

**OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

**NEW DELHI**

**8th AUGUST, 2022**

**AUDIT REPORT ON PROCUREMENT AND SUPPLY OF DRUGS IN  
CGHS TABLED**

Performance Audit Report on Procurement and Supply of Drugs in CGHS– Report No. 17 of 2022 of the Comptroller and Auditor General of India - Union Government (Civil) was presented in Parliament here today. This report contains significant results of the Performance Audit of Procurement and Supply of Drugs in CGHS covering the period from 2016-17 to 2020-21.

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<sup>1</sup> who are eligible for cashless facility in the private Health Care Organizations (HCOs)<sup>2</sup>. 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:

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<sup>1</sup> 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

<sup>2</sup> Private Hospitals, exclusive eye hospitals/centres, exclusive dental clinics, cancer hospitals/units, Diagnostic laboratories and Imaging centres.

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## **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.
- 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.
- CGHS did not place indent on Government Medical Store Depots (GMSDs), for complete quantity of drugs approved by the Ministry for provisioning.
- GMSD did not supply the indented drugs to CGHS in a timely manner and the complete quantity as indented.
- 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.
- 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 during 2016-17 to 2020-21.
- 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.
- 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.
- 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.

- 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.
- Data analysis of data dump provided by CGHS relating to prescription, procurement, storage, supply of medicines and reimbursement of medical claims of HCOs revealed several inaccurate and erroneous entries *viz.* Invalid or abnormal dates of manufacturing and expiry of drugs, date of expiry of drugs being earlier than date of manufacture, quantities of receipt and issue of drugs appearing as negative values, essential columns eg. Patient name, Beneficiary name, age, relation, quantity of drugs issued, MRP, discount etc. showing null values, etc. Due to inadequate validation checks and in the absence of mandatory filling of essential fields, audit could not derive assurance about accuracy and reliability of data in the CGHS software.
- A Beneficiary Survey was conducted in 20 out of 30 selected wellness centres in Delhi NCR to assess the availability of drugs through a structured questionnaire. In the survey, 95.5 *per cent* beneficiaries stated that all drugs should be available in wellness centres so that the patient could get drugs on the same day, while 34.5 *per cent* beneficiaries stated that drugs were received from the local chemist after delays during their illness. 32 *per cent* beneficiaries stated that they did not get the same brand of drug as prescribed by their Doctor.

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

- 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.
- In 264 cases, CGHS paid ₹ 39.32 lakh in excess to HCOs for reasons such as inadmissible covid room charge, medicines/lab charges included in package for a particular procedure as prescribed by CGHS, etc.
- 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.

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

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