

CHAPTER

VI

Financial Management

6.1 Introduction

As per the Cabinet note of December 2018 for implementation of PMJAY, the operational guidelines for managing PMJAY's administrative and financial policies/procedures related to hiring/retention/utilization/mobilisation of resources, budgetary support and release of funds including guidelines for escrow accounts for the management and administration of PMJAY is to be done as per the extant provisions of General Financial Rules, etc. Further, the Government money from the Consolidated Fund of India is not to be parked in Savings Bank accounts. NHA is to comply with the GFR provisions including accountability of all statutory authorities.

6.2 Financing of Scheme

PMJAY is completely funded by the Government and costs are shared between Central and State Governments. The ratio for all States, except North-Eastern States and the three Himalayan States and Union Territories with legislature, is 60:40, with the Centre's share being 60 *per cent* and the State's, 40 *per cent*. For North-Eastern States and the three Himalayan States/UT (*viz.* **Jammu & Kashmir, Himachal Pradesh and Uttarakhand**), the ratio is 90:10, with the Centre's share being 90 *per cent* and the State's, 10 *per cent*. For Union Territories without legislatures, the Central Government may provide up to 100 *per cent* on a case-to case basis.

The annual maximum budgetary ceiling under the scheme is ₹1,102 per family, which has two components of ₹ 1,052 towards Grants-in-Aid for implementation purpose and ₹ 50 towards Administrative Expenses. The process of release of Grant-in-Aid (Premium in case of Insurance Mode) is detailed in **Annexure-6.1**.

The Central Government share is released in three tranches of 45:45:10 in case of Insurance mode and 50:25:25 in case of Trust and Mixed modes.

6.2.1 Opening of Escrow Account

The Central and State Government/UT have to open a separate designated escrow account *viz.* for Premium and Administrative Expense, with any of the banks as permissible by Ministry of Finance, through which the payment of premium *i.e.* States/UTs and Central

Government's Share of Premium is released. PMJAY guidelines provide for opening of designated 'Escrow Account' by the SHA.

6.2.2 Grants-in-Aid

NHA receives Grant-in-Aid from Ministry of Health and Family Welfare (MoHFW) for implementation of PMJAY as follows:

- Grant-in-Aid for Administration is the operating fund for general administration expenses of the SHA/State offices to run the scheme smoothly and effectively.
- Under Grant-in-Aid for Implementation, NHA releases the proportionate share of premium depending upon the category of State/UT based on the number of eligible families to the respective SHA.
- Grant-in-Aid for Headquarter Expenses is NHA's primary operating fund. It accounts for all financial resources of the general NHA Administration, expenses of the Head office to run the Scheme smoothly and effectively, except those required to be accounted for in another fund.

The estimation, allocation and utilization of Grant-in-Aid under PMJAY is given in **Table-6.1**.

Table 6.1- Estimation, allocation and utilization of Grants-in-Aid

(₹ in crore)

Purpose	2018-19				2019-20				2020-21			
	BE	RE	Grant received#	Grant released to SHAs	BE	RE	Grant received#	Grant released to SHAs	BE	RE	Grant received#	Grant released to SHAs
Administrative	2835	128.00	322.20	125.89	5795	150	150	101.83	5995	120	120	93.67
Implementation		1721.92	1530.95	1723.66		2729	2729	2891.12		2439.43	2439.43	2450.45
NHA (HQ)*	300	310.08	310.08	115.70	605	321	321	136.38	405	121.14	121.14	92.53
Total	3135	2160	2163.23	1965.25	6400	3200	3200	3129.33	6400	2680.57	2680.57	2636.65

(# Grant received from Ministry of Health & Family Welfare, * Utilized by NHA)

State-wise release of grant is given in **Annexure-6.2**.

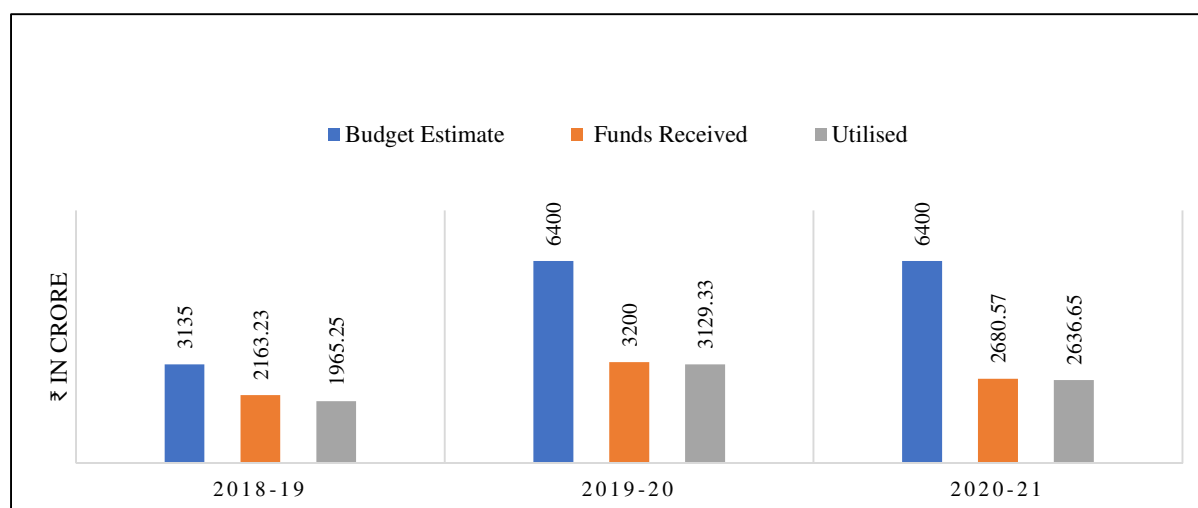
On being enquired regarding the reduced allocation, the Ministry replied that this was due to relatively slower than estimated pace of expenditure, the structural reasons for which are as under:

- i. Four States (**Delhi, Odisha, Telangana³³** and **West Bengal³⁴**), which account for 20 per cent of the eligible beneficiary population, are not implementing PMJAY.
- ii. Three large States (**Bihar, Madhya Pradesh** and **Uttar Pradesh**), which account for 30 per cent of the beneficiary population, are implementing the Scheme for the first time and the demand for healthcare services under PMJAY is still picking up.
- iii. Issues related to quality of decade old SECC data has posed serious challenges in beneficiary identification as some of the deprived poor families are not covered under the Scheme and approx. 30 per cent eligible beneficiary families are not traceable.
- iv. The average premium is lesser than ₹ 1,052 per beneficiary family as was estimated at the time of inception of PMJAY.

The Ministry further submitted that utilization of PMJAY was adversely impacted by the onset of the COVID-19 pandemic. Demand for healthcare services experienced a sharp downward trend. The States/UTs utilized the funds under National Health Mission (NHM), National Disaster Response Fund (NDRF), State Disaster Response Fund (SDRF) and, wherever applicable, through District Mineral Foundation Funds for providing treatment related to COVID-19. This also contributed to limited utilization of funds through PMJAY.

Ministry also stated (March 2023) that in the current FY 2022-23, the budget allocation has not been reduced.

Chart 6.1: Estimation, Allocation and Utilization of Grants-in-aid



³³ Telangana adopted the Scheme in May 2021.

³⁴ West Bengal withdrew from the Scheme in January 2019

6.3 Release and Utilization of Grants

Irregularities/shortcomings noted in release and utilization of Grant are discussed in the succeeding paragraphs:

6.3.1 Grants released to Chhattisgarh in three different bank accounts

Audit noted that NHA released grants of ₹ 280.20 crore, ₹ 217.60 crore and ₹ 112.62 crore in three different bank accounts to **Chhattisgarh** during 2018-21, in contravention of the guidelines which stipulate opening of two separate designated 'Escrow Accounts' by the SHA, for receiving Scheme implementation grant and administrative grant. Details are given in **Table-6.2**.

Table 6.2: Grants released to Chhattisgarh in three different bank accounts

(₹ in crore)

Sl. No.	Year	Escrow a/c no.	Name of bank	Grants in aid released		Total
				Implemen-tation	Adminis-trative	
1.	2018-19	50200033142906	HDFC	211.84	5.59	280.20
2.	2019-20	50200033142906	HDFC	62.77	0	
3.	2019-20	919010033624877	Axis	212.01	5.59	217.60
4.	2020-21	920020073896851	Axis	112.62	0	112.62
Total				599.24	11.18	610.42

NHA accepted the facts and stated (August 2022) that the State of Chhattisgarh first implemented the Scheme in hybrid mode and subsequently, migrated to trust mode and converged with the State-scheme Dr Khubchand Baghel Scheme. Hence, it opened multiple accounts. NHA may ensure that the PMJAY guidelines are followed uniformly.

6.3.2 Non-maintenance of separate escrow account for PMJAY

PMJAY (opening of escrow account) guidelines provide for opening of two separate designated 'Escrow Accounts' by the SHA for receiving and incurring scheme implementation grant and administrative grant for effective implementation of the scheme.

Audit noted that three State SHAs, **Chhattisgarh**, **Punjab** and **Uttarakhand** had not maintained separate escrow account for PMJAY and State sponsored scheme. Both the schemes were operated through combined account. Details are given in **Table-6.3**.

Table-6.3: Non-maintenance of separate escrow account for PMJAY

Sl. No.	State/UT	Name of health scheme in State/UT
1.	Chhattisgarh	PMJAY and Dr. Khubchand Baghel Swasthya Bima Yojana
2.	Punjab	PMJAY and Sarbat Sehat Bima Yojana
3.	Uttarakhand	PMJAY and Atal Ayushman Uttarakhand Yojana

NHA admitted the facts and replied (August 2022) that many States implemented the Scheme in convergence of State scheme with a larger beneficiary base. States/UTs were expected to map the beneficiaries in expended database with eligible SECC families. However, this exercise could not be completed in absence of a common identifier between SECC database and non-SECC database used by the State. Hence, in the absence of separate list of SECC beneficiaries there were common bank accounts.

Escrow accounts are important for tracking and monitoring the flow and utilization of funds. The reply is not tenable as the PMJAY guidelines prescribe designated escrow account for operation of the scheme. NHA may ensure that specific accounts be maintained.

6.3.3 Release of grant without ensuring release of upfront share by SHAs

PMJAY guidelines provide that the State/UT shall release its share upfront, depending upon category of State/UT into the designated escrow account of SHA for implementation of the scheme. Thereafter, NHA shall release its share to SHA.

Audit noted that NHA released grant amounting to ₹ 185.60 crore to eight SHAs in **Assam** (₹ 6.08 crore-administrative), **Bihar** (₹ 16.34 crore-administrative), **Haryana** (₹ 24.49 crore-implementation), **Jharkhand** (₹ 4.21 crore-administrative), **Kerala** (₹ 25 crore-implementation), **Tamil Nadu** (₹ 11.66 crore-administrative), **Tripura** (₹ 12.81 crore³⁵) and **Uttar Pradesh** (₹ 85.01 crore³⁶) during 2018-19 without ensuring release of upfront shares by the respective States.

NHA, while admitting the facts, replied (August 2022) that in the initial year of the scheme, funds were released upfront to ensure early implementation of the scheme.

6.4 Excess release of grant by NHA

Audit noted that excess implementation and administrative grant was released by NHA to several States, as discussed in succeeding paragraphs:

6.4.1 Excess implementation grant of ₹ 10.86 crore to Mizoram

The State of **Mizoram** rolled out the Scheme in September 2018 in Insurance mode with a premium of ₹ 1,396 per beneficiary family. Under the PMJAY, Mizoram had 1,94,859 eligible beneficiary families as per SECC Data with sharing ratio of 90:10.

³⁵ ₹ 11.70 crore (GIA-Imp) + ₹ 1.11 crore (GIA-Admin) = ₹ 12.81 crore

³⁶ ₹ 67.30 crore (GIA-Imp) + ₹ 17.71 crore (GIA-Admin) = ₹ 85.01 crore

In 2018-19, total liability of NHA and State of **Mizoram** were ₹ 18.45 crore³⁷ and ₹ 8.75 crore³⁸ respectively. However, the State released its upfront share of only ₹ 2.72 crore and NHA, which should have released only ₹ 5.74 crore³⁹ on pro-rata basis, released implementation grant of ₹ 16.60 crore to SHA, resulting in excess release of grant of ₹ 10.86 crore.

NHA stated (August 2022) that till date SHA Mizoram had released ₹ 9.88 crore as its upfront share for GIA-Implementation and GIA-Admin. Corresponding share of NHA should have been ₹ 88.92 crore. However, only ₹ 63.40 crore had been released. Therefore, no excess funds have been released.

NHA's reply is silent on the audit observation which highlights excess release of grant of ₹ 10.86 crore to Mizoram during 2018-19.

6.4.2 Excess release of ₹ 8.37 crore to Andhra Pradesh

The Central Government share is released in three tranches of 45:45:10 in case of Insurance mode and 50:25:25 in case of Trust and Mixed modes.

Audit noted that NHA released excess implementation grant of ₹ 8.37 crore to SHA **Andhra Pradesh** for the period from 01.01.2020 to 31.12.2020 (2nd year) as per details given in **Table-6.4**.

Table-6.4: Excess release of ₹ 8.37 crore to Andhra Pradesh

(Amount in ₹)

State	Mode	Sharing ratio	Total no. of eligible beneficiary families	Annual ceiling of central share	Total Central share	Amount of 1 st tranche to be released	Amount released by NHA	Excess amount released
1	2	3	4	5	6 (4*5)	7 (50% of 6)	8 (52.40%)	9 (8-7)
Andhra Pradesh	Trust	60:40	5530825	631.20	3491056740 (₹ 349.11 cr.)	1745528370 (₹ 174.55 cr.)	1829202013 (₹182.92 cr.)	83673643 (₹ 8.37 cr.)

NHA replied (August 2022) that 50 *per cent* release requirement is not very crucial and more than 50 *per cent* funds can be released to States depending on the need of States, if other conditions including upfront release of State share are met.

NHA's reply is not convincing as the release of excess grant to Andhra Pradesh was in contravention of the provisions of the guidelines.

³⁷ ₹ 1052*90%*194859 beneficiaries = ₹ 18.45 crore

³⁸ ₹ 1396 – ₹ 946.80 (90% of ₹ 1052) = ₹ 449.20*194859 = ₹ 8.75 crore

³⁹ ₹ 18.45 crore/₹ 8.75 crore*₹ 2.72 crore = ₹ 5.74 crore

6.4.3 Blockage of fund under RSBY - ₹ 96.63 crore

Rashtriya Swasthya Bima Yojana (RSBY) was a Centrally sponsored scheme implemented by Ministry of Labour and Employment in 2008. With the launch of PMJAY, the existing RSBY was subsumed in PMJAY. The scheme was transferred to Ministry of Health and Family Welfare on "as is where is" basis with effect from 01 April 2015.

Audit noted from records of RSBY in the State of **Jharkhand** that an amount of ₹ 121.63 crore was lying on the date of implementation (23 September 2018). Later on, ₹ 25 crore was transferred to the Insurance company in September 2018. The remaining amount of ₹ 96.63 crore is still (March 2021) lying in RSBY account.

NHA stated (August 2022) that it would inform MoHFW for necessary action including adjustment of funds as RSBY related affairs are being handled by a separate division in MoHFW.

6.4.4 Injudicious release of ₹ 3.76 crore to Puducherry and Punjab

PMJAY Guidelines provide that State/UT shall release its share upfront, depending upon category of State/UT along with its administrative expense share into the separate designated escrow account of SHA opened by the States/UTs for implementation of the Scheme. The Central Government shall then release its share of grant-in-aid into the designated Escrow Accounts of the SHA of respective State/UT.

Audit noted that:

- i. NHA released grants amounting to ₹ 1.52 crore (₹ 0.31 crore in October 2018 and ₹ 1.21 crore in March 2019) to SHA Puducherry before the commencement of the Scheme in the UT of Puducherry *i.e.* July 2019.
- ii. Similarly, NHA released ₹ 2.24 crore to SHA Punjab in March 2019 before the commencement of the Scheme in the State *i.e.* August 2019.

The above resulted in avoidable parking of grants in the two State/UT for a period ranging from five months to nine months.

NHA accepted the audit observation and stated (August 2022 and September 2022) that in the initial year, funds were released to States/UTs on urgent basis to kick start the Scheme implementation. However, in the subsequent years, funds have been released only after following the due process.

6.5 Diversion of grant by SHAs

PMJAY guidelines for release for administrative expenses stipulate that grant released for administrative expenses is to be utilized by SHA only for the specific purpose of incurring administrative expenses towards implementation of PMJAY.

Audit noted that seven SHAs, **Dadra Nagar Haveli and Daman Diu, Himachal Pradesh, Jharkhand, Nagaland, Rajasthan, Tamil Nadu** and **Uttarakhand** diverted the grant of ₹ 50.61 crore from one head to another head *i.e.* administrative grant to implementation and *vice-versa* and to State health scheme. Details are given in **Annexure-6.3**.

NHA, while admitting the facts, replied (August 2022) that due to insufficient amount of grant and delay in receipt of grants by SHAs the grants were diverted from one head to another.

6.6 Grants lying unspent with SHAs

PMJAY guidelines on utilization of Grant-in-Aid for administrative expenses provide that under no circumstances should the Grant-in-Aid be left unspent. Audit noted unspent balances amounting to ₹ 98.98 crore, ₹ 128.13 crore and ₹ 139.67 crore at the close of 2018-19, 2019-20 and 2020-21 respectively ranging from 16 to 100 *per cent* lying with 20 SHAs⁴⁰, thereby resulting in underutilization of administrative grants as detailed in **Annexure-6.4**.

NHA, while admitting the facts, replied (August 2022) that in the absence of any estimation and plan, release of grants at the fag end of the financial year and outbreak of COVID, the administrative grants could not be utilised.

In this context, audit is of the view that the scheme is in its fourth year of implementation. However, the administrative grants have persistently remained unspent since inception of the scheme. NHA is to ensure that administrative grants should not remain unspent.

6.7 Non- remittance of Interest

PMJAY guidelines stipulate that in case any interest is earned due to funds lying unspent in the account designated for receiving the Grant-In-Aid for administrative expenses, the Central Government shall have the first right of claim on such interest earned and the interest shall be transferred back to the NHA.

⁴⁰ Andaman and Nicobar Island, Assam, Bihar, Chandigarh, Dadra Nagar Haveli, Daman Diu, Himachal Pradesh, Jammu & Kashmir, Kerala, Ladakh, Madhya Pradesh, Manipur, Meghalaya, Puducherry, Punjab, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh and Uttarakhand.

Ten SHAs in **Andaman and Nicobar Island, Bihar, Chandigarh, Jammu & Kashmir, Jharkhand, Madhya Pradesh, Puducherry, Rajasthan, Tamil Nadu** and **Uttarakhand** did not remit interest of ₹ 22.17 crore earned by them on unspent grants to NHA. Details are given in **Annexure-6.5**.

NHA, while accepting the facts, stated (August 2022) that it has issued instructions to all States to deposit the interest earned on central share provided. Those States who have not complied with, will be asked to strictly comply this within the given time period. Those States/UTs who have spent the interest earned will be asked to return the amount.

6.8 Non-refund of premium by Insurance Companies

PMJAY Guidelines provide that the Insurer will be required to refund premium if they fail to reach the claim ratio specified in comparison with the premium paid (excluding GST & Other taxes/Duties) in the full period of the insurance policy. The premium refund shall be computed as per the formula elaborated in **Annexure.6.6**.

Audit noted that refund of premium of ₹ 700.10 crore was recoverable from the insurance companies in six States/UTs viz. **Gujarat, Jammu and Kashmir, Ladakh, Maharashtra, Meghalaya** and **Tamil Nadu**. Out of this, partial recovery of only ₹ 241.91 crore in three States/UTs, **Jammu and Kashmir** (₹ 16.85 crore), **Maharashtra** (₹ 193.55 crore) and **Meghalaya** (₹ 31.51 crore) had been made and remaining amount of ₹ 458.19 crore for the period from 2018-19 till June 2022 was still recoverable from Insurance Companies (ICs) in all six States/UTs. Detail are given in **Annexure-6.7**.

NHA replied (August 2022) that it will seek final settlement statement from all States/UTs, implementing the Scheme in insurance/mixed mode.

6.9 Non-refund of ₹ 31.28 crore by West Bengal due to non-implementation of PMJAY

A Memorandum of Understanding (MoU) was signed (July 2018) between NHA and Government of **West Bengal** for the implementation of the PMJAY. NHA released (17 September 2018) central share of ₹ 193.34 crore (₹ 176.56 crore and ₹ 16.78 crore on account of grant-in-aid and administrative expenses respectively).

Government of **West Bengal** communicated (January 2019) to the NHA its decision to withdraw from the Scheme.

NHA asked (February 2019) the State Government to refund the grant-in-aid amount along with any interest amount earned by them. The State Government (March 2019) refunded ₹ 162.06 crore as detailed in **Table-6.5**.

Table-6.5: Non-refund of ₹ 31.28 crore by West Bengal

(₹ in crore)

Sl. No.	Particulars	Grants released by NHA	Grants utilized by State Government	Grant refunded
1	Grants-in-aid (Implementation)	176.56	30.45	146.11
2	Grants-in-aid (Administrative)	16.78	0.83	15.95
Total		193.34	31.28	162.06

NHA replied (August 2022) that money was spent on treatment along with GIA-Admin (used for setting up SHA etc.) and was hence not returned by the State. Therefore, there are no dues pending as on date.

However, in December 2019, NHA had stated that the matter would be referred to the State Government to refund the remaining amount of ₹ 31.28 crore along with interest earned on grant.

The two sets of replies from NHA are contradictory. Audit is of the view that NHA should issue specific instructions to address such cases.

6.10 Release of grants to SHAs without obtaining audited statements of accounts

As per sanction letter issued to SHAs while releasing the grants, SHAs are required to furnish to the NHA an annual Utilization Certificate along with audited Statement of Accounts in respect of Grants-in-aid received during various quarters in Form 12-C, as per GFR 2017 which shall furnish that the Grants-in-aid has been utilized for the purpose for which it was sanctioned to the SHA by NHA. The utilization certificate shall be signed by CEO, SHA along with Head of Accounts/Finance Department.

During the period 2018-21, audit noted that 18 SHAs furnished 212 UCs amounting to ₹ 4,115.35 crore without audited Statements of Accounts. Out of these 18 SHAs, seven SHAs furnished UCs without signature of the competent authority. State-wise detail is given in **Annexure-6.8**. Grants released by NHA to SHA without obtaining audited Statement of Accounts is detailed in **Table-6.6**.

Table-6.6: Release of grants to SHAs without obtaining audited Statements of Accounts

(₹ in crore)

Year	No. of States/UTs	Total
2018-19	16	1076.62
2019-20	16	1843.40
2020-21	17	1195.33
Total		4115.35

By accepting UCs without audited Statements of Accounts and UCs without signature of the competent authority, it wasn't clear as to how NHA ensured that grant was utilized for the purpose it was released.

NHA, while accepting the audit observation, stated (August 2022) that it has been constantly pursuing with the States/UTs to share the audited Financial Statement.

Audit also noted that six SHAs, **Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Rajasthan, Tamil Nadu** and **Uttarakhand** furnished inflated UCs amounting to ₹ 38.24 crore to NHA as per details given in **Annexure-6.9**.

NHA replied that SHAs furnished UCs as per the actual expenses incurred during the year and not as per financial year.

NHA's reply is to be read with Rule 238 (2) of GFR which provides that subsequent grant shall be released only after Utilization Certificate in respect of grants of preceding financial year is submitted to the Ministry/Department concerned.

6.11 Non-implementation of PFMS

Expenditure reforms implemented by the Government include introduction of sunset clauses in all public expenditure programmes so that unproductive legacy expenditures can be brought to an end; introduction of Public Financial Management System (PFMS) for tracking expenditure flows to its objectives; reorganisation of development schemes leading to rationalisation, and merger and dropping of schemes so as to ensure efficient management of public expenditure.

In September 2017, Government of India also directed⁴¹ that releases for Central Sector schemes for all level of implementing agencies are only to be made through PFMS and further releases shall only be made based on balances available in PFMS as per the EAT module for the respective agency in line with Rule 230 of GFR- 2017.

Both NHA and SHAs are registered on PFMS for receiving grants-in-aid from Ministry and NHA respectively, whereas hospitals (*sub level implementing agency*) were not registered on PFMS. In the absence of PFMS, NHA has been accepting manual UCs furnished by SHAs, which are based on amounts released by SHAs to hospitals and implementing agencies.

NHA replied (August 2022) that it releases Central share of funds using PFMS to the SHA's account. However, funds to the hospitals are released to hospital against the claims submitted by them through TMS which is integrated with the bank for smooth and paperless transfer of

⁴¹ https://dbtbharat.gov.in/data/circulars/OM_MANDATORY_USE_OF_PFMS_IN_ALL_CENTRAL_SECTOR_SCHEMES_FROM_01.10.2017.pdf

funds. For every transaction, a unique UTR no. is generated which ensures money released to hospitals are duly accounted for. Every amount released to States using TMS can be duly tracked and monitored.

However, NHA's reply is silent about accepting manual UCs from SHAs despite the latter being registered on PFMS. NHA is to ensure receipt of UCs from SHAs through PFMS. Further, due to lack of clear mapping of PMJAY beneficiaries and beneficiaries of state specific schemes, there was no clarity on how states segregated these claims into state specific schemes and PMJAY for submission of UCs.