Executive Summary

The Central Government Health Scheme (CGHS) was started in 1954 by the Ministry of Health and Family Welfare with the objective of providing comprehensive medical care to the Central Government employees, both serving and pensioners and their dependent family members. The scheme also provides service to Ex- and sitting Members of Parliament, Freedom Fighters and such other categories of CGHS cardholders as notified by the Government. The facilities and drugs are provided through a large network of wellness centres, polyclinics and labs. CGHS has also empanelled private hospitals and diagnostic centres in different cities for carrying out investigations and indoor treatment facilities.

CGHS also reimburses the claims of beneficiaries[1] who are eligible for cashless facility in the private Health Care Organizations (HCOs)[2]. For processing of claims submitted by the HCOs in a time bound manner, CGHS had engaged M/s. UTI Infrastructure Technology and Services Limited (UTIITSL) as Bill Clearing Agency (BCA) in March 2010. The BCA scrutinizes and processes each bill and deducts the amounts overbilled by the HCOs and submits the bill to CGHS for final approval.

This Audit Report highlights the audit findings on procurement and supply chain of drugs by the CGHS and also the findings on reimbursement of claims made by Health Care Organisations (HCOs) by the CGHS. A summary of the observations included in the Audit Report is given below:

A Procurement and Supply of Drugs

- Medical Stores Organization (MSO) maintains a drug formulary for CGHS and Government hospitals. The drug formulary helps to focus on commonly prescribed drugs and formulation, so that maximum numbers of diseases are reasonably covered and availability of drugs can be ensured. Audit noted that the Ministry did not ensure periodic revision of drug formulary. The drug formulary of June 2015 was revised only in February 2022 after a gap of seven years. Non–revision of the drug formulary during the period June 2015 to February 2022 meant that the procurement process in CGHS did not take into account the newer drugs prescribed by doctors.

(Paragraphs 2.2, 2.2.1, 2.2.2, Page no. 9)

[1] Beneficiaries include retired Central Govt. employees and their dependents, Ex-Members of Parliament, Freedom Fighters and Such other categories of CGHS cardholders as notified by the Government

[2] Private Hospitals, exclusive eye hospitals/centres, exclusive dental clinics, cancer hospitals/units, Diagnostic laboratories and Imaging centres.

- MSO did not finalise procurement rates of all drugs listed in drug formulary. Out of 2030 drugs listed in formulary, MSO had finalised rate contracts only for 220 to 641 drugs during 2016-17 to 2020-21. As a result, CGHS could not procure the drugs listed in formulary leading to shortage of drugs in wellness centres.

(Paragraph 2.2.3, Page no. 10)

- CGHS did not place indent on Government Medical Store Depots (GMSDs), for complete quantity of drugs approved by the Ministry for provisioning.

(Paragraph 2.3.3, Page no. 15)

- GMSD did not supply the indented drugs to CGHS in a timely manner and the complete quantity as indented.

(Paragraphs 2.4, 2.4.1, 2.4.2, Page no. 16, 17, 18)

- Due to inefficiencies in procurement and supply of drugs, there were persistent shortages of drugs in wellness centres. Against the annual requirement of 1169 drugs in CGHS there were only 6 to 290 drugs available in wellness centres.

(Paragraph 2.6, Page no. 21)

- Due to shortage of drugs in wellness centres huge amount of drugs were procured through Authorised Local Chemists (ALC). In Delhi, 74.7 to 93.61 *per cent* of expenditure was incurred on procurement of drugs through ALC.

(Paragraph 2.7.1, Page no. 23)

- Deficiencies in the supply chain of drugs in CGHS led to non-availability of generic drugs in wellness centres, resulting in placing of indents by wellness centres on ALC for branded drugs at higher rates.

(Paragraphs 2.7.2, Page no. 24)

- According to the terms and conditions of contract, ALC shall supply the same brand of drug as indented by wellness centre and not substitute it with drug of a different manufacturer. Audit noted that ALCs all over the country did not supply the prescribed brand of drug as indented by the wellness centre and instead supplied drugs manufactured by different companies, in violation of conditions of contract.

(Paragraph 2.7.3, Page no. 25)

- There were delays, short supply and excess supply of drugs by ALCs to wellness centres. There were also cases of expired drugs and drugs having short shelf life being supplied by ALCs to wellness centres.

(Paragraphs 2.7.4, 2.7.5, 2.10.3, Page no. 26, 32)

- There was no regular system of monitoring the timely indenting for adequate quantity of drugs, adequate supply of drugs from GMSDs and other sources, status of stock of drugs in wellness centres and procurement of drugs through ALC.

(Paragraph 2.12, Page no. 35)

B Processing, approval and finalisation of claims submitted by Health Care Organisations (HCO).

- As per the Memorandum of Agreement (MoA) between CGHS and HCO, in case of billing over the approved rates for a particular procedure/package deal as prescribed by the CGHS, bank guarantee shall be forfeited and the CGHS shall have the right to derecognize the HCOs. Audit noted that during 2016-17 to 2020-21 HCOs over-billed to the extent of ₹ 571.03 crore. The amount of overbilling had increased from ₹ 71.15 crore in 2016-17 to ₹ 152.06 crore in 2020-21.

(Paragraph 3.2.2, Page no. 45)

- CGHS released ₹ 70 crore to BCA in June 2010 for making provisional payments to HCOs towards reimbursement of medical claims. The provisional payment to HCOs was discontinued in October 2015. However, ₹ 38.70 crore was still lying with the BCA as on 31 March 2021.

(Paragraph 3.2.4, Page no. 47)

- In 264 cases, CGHS paid ₹ 39.32 lakh in excess to HCOs for reasons viz. excess rate, metal crown fitted on missing/extracted tooth, inadmissible covid room charge, medicines/lab charges included in package for a particular procedure as prescribed by CGHS.

(Paragraph 3.2.5, Page No. 48)

- As per the agreement executed with the HCOs, for serving employees (other than CGHS/DGHS/Ministry of Health and Family Welfare), the payment would be made by the patient for treatment/procedures/services to the HCOs and he/she would claim reimbursement from his/her office subject to the approved rates as prescribed by CGHS. In violation of this arrangement, CGHS approved and made payments to HCOs for 1848 claims amounting to ₹ 23.70 lakh pertaining to serving employees.

(Paragraph 3.2.6, Page no. 49)

- CGHS had engaged the BCA for processing of claims submitted by the HCOs in a time bound manner. The BCA scrutinizes and processes each bill and deducts the amounts overbilled by the HCOs and submits the bill to CGHS for final approval. However, Audit noted that recovery of ₹ 123.06 crore was pointed out by CGHS during 2016 to 2021, after approval by the BCA.

(Paragraph 3.2.7, Page no. 50)

- In 301 cases amounting to ₹ 27.79 lakh, claims submitted by the HCOs were approved by the BCA which were subsequently rejected by CGHS during scrutiny. However, payments were made to HCOs for these claims by the BCA.

(Paragraph 3.2.8, Page no. 52)

- CGHS settled 74.93 lakh claims of ₹ 5,986.59 crore, out of which 14.91 lakh claims amounting to ₹ 1,800.73 crore were submitted by the HCOs with a delay ranging from one day to 2,841 days.

(Paragraph 3.2.9, Page no. 52)

- BCA approved 74.93 lakh claims amounting to ₹ 5,986.59 crore, out of which 25.54 lakh claims amounting to ₹ 2,695.06 crore, were approved with the delay ranging from one day to 3,664 days.

(Paragraph 3.2.10, Page no. 54)

- Data for claims approved for the period 2016 to 2021, revealed that delay in processing the claims by CGHS to authorize the final approval, ranged from one month to 60 months.

(Paragraph 3.2.11, Page no. 56)

- CGHS has prescribed that all HCOs provisionally empanelled under CGHS and not accredited with NABH/NABL are required to get inspected/ recommended by Quality Council of India (QCI) within one year. Audit found that 277 HCOs out of 591 were not accredited with NABH/NABL. Further, no record of Quality Council of India (QCI) recommendations with respect to these HCOs was maintained by CGHS.

(Paragraph 3.2.13, Page no. 59)

- In August 2013, 45,154 bills amounting to ₹ 34.91 crore were lost due to fire at the premises of the BCA at New Delhi. However, no decision had been taken by CGHS to settle these claims even after a lapse of eight years, though payment of ₹ 17.03 crore for 13,777 claims were released by the BCA to the concerned HCOs.

(Paragraph 3.3.1.i, Page no. 60)

- Claims amounting to ₹ 4.86 crore which were forwarded by the BCA to CGHS for approval were lost/untraceable since May 2014.

(Paragraph 3.3.1.ii, Page no. 60)

- Claims/bills pertaining to the period before June 2017, amounting to ₹ 3.30 crore were forwarded by the BCA to CGHS for approval. However, these bills were withheld by CGHS for further review/expert opinion, which were still pending for final disposal.

(Paragraph 3.3.1.iii, Page no. 61)

- 591 HCOs were on CGHS empanelled list for Delhi NCR as on 31 March, 2021. However, 305 HCOs which were already on CGHS empanelment did not submit fresh Performance Bank Guarantee (PBG) after the validity of the existing PBG was over.

(Paragraph 3.3.2, Page no. 61)

- In 45 cases, CGHS imposed penalty @ 15 *per cent* of PBG as liquidated damages for violation of clause of MoA and amount was recovered from PBG. However, CGHS could not confirm, whether the amount of the PBG would be maintained intact being a revolving guarantee by recouping the bank guarantee for 15 *per cent* amount deducted as penalty.

(Paragraph 3.3.2, Page no. 61)

- As per MoA with HCOs, the latter were required to submit an annual report to the concerned CGHS regional offices which contained details such as number of referrals received, admitted CGHS beneficiaries, bills submitted to the CGHS and payment received etc. However, annual reports were not submitted by the HCOs in the CGHS Regional office (Bangalore, Bhubaneswar, Chandigarh, Delhi NCR, Hyderabad, Jaipur, Kolkata, Lucknow and Shillong) during 2016-17 to 2020-21.

(Paragraph 3.3.4, Page no. 62)

- Audit noted that the grievance system of CGHS was largely effective. However, CGHS was not maintaining records in the proper format with the details such as the date of receipt, date of disposal and the time taken to dispose the grievance. Thus, CGHS should maintain proper records relating to grievances.

(Paragraph 3.4, Page no. 63)

- **'e-Claim system'** had not been integrated with the master database containing beneficiary's details. In the absence of non-integration with the master database, BCA was not able to verify whether the claim submitted by empanelled HCOs pertained to a valid beneficiary.

(Paragraph 3.5.(i), Page no. 64)

- There was short collection of TDS amounting to ₹ 14.30 crore in 1.48 lakh claims of the HCOs settled by CGHS during 2016 to 2021.

(Paragraph 3.6, Page no. 67)