



# OVERVIEW OF 'ON ACCOUNT' PAYMENT (OAP)

कर्मचारी राज्य बीमा निगम  
Employees' State Insurance Corporation

***Disclaimer:*** Information contained in this booklet is provided solely for general information of concerned users and may not reflect legal developments and therefore should not be relied upon or construed as legal advice.



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# 1

## INTRODUCTION

Under the ESI Scheme, Insured Persons (IPs) and members of their family are entitled to receive reasonable medical care. As per the ESI Act, 1948, State Governments have been entrusted the responsibility for providing medical care to beneficiaries. Medical Care to beneficiaries is provided through a large infrastructure comprising ESI Scheme hospitals, dispensaries and tie-up arrangements with other medical institutions.

Keeping in view the provisions of ESI Act, the Corporation entered into an agreement with State Governments and therefore, the expenditure on medical care to Insured Persons and members of their family is shareable between the Employees' State Insurance Corporation (ESIC) and State Governments under provision of Section 58(3) of ESI Act in the ratio of 7:1.





# 2

## BUDGETARY ESTIMATION

At the beginning of each financial year, allocation of funds under 'On Account' payment is communicated to Regional Offices of ESI Corporation for calculations & release of bi-annual installments to State ESI Schemes / Societies.

### 2.1 CALCULATION MODALITIES

Entitlement of State ESI Schemes/Societies is based on average of actual per IP expenditure incurred during last three completed financial years w.e.f. 2021-22. Average of actual per IP expenditure shall be enhanced by 10% considering cost of inflation and increase in nos. of IPs subject to prevailing maximum ceiling.

However, prior to this, budget estimation was based on per IP expenditure incurred during previous year.

An **illustration** for calculation of budget estimate FY 2023-24 is as under:

A	Projected number of insured persons (IPs) as on 31.03.2023	16,04,172
B	Actual per IP expenditure of FY 2019-20	₹2,520
C	Actual per IP expenditure of FY 2020-21	₹1,157
D	Actual per IP expenditure of FY 2021-22	₹1,245
E	Average per IP expenditure (B+C+D)/3	₹1,641
F	110% of average per IP expenditure (110% of E)	₹1,805
G	Budget Estimate of FY 2023-24 (A x F)	₹289,55,30,460
H	7/8th Share (7/8th of G)	₹253,35,89,153
I	90% of 7/8th Share (90% of H)	₹228,02,30,237

### 2.2 CALCULATIONS & RELEASE OF BI-ANNUAL INSTALMENTS

Out of the calculated Budgetary Estimate (BE), 10% amount will be released on submission of Audit Certificate (AC), 90% will be released in bi-annual installments by 15th of April and 15th of October by Regional Offices concerned, in following manner:

- **First Instalment (April to September):** 50% of 90% of BE is released by 15th April after adjustment for unutilized fund (if any) which was provided to State ESI Scheme for the prior to preceding financial year as confirmed in the Utilization Certificate (UC). Due date for UC is 30th September of following year.

Illustration - for calculating first instalment for FY 2023-2024, if the 90% of BE amount is ₹100/- and during one year prior to preceding financial year (FY 2021-22), State ESI Scheme had spent ₹80 out of released amount of ₹90, then First instalment calculation shall be 50% of ₹100 – (₹90 - ₹80) i.e. ₹50 – ₹10 = ₹40/-.



- **Second Instalment (October to March):** Remaining 50% of 90% of BE shall be released by 15th October and while calculating 2nd installment following steps be taken care of:
  - a) In case of unspent balances of one year prior to the preceding financial year get spent in previous financial year as reflected through UC (due date is 30th September of following year), adjustment made during 1st installment may also be released in addition to 2nd installment due amount.
  - b) During review meeting with State in 1st week of October of ongoing financial year, if it is found that 50% of funds released as 1st installment has not been exhausted by 30th September, then 2nd installment be given on proportionate basis.

**Illustration for FY 2023-24:**

Details of one year prior to preceding FY i.e. 2021-22		
1	90% Budgetary Estimate / Fund Allocation by Hqrs'.	73,50,13,000
2	Total OAP released to State ESI Scheme /Society	73,50,13,000
3	Total expenditure incurred by ESI Scheme / Society	81,00,00,000
4	Unutilized Fund (2- 3)	Nil
5	90% Budget Estimate / Fund Allocated for FY 2023-24	82,00,00,000
6	Fund released as 1st installment	41,00,00,000
7	Fund to be released as 2nd installment (5 – 6)	41,00,00,000

Adjustment of released funds and Utilisation Certificate from FY 2021-22 onwards is carried as per the following pattern:

- 1st installment of FY 2021-22 – Utilisation Certificate of FY 2019-20
- 1st installment of FY 2022-23 – Utilisation Certificate of FY 2020-21
- 1st installment of FY 2023-24 – Utilisation Certificate of FY 2021-22 and so on.

## 2.3 ADDITIONAL FUND CALCULATIONS

Provision for additional allocation of fund over & above the approved Budgetary Estimate within States' overall entitlement is provided as per revised OAP instructions dated: 22.04.2021 w.e.f. 2021-22. State ESI Scheme / Society needs to submit proposal with justification, details of expenditure and utilization certificate for the purpose of Revised Budgetary Estimate by 31st October of the ongoing year. Once, Revised Budgetary Estimates is approved by ESI Corporation, it shall be communicated to all concerned. Further, Director General, ESI Corporation has been authorized to approve re-appropriation of budget among States from total approved budget for any financial year.



# 3

## CEILING STRUCTURE

State ESI Schemes / Societies are being reimbursed as per certain ceiling as fixed by ESI Corporation from time to time. Ceiling is sub-divided in two heads namely 'Administration' & 'Others'.

### 3.1 OLD & NEW CEILING STRUCTURE

Modalities of 'On Account' payment have been revised as per instructions dated: 22.04.2021 w.e.f. FY 2021-22 and prior to this period the ceiling structure was as under:

Old Ceiling Details (in )						
FY	"On Account" Payment (OAP)			Project Implementation Plan (PIP)		
	Admn.	Others	Total	Admn.	Others	Total
2004-05	510	240	750	-	-	-
2005-06	540	360	900	-	-	-
2006-07	600	400	1,000	-	-	-
2007-08	600	400	1,000	-	-	-
2008-09	600	400	1,000	-	-	-
2009-10	700	500	1,200	-	-	-
2010-11	700	500	1,200	-	-	-
2011-12	700	500	1,200	-	-	-
2012-13	900	600	1,500	-	-	-
2013-14	900	600	1,500	-	-	-
2014-15	1,000	1,000	2,000	-	-	-
2015-16	1,000	1,000	2,000	-	-	-
2016-17	1,075	1,075	2,150	-	-	-
2017-18	1,075	1,075	2,150	175	675	850
2018-19	1,121	1,029	2,150	182	668	850
2019-20*	1,166	984	2,150	189	661	850
2020-21*	1,204	946	2,150	195	655	850

\*ESI Corporation in its 177th meeting held on 19/02/2019 has decided to bear entire expenditure within the ceiling on medical care incurred by State Government for an initial period of 3 years w.e.f. FY 2019-20 to 2021-22 (Appendix II)



In order to facilitate State Governments for making adequate provision of medical services to ESI beneficiaries, Corporation have approved reimbursement at a ceiling rate of ₹3,000/- per IP per annum w.e.f. FY 2021-22, new ceiling structure is as under:

Sl. No.	Head	Ceiling
(i)	Standard Medical Care: (Further sub-divided in two part of ₹1,300/- each for expenditure on 'Administration' & 'Others')	₹2,600/- per IP per annum
(ii)*	Project Implementation Plan	₹200/- per IP per annum
(iii)*	Pro-rata payment based on extent of implementation of ESIC IT module 'Dhanwantri' in ESIS hospitals and dispensaries.	₹200/- per IP per annum

*\*State ESI Scheme/Society have to submit their proposals/claims duly complying with the guidelines.*

Besides above, State Governments are also authorised to claim for ₹200/- per IP per annum as incentive, over & above the ceiling of ₹3,000/- per IP per annum, if bed occupancy in all the State ESI hospitals is more than 70% during the concluded financial year and ₹20/- per IP per annum for expenditure under Preventive & Promotive Health Services.

### **3.2 EXPENDITURE BIFURCATION UNDER 'ADMINISTRATION' & 'OTHERS' HEAD**

A brief of expenditure covered under the heads 'Administration' & 'Others' is as under:

#### **A. Administration**

- Pay & allowances and remuneration of all categories of staff including contractual staff.
- Stationary including computer stationery.
- Purchase of general article, office furniture and equipments including computer, photocopier, fax etc.
- Rents, Rates, Taxes, Legal Charges, Water & Electricity charges etc.
- Petrol/Oil/Lubricants, servicing and repairs of Staff Car.
- Outsourcing expenditure other than Kitchen and Laundry.
- Any other item not directly related to administration shall be covered under 'Others' head.

#### **B. Others**

- Drugs & Dressings.
- Medical equipments including repair & maintenance.
- All expenditure on account of Kitchen and Laundry.
- Re-imburement / expenditure on drugs & dressing, investigation & specialty treatment.
- Petrol/Oil/Lubricants, servicing and repairs of Ambulances and Delivery Van.
- Beds, linen etc. for use of patients.
- Liveries and Uniform for all staff.



### 3.3 NO SUB-CEILING FOR 'OTHERS' HEAD

Instances have been seen wherein some of the States are incurring expenditure on 'Others' head more than the sub-ceiling entitlement. Hence, keeping in view the availability of funds and to encourage States for incurring expenditure on services to IPs, the ceiling of 'Others' is not restricted subject to within the overall ceiling entitlement i.e. ₹2,600/- per IP per annum w.e.f. FY 2021-22. However, ceiling limitation on 'Administrative' expenditure is to be strictly adhered to.





# 4

## FULL & FINAL SETTLEMENT

The process of calculation of withheld 10% amount is released as 'Full & Final' settlement. Audit Certificate duly issued by Accountant General concerned for the expenditure is mandatory. Calculation & release of bi-annual installments is to be processed by Regional Office concerned after receipt of budget allocation by Hqsrs'. whereas final calculations shall be computed at the Hqsrs'.

There are two approved proforma for submission of Audit Certificate, which are categorized as settlement upto FY 2020-21 and settlement w.e.f. FY 2021-22. **Description of these proforma is at Appendix III.**





# 5

## SPECIAL FINANCIAL PROVISIONS FOR NORTH EASTERN STATES

ESI Corporation in its 190th meeting held on 19th – 20th February, 2023 considering the geographical, demographical, social, industrial and commercial conditions of North Eastern States (including Sikkim) has decided as under:

### A. 100% expenditure (upto the ceiling) to be borne by ESI Corporation

Keeping in view the sparsely populated North Eastern Region, acute shortage of private hospitals / dispensaries / nursing homes etc. and financial position of ESI Schemes, entire expenditure upto the ceiling to be borne by ESI Corporation for North Eastern States (except Assam) w.e.f. FY 2023-24. Rest of the terms & condition as circulated from time to time will apply thereto with the modification that instead of support for a limited period, the support will be provided till the IP population reaches 50,000 (i.e. 50% of the lowest IP population in the rest of the states) or for additional five years, whichever is earlier. For newly implemented districts of Assam, the Scheme will be for first five years only.

### B. Additional Financial Assistance (AFA)

North Eastern States (including Sikkim except Assam) w.e.f. FY 2023-24 will be eligible for AFA to the tune of ₹40 lac per dispensary (₹10 lac quarterly). AFA would be an additional benefit apart from regular fund allocation under Standard Medical Care. This shall also remain available for the new dispensaries, if same is opened as per the extant instructions and till the IP population of a State concerned reaches 50,000 or for next five years, whichever is earlier. For newly implemented dispensaries of Assam, Scheme will remain for first five years after implementation.

Fund shall be released by Regional Office concerned on quarterly basis starting from April 2023. First(1/4th) and Second (2/4th) installment shall be released in advance and subsequent installments shall be released on submitting expenditure statement / utilization certificate of quarter preceding the last quarter. Further, audit certificate has to be submitted alongwith the audit certificate of 'On Account' payment for the financial year concerned. In absence of audit certificate, amount is liable to be recovered / adjusted from the 'On-Account' payment.

### C. Flexible Ceiling

There shall be flexible sub-ceiling, so that component of 'Administrative' expenditure shall have maximum capping of ₹1,800 in such a way that both components remains within Standard Medical Care ceiling i.e. ₹2,600/-. This should be allowed for North Eastern States (including Sikkim except Assam) for 5 years w.e.f. FY 2022-23 and 'full & final' computations shall be carried out on the basis of audit certificate accordingly.



# 6

## PROJECT IMPLEMENTATION PLAN (PIP)

To avail Project Implementation Plan, State Government needs to submit proposal / plan in advance for subsequent financial year. The proposal shall be examined by Hqrs'. and after the approval of Director General, sanction shall be communicated for subsequent financial year. Alongwith the proposal, State Government have to submit Utilization Certificate for period of 12 months before preceding year, if any PIP activities were approved.

**Elaborated details of PIP are as follows:**

- **Timeline for submission of PIP proposal by State ESI Scheme / Society (for next financial year)**

Cut-off date for submission of proposal ➡ By 15<sup>th</sup> October

Cut-off date for processing & approval of by ESIC Hqrs'. ➡ By 31<sup>st</sup> December

- **PIP Proposal should focus upon following aspects of medical services as per prevailing ESIC Norms**

**A. Improvement of existing infrastructure and services, which includes:**

- ❖ Availability of medical, para-medical and ministerial manpower.
- ❖ Availability of in-house laboratory.
- ❖ Availability of radiological services.
- ❖ Availability of medicine in ESIS hospitals & dispensaries.

**B. New activities for improving medical services:**

- ❖ Implementation of VIBGYOR colored bed sheet to be changed on daily basis.
- ❖ Implementation of medical helpline 24 x 7.
- ❖ To start special OPD in afternoon i.e. 2PM to 4 PM for Sr. citizen and differently Abled Persons.
- ❖ To start Cancer detection and Cardiology treatment at different level of hospitals.
- ❖ All possible pathological facilities in all hospital's premises by installation of required equipment either by upgrading or outsourcing.
- ❖ To put queue management system in all ESIS hospitals.
- ❖ Behavioral training to all para-medical and other staff.
- ❖ To provide facility for reception and 'May I Help You Desk' in all ESIS hospitals.

- **PIP Proposal should also include following details:**

- ❖ Improvement details of existing and new services added in preceding financial year alongwith new services to be added in forthcoming year with financial implications.
- ❖ Details of IP reimbursement claims submitted and cleared.
- ❖ Details of cashless Secondary & SST referral case through tie-up arrangement.
- ❖ Future plan for filling up the vacant posts.
- ❖ Equipment status and proposed action plan.
- ❖ Improvement of medical services through tie-up under PPP mode is not encouraged.



# 7

## STATE ESI SOCIETY FORMATION

Section 58(5) & 58(6) enable formation of a State ESI Society. The structure to be followed for formation of Society, Memorandum of Association (MoA) and Rules & Regulations have been circulated to all States. As of now, only State ESI Societies of Chhattisgarh, Maharashtra and Tripura have been approved by ESI Corporation.

- **Benefits of State ESI Society**

- Autonomy in terms of availability of funds, as it is transferred directly into the bank account of Society instead of routing it through State Treasury. Consequently, Society gets the maximum portion of entitled amount & swift availability of funds at disposal and therefore financial stability too.
- Auditor of Society shall be a Chartered Accountant / Firm empaneled with Comptroller & Accountant General of India, hence, formation of ESI Society may let go the abiding condition of audit from State Accountant General, which is also a prolonged process and it generally affects funding as 10% accumulated remainder amount always kept in abeyance for want of Audit Certificates.
- Timely engagement (on contract) of medical professionals, till regular resources are made available.
- Timely settlement of reimbursement bills of IPs, without waiting for release of budget.
- Better availability of drugs & dressings in ESIS hospitals & dispensaries due to availability of funds.
- Equipment procurement to upgrade medical services due to quick decision making by Governing Body of Society.
- Better repair & maintenance of ESIS hospitals & dispensaries through Society.



# APPENDIX - I



क.रा.बी.नि.  
E.S.I.C.

मुख्यालय/HEADQUARTER  
कर्मचारी राज्य बीमा निगम  
(श्रम एवं रोजगार मंत्रालय) भारत सरकार)  
EMPLOYEES' STATE INSURANCE  
CORPORATION  
(Ministry of Labour & Employment, Govt. of  
India)



सत्यमेव जयते

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Phone: 011-23215489, VOIP: 10011037  
Email: [fa9-hq@esic.nic.in](mailto:fa9-hq@esic.nic.in)  
Website: [www.esic.nic.in](http://www.esic.nic.in) / [www.esic.in](http://www.esic.in)

No. **U-13/15/2021-22/Fin & A/C IX/01**

Date: - 22.04.2021

To,

All Regional Director  
Regional Office, ESIC

All CEO/DIMS/AMO  
State ESI Scheme/Society

**Subject: Regarding Modalities for fund allocation/release for FY 2021-22 onward:**

Madam/Sir,

In order to facilitate State Government for making adequate provision of medical services to ESI beneficiaries, Chairman ESIC, in supersession of all previous communication regarding modalities for release on-account payment, has granted approval for revised policy in this regard. Following policy shall be followed while releasing on account payment to State ESI scheme/ESI societies from financial year 2021-22 onwards.

**A. Modalities for fund allocation/release for FY 2021-22 onward:**

- I. No change in overall ceiling of ₹3,000/- per IP per annum. However, various Sub-ceiling under this broader ceiling of ₹3000/- have been revised as under: -
  - a) Annual ceiling on entitlement for medical care expenditure to be enhanced to ₹2,600 per IP per annum from existing ceiling of ₹2150/- with maximum sub ceiling of ₹1,300 for expenditure under "Administration" head.
  - b) Entitlement of ₹200 per IP per annum for incurring expenditure under Project Implementation Plan (PIP).
  - c) Entitlement of ₹ 200 per IP per annum on pro-rata basis based on extent of implementation of ESIC Dhanwantari module in State ESI hospitals & dispensaries during previous financial year.
- II. Additional Entitlement of ₹200 per IP per annum as incentive, over and above the ceiling of ₹3,000/- where bed occupancy in all the State ESI Hospitals is more than 70% during the concluded financial year.
- III. Additional entitlement of ₹20 per IP per annum, over and above the ceiling of ₹3,000/- for expenditure under preventive and promotive health services.





- IV. a) will be on basis of utilisation of funds, as explained at “C” below, while release of funds against, I b), c) and II and III will be on basis of claims by States.

**B. Modalities for Calculation of Budgetary Estimates (BE) for “On Account” payment to State ESI Schemes.**

The release of funds and review of expenditure as well approval of BE will be made in the meeting with the State Govt. in the month of March & October.

Entitlement of State ESI Schemes shall be estimated based on average of actual per IP expenditure incurred during last three completed financial year. As increase in medical expenditure ceiling is proposed from ₹2,150/- to ₹2,600/- (which is around 21% increase), the average of actual per IP expenditure will be enhanced by 21% to arrive at budgetary estimate (BE) for FY 2021-22.

**Illustration:** - If average per IP expenditure incurred during last three completed (2017-18, 2018-19 and 2019-20) year is ₹100 then Per IP Budget Estimate 2021-22 will be fixed as ₹100 + ₹21 i.e. ₹121/-.

For calculation of Budgetary Estimate (BE) of subsequent financial years, average of actual expenditure will be enhanced by 10% considering cost of inflation and increase in nos. of IPs subject to prevailing maximum ceiling.

In case the State Govt. desires additional allocation of funds over and above the approved BE for the year but within its overall entitlement, it may submit a proposal with justification with details of expenditure and utilization certificate for the purpose of Revised Estimate by 31<sup>st</sup> October. The proposal will be submitted before Director General for approval. Further, the Director General has been authorized to approve re-appropriation of budget among States from within the total approved budget for any financial year.

The preparation of the revised estimates for On Account payment to State should be done by 30<sup>th</sup> November and budgetary provision circular with details instructions and guidelines will be issued by 15<sup>th</sup> December prior to subsequent financial year.

**C. Proposed Modalities for release of “On Account” payment.**

Out of the calculated budgetary estimate (BE) as above, after holding 10% of BE for release subsequent to submission of Audit certificate, 90% shall be released in two instalments by the 15<sup>th</sup> of April and October, by concerned Regional office as per following:

- **First Instalment (April to September):** 50% of 90% of BE shall be released by 15<sup>th</sup> April after adjustment for unutilized fund (if any) which was provided to State ESI Scheme for one year prior to preceding financial year as reflected through its utilization certificate. **Due date for UC will be 30<sup>th</sup> September of following year.**

**Illustration 1-** for calculating first instalment for FY 2021-2022, if the 90% of BE amount is ₹100/- and during one year prior to preceding financial year (FY 2019-20), ESI Scheme has spent ₹80 out of released amount of ₹90, then First instalment calculation shall be 50% of 100 – (₹90 - ₹80) i.e. ₹50 – ₹10 = ₹40/-.



- **Second Instalment (October to March):** Remaining 50% of 90% of BE shall be released by 15<sup>th</sup> October. While releasing 2<sup>nd</sup> instalment following may be taken care of:
  - a) In case of unspent balances of one year prior to the preceding F.Y. get spent in previous F.Y. as reflected through utilization certificate (due date is 30<sup>th</sup> Sept of following year), adjustment made during 1<sup>st</sup> instalment may also be released in addition to 2<sup>nd</sup> instalment.
  - b) In case in the review meeting with State in the 1<sup>st</sup> week of October of financial year, it is revealed that the 50% of fund released during 1<sup>st</sup> instalment has not been exhausted till the end of 30<sup>th</sup> Sept, 2<sup>nd</sup> instalment may be given on proportionate basis.

Further, the adjustment of released instalment amount and utilisation certificate from financial year 2021-22 onwards will be carried out as under:

1<sup>st</sup> instalment: Released during April, 2021 – UC of FY 2019-20.

1<sup>st</sup> Instalment: Released during April, 2022 – UC of FY 2020-21.

1<sup>st</sup> Instalment: Released during April, 2023 – UC of FY 2021-22 and so on.

- **Additional Instalment:** The State Govt. has been allowed to submit additional requirement of fund through submission of revised estimate as explained in Para B above. Additional fund, if approved, shall be released by 31<sup>st</sup> December of the same financial year subject to total allocation of the year being within the entitlement of ceiling amount including sub-ceiling.
- **No sub-ceiling for Others head:** At present payment to States are done within a sub-ceiling of Administration & Others (Drugs & Dressing etc.) in an effort to control excess expenditure on salaries in the ratio of 50:50. Instances have been seen where some of the State are incurring expenditure on Others above the sub-ceiling entitlement. Now It has been approved that the ceiling of Others may not be restricted subject to within the overall entitlement ceiling to encourage expenditure on service to IPs with ceiling on Administrative expenditure to continue.
- **PIP Fund Instalment:** To avail the Project Implementation Plan (PIP) fund, the State Government shall submit plan in advance by 15<sup>th</sup> Oct for subsequent financial year. This will be examined at ESIC Hqrs<sup>1</sup>. level and after getting approval from Director General, the sanction will be communicated to State Government by 31<sup>st</sup> Dec for subsequent financial year. Utilisation Certificate in case of PIP may be taken by considering period of 12 months before preceding year. While sanction for the subsequent financial year will be communicated to the States before commencement of the financial year, the release will be spread over the year irrespective of any ceiling of 90% with audit certificate to be furnished with On Account payment audit certificate.





- **Full & final Settlement:** Audit certificate of concerned financial years shall be required for release of balance fund spent by State ESI Scheme subject to various sub-heads and broader ceiling.

**Accordingly, Regional Directors are requested to take necessary action for release of on-account payment as per revised policy.**

This issues with the approval of Financial Commissioner.

Yours Sincerely,

  
22-04-21

**AK Gautam**  
Assistant Director

Copy to:-

1. PPS to DG/FC/CVO
2. PPS to all Divisional Head, ESIC Hqrs
3. All Principal Secretaries, dealing with ESI scheme, State Governments- Copy of DO letter of Financial Commissioner communicating the total entitlement@Rs.3000/- per IP per annum for the financial year 2021-22 in respect of your state is attached.
4. WCM with request to upload on ESIC website.



## APPENDIX - II



HEADQUARTERS OFFICE  
**EMPLOYEES' STATE INSURANCE CORPORATION**  
(ISO 9001-2008 CERTIFIED)  
PANCHDEEP BHAWAN, C.I.G. MARG, NEW DELHI-110002.  
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Website : [www.esic.nic.in](http://www.esic.nic.in)

No. U-13/14/ATR/SC/38/14Med-I

Date: 11/03/2019

### CORRIGENDUM

To

The Principal Secretary to the State Government

-----  
**Sub: Reconsideration of the MoU between ESIC and State Government on sharing the expenditure under Section 58(3)-regarding.**

Sir/Madam,

Kindly refer to letter of even no. U-13/14/ATR/SC/38/14 Med-I dated 27.02.2019.

The initial period of three year w.e.f. 2018-19 as mentioned in the letter of even dated 27.02.2019 may be read as "an initial period of three years w.e.f. from 2019-2020".

Other contents will remain unchanged.

Yours Sincerely

  
11.3.2019  
**(Dr. Subhash Chhokra)**  
Dy. Medical Commissioner



(HEADQUARTERS OFFICE)  
EMPLOYEES' STATE INSURANCE CORPORATION  
PANCHDEEP BHAWAN, C.I.G. MARG, NEW DELHI-110002.  
E-mail : [med1-hq@esic.in](mailto:med1-hq@esic.in), Website : [www.esic.nic.in](http://www.esic.nic.in)

No. U-13/14/ATR/SC/38/14 /Medical-I

Dated: 27/02/2019

To,

The Principal Secretary to the State Government  
-----

**Sub: Reconsideration of the MOU between ESIC and State Government on sharing the expenditure under Section 58(3)- regarding.**

Sir / Madam,

ESI Corporation has taken a number of initiatives in the last few years to improve the quality of medical services available to the ESI beneficiaries through ESIC/ESIS Hospitals/Dispensaries. The medical benefit under ESI scheme is provided through respective State Government under section-58(3) of the ESI Act. The cost of medical care is shared between ESIC and State Government in the ratio of 7:1.

The position has since been reviewed by the Corporation and in order to accelerate the pace of implementation/extension of ESI scheme to new geographical areas/better infrastructure and services by the State Government, the ESI Corporation has taken a decision in its 177<sup>th</sup> Meeting held on 19<sup>th</sup> February, 2019 that the Corporation will bear entire expenditure within the ceiling on medical care incurred by the State Government for an initial period of 03 years w.e.f. 2018-19. This will facilitate the State Government to allocate fund to improve medical services without any constraints.

In order to achieve the spirit of this provision the State Govt. is requested to undertake following activities:-

- To fill up all vacant positions of medical / para medical cadre immediately.
- To provide drugs and dressing.
- To procure and maintain medical equipment in ESI hospital as per norms.



- To speed up reimbursement of IP bills & tie up hospital bills.
- To use “Dhanwantri” for online registration, pharmacy etc.

If deemed fit, states may adopt and use ESIC guidelines for appointing medical / para medical man power in hospitals / dispensaries and pay as per ESI grades / scales.

This issues with the approval of Director General.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Dr. Subhash Chhokra', is written over the typed name.

**(Dr. Subhash Chhokra)**  
**Dy. Medical Commissioner**



## APPENDIX - III

Proforma of Audit Certificate for 'full & final' settlement upto FY 2020-21

### AUDIT CERTIFICATE

Certified that an amount of Rs. \_\_\_\_\_ has been accounted for in the books of accounts of the State government under the heads of accounts \_\_\_\_\_ as expenditure incurred by the Government of \_\_\_\_\_ on the provision of Medical care (plan & non-plan) under the Employees' State Insurance Scheme for the year \_\_\_\_\_ and the same has been admitted in audit.

The aforesaid expenditure of Rs. \_\_\_\_\_ includes:-

Sl.No.		Amount(in Rupees)
1.	Expenditure on initial equipments for newly commissioned hospital and ESI Dispensary/Special Centre/Annex/Detention Wards etc.	
2.	Expenditure on costly equipments purchased in replacement of old and condemned equipments.	
3.	Expenditure on Purchase of Vehicles	
4.	Expenditure on providing Medical care to the beneficiaries of areas brought under the ESI Scheme during the last 3 years including the current year	
5.	Expenditure on Administration	
6.	Expenditure on Others - Drugs & Dressings & Repair & Maintenance	
7.	Expenditure on Running of Nursing school	
8.	Expenditure on account of Health Promotion and Prevention services	
9.	Expenditure on account of incentive	
	Total	

It is also certified that a sum of Rs. \_\_\_\_\_ booked as Misc. receipts (received by way of disposing off old articles and auctioning unserviceable articles & vehicles etc. if any) under the ESI scheme during the year \_\_\_\_\_.

**Dy. Accountant General**





**Proforma of Audit Certificate for 'full & final' settlement w.e.f. FY 2021-22**

**AUDIT CERTIFICATE**

Certified that an amount of ₹\_\_\_\_\_ has been accounted for in the books of State Govt. under the head \_\_\_\_\_ as expenditure incurred by Government of \_\_\_\_\_ on the provisions of medical benefit under Employees State Insurance Scheme for FY \_\_\_\_\_ and same has been admitted in audit.

The aforesaid expenditure includes:

<b>Sl. No.</b>	<b>Particular</b>	<b>Amount</b>
1.	Expenditure on Administration.	-
2.	Expenditure on Others (Drugs & Dressing and Repair & Maintenance)	-
3.	Expenditure on Project Implementation Plan (PIP) as approved by ESI Corporation, if any.	-
4.	Expenditure on Dhanwantari Module, if any.	-
5.	Expenditure on Preventive & Promotive Health Services, if any.	-
6.	Bed Occupancy status (%) of all the State ESI hospitals during the financial year.	-

It is also certified that a sum of ₹\_\_\_\_\_ booked as Misc. Receipts (received as bank interest, disposing off old articles, auction of non-required articles, vehicles etc., if any) under the ESI Scheme during FY \_\_\_\_\_.

**Pr. AG / AG / Dy. AG**



# APPENDIX - IV



सत्यमेव जयते

मुख्यालय/Headquarters  
कर्मचारी राज्य बीमा निगम /Employees' State Insurance Corporation  
पंचदीप भवन, सी आई जी मार्ग/Panchdweep Bhawan, CIG Marg  
नई दिल्ली/New Delhi - 110002  
वेब साईट/Website : [www.esic.nic.in](http://www.esic.nic.in)  
ई-मेल/E-mail : [dir-pnd@esic.nic.in](mailto:dir-pnd@esic.nic.in)  
दूरभाष/Telephone - 011 23232373



No. X-11/14/5/2017 – P&D

Dated: 23.10.2020

## CIRCULAR

**Sub: ESI State Autonomous Body / Society under Section 58(5) of the ESI Act, 1948 - reg.**

Kind attention of all Beneficiaries / Stakeholders of the ESI Scheme is invited to this Office circular No. X-11/14/5/2017–P&D dated 05.12.2016 and No. X-11/14/5/2017–P&D 19.02.2018 available on ESIC website consolidated link was 1760 & 2617 respectively. wherein model structure of the State Autonomous Body/Society under Section 58(5) of the ESI Act, 1948 were circulated.

Various queries have been received from stakeholders seeking certain clarification on issues relating to formation of State ESI Society. Accordingly, a Frequently Asked Questions (FAQ) on formation of State ESI Society has been prepared and is attached for information.

The provision relating to formation of State ESI Society has been retained in the Code on Social Security, 2020 in Section 40(5) and 40(6) of the Code. (Act 36 of 2020).

Hindi version shall follow.

Encl: FAQ on State ESI Society.

( S. Ravichandran )  
**Additional Commissioner (P&D)**

Copy to:

1. PPS to DG, ESIC Hqrs. New Delhi for kind information.
2. The Dy. Director (PR), ESIC Hqrs. New Delhi for kind information with the request to upload it on ESIC website.
3. Official Language Branch ESIC Hqrs. New Delhi for kind information with the request to translate and upload Hindi version of the FAQ.

**Asst. Director (P&D)**



### FREQUENTLY ASKED QUESTIONS ON STATE ESI SOCIETY

SI	Questionnaires	Replies
1.	How did the proposal for State ESI Society originate?	The Indian Labour Conference had recommended that the ESIC should directly run the health services in all the States. States should not be asked to bear the cost of medical expenses. The recommendation was presented to the Corporation, the apex decision making body of ESIC which referred the matter to a sub- committee. The Sub Committee recommended the formation of State Autonomous Body/State ESI Society as per Section 58(5) of ESI Act, 1948 to carry forward the recommendation of ILC. Recommendation of the Sub-Committee was approved by the Corporation in its 167 <sup>th</sup> meeting held on 18.12.2015.
2.	What is the objective of State ESI Society?	The Society shall serve as a managerial and Health Care body in terms of Section 58(5) of ESI Act 1948, to the Employees' State Insurance Corporation for administration and management of medical benefits and medical establishments presently under Employees' State Insurance Scheme. The Society shall pursue all other objectives as per Memorandum of Association (MOA), subject to directions and superintendence by ESIC from time to time. The objective of the Society is to facilitate availability of medical benefit and improvement in health facilities within the State/UT.
3.	What is the legal status of State ESI Society under ESI Act?	Section 58(5) of ESI Act States " <i>The Government may, in addition to the Corporation under this Act, with the previous approval of the Central Government, establish such organization (by whatever name called) to provide for certain benefits to employees in case of sickness, maternity and employment injury. Provided that any reference to the State Government in the Act shall also include reference to the organization as and when such organization is established by the State Government. (6) The organization referred to in sub-section (5) shall have such structure and discharge functions, exercise powers and undertake such activities as may be prescribed.</i> "  The State ESI Society shall be formed under provisions of Section 58(5) of the ESI Act, 1948.
4.	Who runs and manages the State ESI Society?	The bodies and authorities of the Society are broadly divided into two namely (a) Governing Body (b) Executive Committee.  (a) The Governing Body shall consist of 9 First Member and maximum no, of 14 members under the Chairmanship of the Chief Secretary of the State. It shall comprise of 4 State Govt. Officials in addition to Chief Secretary, 3 ESIC officials, 3 Employer and 3 Employee Representatives. The officer overseeing the daily operation of the Scheme in the State shall be the CEO cum Member Secretary. The Governing Body will have full control of the affairs of the society and will have to authority to exercise and perform all the powers, acts and deeds of the Society consistent with the aims and objects of the Society.  (b) A 9-member Executive Committee, constituted by the Governing Body, comprising of 4 members from State Govt. 2 members from ESIC and 1 from employer and 1 employee representative from the Governing Body, will have overall responsibility for planning and executing the



		work of the Secretariat for supervising the work of the technical/ management units of the Secretariat, directing and over-seeing implementation through the Secretariat, as prescribed by the Governing Body from time to time.
5.	What are the power and function delegated to the State ESI Society?	The Society shall perform the functions as contained in Clause 3 of Memorandum of Association to achieve the objectives of the society in accordance with provisions of the ESI Act 1948 and the Rules & Regulations framed under the Act, <i>ibid</i> .
6.	What is the finance and budget provision under the State ESI Society?	Annual budget should be prepared on PIP (Program Implementation Plan) model, within the ceiling prescribed, Revised budget estimate of the current year and proposed budget estimate for the following financial year as per the PIP, duly approved by the Governing Body shall be submitted to the ESI Corporation not later than 10 <sup>th</sup> December of each year.  Expenditure of Capital or revenue nature, if any, proposed outside the laid down ceiling should be supported by full justification for its inclusion in the budget.
7.	What is the status of manpower and resources under State ESI Society?	All the manpower engaged in executing the ESI Scheme shall be the employees of the concerned State Govt. or PSU or Central Govt./ESIC on deemed deputation. Manpower services can be engaged through contractual engagement till availability of regular manpower through deemed deputation.
8.	What is the benefit of having State ESI Society?	The Society provides flexibility in terms of availability of funds directly to the bank account of the Society. The Societies are allowed manpower engagement on contract till such time regular manpower is made available by State Govt. through recruitment of regular personnel provided to the Society on deemed deputation. The Society shall have power for procurement of medicine and equipment also.
9.	What will be the status of State/UT not agreeing to forming of State ESI Society?	In case the State/UT does not want to form the Society or deviates from structure of the Society approved by the Corporation then the present arrangement of sharing of expenditure in 1:7 ratio shall continue.
10.	What will be the status of Regional Board, once the Society is formed?	Regional Board is constituted as per Section 25 of the ESI Act, 1948 and is entrusted an advisory role. The State Autonomous Body / Society is constituted as per Section 58(5) of the ESI Act, 1948. The Society shall have its structure and administrative and financial power, with funds being transferred to the bank account of the Society for its utilization for the ESI Scheme in the State. The State ESI Society shall have executive powers of running the Society as per the mandate.  As such, the Regional Boards would continue to be held irrespective of the formation of ESI Society.
11.	What will be the funding pattern?	100% of the expenditure upto the ceiling as fixed from time to time shall be paid to the bank account of the Society. The present ceiling is Rs 3000 per IP family unit per annum.
12.	What is the procedure of Deemed deputation of employees of the Society?	The Society shall not have its own manpower. Para 15.4 of Rules & Regulation of Society specifically states that " <i>Employees of the Society are on deemed deputation from the State Government or PSU or Central Govt. or ESIC and their Pension liabilities rests with the respective appointing authorities. Society does not have any employees in its rolls except on deputation or temporary contract/engagement, till assigned work is completed.</i> "  The State Government may waive the cooling off period for deemed deputation to State ESI Society or otherwise may reduce it to one day, as a technical formality. The DoPT circular No. 6/8/2009-Estt. (Pay II) dated 17.06.2010 issued in this regard is with respect to the Central Staffing Scheme. In recognition of the needs of State ESI Society, the conditions may be altered.





