval of payment to empanelled hospitals by CFA (ECHS) after rejection of the same by BPA

BPA had recommended 1,088 claims amounting to ₹1.16 crore for rejection. This was on account of claims being without valid referral, claims without mandatory documents, separate claims for items forming part of package, claims without pre and post procedure images, hospital not being empanelled for treatment and claims without necessary approval of SEMO. However, CFA (ECHS) had passed such claims against the BPA's recommendation without justification.

(Paragraph 2.6.2.4)

Incorrect room type entitlement in case of indoor treatment for ECHS beneficiaries

Payment of room charges at higher rates than entitlement of ECHS beneficiaries to the empanelled hospitals resulted in an overpayment of ₹90.43 lakh in 1,487 claims to the empanelled hospitals.

(Paragraph 2.6.2.7)

Non-development of audit module for post audit and inadequate post audit by PCsDA

CGDA, while concurring the case file of online bill processing by BPA, stated that BPA should agree for online concurrent audit along with system audit. The online bill processing commenced initially in five RCs from April 2012 was extended to all the 28 RCs from April 2015. However, the online post audit module has been implemented partially in only one PCDA. Further, the PCsDA/CsDA failed to carry out the post audit of the bills as per the laid down financial procedure.

(Paragraphs 2.6.2.10 & 2.6.2.11)