



कर्मचारी राज्य बीमा निगम
Employees' State Insurance Corporation
श्रम एवं रोजगार मंत्रालय, भारत सरकार
Ministry of Labour & Employment, Govt. of India

Role and Responsibilities of the State Governments



Role and Responsibilities of the State Governments in running the ESI Scheme

The Employees State Insurance Scheme is a Social Security scheme providing an array of cash benefits in times of exigencies and medical benefit as per requirement to the covered working persons called the Insured Persons (IPs) and their family members. This scheme is the pioneer social security scheme of India which came into effect as per the provisions of the ESI Act 1948. The scheme is run by the Employees' State Insurance Corporation (ESIC), a statutory body under the Ministry of Labour and Employment, Government of India. Though the scheme is promulgated under Central Government legislation and run by the Employees' State Insurance Corporation (ESIC), State Governments have been assigned key roles in the scheme. They play important roles in the implementation and running the scheme. Here are the key roles and responsibilities of the State Government in running the ESI Scheme:

1. Implementation U/S 1(5):

- Under Section 1(5) of the Employees' State Insurance (ESI) Act, 1948, the State Government, with the approval of the Central Government, can extend the ESI Scheme after giving one month's notice to establishments or classes of establishments like shops, hotels, restaurants, cinemas including preview theatres, road motor transport undertakings, newspaper establishments, educational, medical institutions. It may be noted that factories are covered under Section 2(12) of the Act.
- State Government is the 'Appropriate Government' for all the classes of establishments except establishments under the control of the Central Government or a railway administration or a major port or a mine or oil field.

2. Medical Arrangement: The State Government is responsible for providing reasonable medical care to the Insured Persons and their families. (Section 58). Primary and Secondary care Medical Service



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are provided by the State Governments. Tertiary Medical Care is provided by ESIC mostly through the tie up hospitals. However, the ESIC is now making efforts to establish in-house Super Specialty Treatment facilities in ESIC Hospitals.

I. Setting up of ESI Hospitals & ESI Dispensaries

i) General Policy: -

In accordance with existing ESIC norms for setting up of ESI Dispensary, a minimum of 3000 Insured Persons population is required for a 02-doctor dispensary, 5000 IP population for 03 doctor dispensary and 10000 IP population for 05 doctor dispensary. Similarly, as approved by ESI Corporation in its 163rd meeting, following norms exist for setting up of an ESI Hospital:

Sl. No.	No. of beds	Min. No. of IPs in catchment area
1.	100 bedded hospital	50,000
2.	150 bedded hospital	1,00,000
3.	200 bedded hospital	1,50,000
4.	250 bedded hospital	2,00,000
5.	300 bedded hospital	2,50,000
6.	350 bedded hospital	3,00,000
7.	400 bedded hospital	3,50,000
8.	500 bedded hospital	4,00,000
9.	600 bedded hospital	5,00,000

➤ The IP population should be taken in a radius of 25 Km and there should not be any other ESI Hospital within a radius of 50 Km. If there is another ESI Hospital within 50 Km, then each ESI Hospital should fulfill these norms in the respective catchment areas (for example, if the two ESI Hospitals are at a distance of 40 Km, then each hospital should satisfy these norms within a radius of 20 Km).



- Further, in order to boost adequate health infrastructure availability so as to match ESIC expansion plan to cover whole of India, ESI Corporation during its 188th meeting held on 18/19th June, 2022, has given approval for further updating of the existing norms on setting up of ESI hospitals and dispensaries based on futuristic IP population & geographical necessity throughout the country, as per below:
- A. Instead of considering the present IP population, health facilities may be created based on projected futuristic number of IP population in upcoming 05 years in case of hospitals and 03 years in case of dispensaries. For setting up of new ESI hospitals, remaining conditions may be kept same as approved in the 163rd ESI Corporation meeting.
 - B. In respect of non-notified districts or non-notified areas of partially implemented districts, new dispensary may be established based on number of coverable employees instead of Insured Person, as ascertained during the pre-implementation survey data, so as to arrange medical facilities before the implementation of new areas.
 - C. For implementation of ESI Scheme in partially implemented and non-implemented districts, if any location (non-implemented area) does not fulfill the criteria/ norms for setting up of ESI dispensary, Regional Director/ State Govt. may make necessary arrangement through empanelment of Insurance Medical Practitioner (IMP), Modified Insurance Medical Practitioner(m-IMP), Modified Employer Utilization Dispensary (mEUD) as per norms for providing primary care medical services and Tie-up arrangement with public/private hospitals and/or PMJAY for arrangement of secondary care medical services.
 - D. Norms of minimum 15000 Insured Persons for setting up of a 100 bedded ESI Hospital in North East Region/ Hilly area will continue to prevail as approved earlier.



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II. Expenditure on Medical care:

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 Rs. 3,000/- per IP per annum w.e.f. FY2021-22, new ceiling structure is as under:

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

*The cost of medical expenditure between the Corporation and the State Government is shared in the ratio of 7:1, within the ceiling.

**Besides above, State Governments are also authorised to claim for Rs. 200/- per IP per annum as incentive, over & above the ceiling of Rs. 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 Rs. 20/- per IP per annum for expenditure under Preventive & Promotive Health Services.



III. 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.
- Beds, linen etc. for use of patients.
- Liveries and Uniform for all staff.
- Re-imbursement / 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



IV. 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. Rs. 2,600/- per IP per annum w.e.f. FY 2021-22. However, ceiling limit on 'Administrative' expenditure i.e. Rs. 1300/- per IP per annum, is to be strictly adhered to.

V. 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 Rs.40 lac per dispensary (Rs.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 along with 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.

3. State Autonomous Society: The concept of a *State Autonomous Society* under the Employees' State Insurance Corporation (ESIC) was introduced (U/S 58(5)) to improve the quality and efficiency of delivery of medical care under the Employees' State Insurance (ESI) Scheme. The formation of such societies aims to provide greater flexibility, autonomy, and efficiency in managing and running ESI hospitals and dispensaries at the state level.

I. The State shall register the body as a Society as well as a Trust and ESIC shall release the fund directly to the bank account to the society.

II. Formation of State ESI Society shall give flexibility for the states to improve the medical benefit service delivery to the Insured Persons and the beneficiaries of the ESI Scheme by way of better Primary & Secondary Care.

III. Society will provide the state following Benefit:

i. Autonomy in terms of availability of funds, instead of routing



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through the State Treasury.

- ii. Timely medical manpower engagement on contract till such time regular manpower is made available.
- iii. Timely settlement of reimbursement bills of the Insured Persons without waiting for state budgetary release.
- iv. Better availability of drugs & dressings in ESIS Hospitals and dispensaries due to availability of funds.
- v. Equipment procurement to upgrade medical services due to better decision making by the Society.
- vi. Repair & maintenance of State-run Hospitals and Dispensaries.

4. Employees' Insurance Court:

This is a special court set up to deal with disputes and claims arising under the Employees' State Insurance (ESI) Act, 1948.

The E.I. Court handles cases such as:

- Disputes related to the applicability of the ESI Act.
- Claims regarding the benefits provided under the ESI scheme.
- Any grievances or disputes involving employers, employees, and the ESIC.

The court has the authority to adjudicate matters related to contributions, benefits, penalties, and other issues linked to the ESI Act.(Sec.75(1),(2) and (2A)

Constitution of E.I. Court:

(1) The State Government shall, by notification in the Official Gazette, constitute an Employees' Insurance Court for such local area as may be specified in the notification.

(2) Any person who is or has been a judicial officer or a legal practitioner of five years' standing shall be qualified to be a Judge of the Employees' Insurance Court. (Sec.74)



5. Regional Boards: Regional Board under ESIC plays an important role in the administering of ESI scheme at State level. It facilitates coordination between ESIC at Regional level and State Government and advises the ESIC on matters implementation and functioning of the scheme.

A Regional Board may be set up for each State or Union Territory by the Chairman of the Corporation and shall consist of the followings:

- i. Chairman
- ii. Vice-Chairman
- iii. Representative of State Government/UT
- iv. Representative of the employers and employees
- v. Ex-Officio members:
 - a. The Administrative Medical Officer or any other Officer directly in charge of the Employers' State Insurance Scheme
 - b. The State Medical Officer of the Corporation
 - c. Members of the Corporation/ Medical Benefit Council, residing in the State or the Union Territory
 - d. The Regional Director or Officer in charge of the Regional Office (Member Secretary of the Board) (Reg.10(1),(2),(3))

Term of office of the Employers' and Employees' representative members of the Regional Board shall be three years commencing from the date on which their nomination is notified, provided that the members of the Regional Board, shall, notwithstanding the expiry of the said period, continue to hold office until the nomination of their successors is notified.

Function of Regional Board:

- (a) Such administrative and/or executive functions as may, from



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time to time be entrusted or delegated to it by a resolution, by the Corporation or the Standing Committee.

(b) Within the broad framework of the general decisions and programme of priorities of the Corporation, the following matters, provided that where the specific approval of the Corporation or the appropriate Government is required, such approval shall be taken:

— (i) Extension of the Scheme to other categories of establishments and new areas ; (ii) Improvement in benefits of the IPs;

(c) To review from time to time the working of the Scheme in the State both on the medical side as well as cash benefit side and to advise the Corporation and the State Government on measures to improve the working of the Scheme.

(d) To look into general grievances, complaints and difficulties of insured persons, employers, etc., as it may consider necessary. (Reg.10(14))

6. Local Committee: It is an advisory body at district level to assist in deal with local issues relating to benefit and implementation of ESI scheme. It consist of the followings:

(a) A Chairperson nominated by Regional Director

(b) An official of the State to be nominated by the State Government;

(c) Six representatives of employees, out of which (i) two longest contributing employees of such area, (ii) two representatives of employees in the area, representing organizations of employees and (iii) two employees from ESI registered MSME establishments, to be nominated by Regional Director of the State/Union Territory;

(d) Six Representative of the Employers out of which (i) two employers who are contributing the highest value during last three years; (ii) two employers from ESI registered establishments of MSME category and (iii) two employers representing employers/industry association in the area to be nominated by the Regional Director



of State/Union Territory;

(e) The Officer In charge of the District (ex officio Member Secretary)

Term of office : The Term of Office of the representative of Employers' and Employees' members of local committee shall be three years, provided that such members shall notwithstanding the expiry of the said period, continue to hold office until the nomination of their successor is notified.

Function of the Local Committee: The Local Committee shall perform in respect of the area for which it is set up, namely: —

(a) to discuss local problems with regard to the Employees' State Insurance Scheme so as to secure its efficient working with the full co-operation of all parties concerned and to make recommendations;

(b) to refer such complaints as it may consider necessary to the Regional Director concerned; or in the case of complaints concerning medical benefit, to the State Government or such authority as that Government; and

(c) to advise the Corporation or the Regional Board concerned on such matters as may be referred to it for advice. (Reg.10(A))

7. Medical Appellate Tribunal: MAT is a quasi-judicial body established to provide an opportunity of appeal against the decision of Medical Board regarding the extent of loss of earning capacity for PDB purpose. Insured Person or the Corporation both may appeal to MAT against the decision of Medical Board. (Rule 20-A)

Constitution of Medical Appeal Tribunals : The State Government shall constitute as many Medical Appeal Tribunals as it thinks fit. Further each such Medical Appeal Tribunal shall consist of such persons, exercise such jurisdiction and follow such procedure as the State Govt., in consultation with the Corporation may, from time to time, decide. (Reg.76). However, for the sake of uniformity, the ESI Corporation has recommended to the State Govts. that Medical



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Appeal Tribunals may have the following constitution : - The Medical Appeal Tribunal shall consist of – (i) a person who is or has been a judicial officer of a State Govt., or a legal practitioner of 3 years' standing, or a Commissioner for Workmen's Compensation

(the presiding officer/chairman should not be of a status higher than the Judge of the E. I. Court) as Chairman.

(ii) One or more medical experts and

(iii) One or more officials or members of trade union or unions.

(Regulation:76)



Disclaimer:

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