Andhra Pradesh ESI Scam

Why in news?

The Andhra Pradesh Anti-Corruption Bureau (ACB) has arrested some big shots in the ESI Scam.

What is the ESI Scam?

- When Kinjarapu Atchanaidu was labour minister of Andhra Pradesh, there were several irregularities in the purchase of medicines, surgical equipment, and furniture worth Rs 975.79 crore for the
    a. 4 Employees' State Insurance (ESI) hospitals,
    b. 3 ESI Diagnostic Centers and
    c. 78 ESI Dispensaries spread across the state.
- These purchases were in violation of the procedures and guidelines issued by Government of Andhra Pradesh, Ministry of Labour and Employment, Training and Factories, and ESI Corporation.
- The three former directors of Insurance Medical Services (IMS) made purchases from firms, which were not empanelled with the government or Non Rate Contract firms.
- [Insurance Medical Services implements the ESI scheme.]
- They are accused of fabricating quotations from Non Rate Contract firms and paying excess rates, sometimes as high as 36%.

What are the alleged irregularities?

- The **three directors** issued purchase orders without constituting Drug Procurement Committees and without calling for open tenders.
- The total budget allocation for the purchase of drugs during the tenure of the three directors was Rs 93.51 crore.
- But they purchased drugs from Rate and Non-Rate Contract firms worth Rs.698.36 Cr. by violating the procedural guidelines.
- Similarly, excess amount was paid to purchase furniture, establish a sewerage treatment plant, and procurement of bio-metric devices.
- **Atchanaidu** was accused of ordering one of the directors to entrust a tele-calling contract to Hyderabad-based Tele Health Services Pvt. Ltd.
- The director also did not follow the usual process of calling for tenders.

- The director awarded the contract to Tele Health Services simply based on a letter from Atchannaidu.
- The firm violated several rules and regulations cited in the agreement but was paid Rs 7.96 crore without proper verification.
- **Tele Health Services Pvt Ltd** was hired to provide toll free services and ECG services on nomination basis.

What are the violations by the service provider?

- As per MoU, the service provider has to provide toll free services to patients whenever they call for assistance.
- The director agreed to pay Rs 1.80 per month for each IP irrespective of calls attended.
- The service provider claimed the bill by submitting call logs of Telangana State IPs.
- The director paid the amount without verifying the genuineness of the call logs.
- The director also entered into MoU with the same service provider to provide ECG services to the patients at Rs 480 per ECG.
- It utilised the services of PG Diploma Clinical Cardiologists instead of qualified DM Cardiologists by violating agreement conditions and claimed the bills.

What are ESI hospitals?

- The Government of India enacted ESI Act, 1948 for extending health care to employees who are earning salary less than Rs 21,000 per month in the industrial and service sectors.
- This is known as Employees State Insurance Scheme – ESIS.
- In 1978, the Insurance Medical Services (IMS) was established under the Ministry of Labour, Employment, Training & Factories Department by separating ESI branch from Medical & Health Department.
- The employers and employees of the relevant sectors contribute their share of 3.25% and 0.75% of their salary respectively for ESI Scheme.
- The expenditure ratio between the state government and ESI Corporation is 1:7.
- The entire expenditure is initially be met by the state government and subsequently, the ESIC reimburses its share to the state government.

Source: The Indian Express



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