

EMPANELMENT OF HOSPITALS:
EARNEST MONEY DEPOSIT AND PERFORMANCE BANK GUARANTEE

1. Reference GOI MoD letter No.22B/(04)/2010/US/(WE)/D (Res) GOI of MoD dated 18 Feb 2011. A number of queries on the subject are being received at this HQ.
2. The detailed guidelines on Earnest Money Deposit (EMD), and Performance Bank Guarantee (PBG) are as formulated.

Earnest Money Deposit.

3. The EMD of Rs.1.00 lac will be obtained by the Regional Centres from the hospitals / diagnostic laboratory in the form of Demand Draft in favour of respective Regional Centre. The EMD is a surety to sign the MOA and will be refunded at the time of signing of MOA subject to following:-

- (a) In case the application is rejected on technical grounds, EMD would be refunded.
- (b) In case the application is rejected after inspection on the grounds of submitting incorrect information, then 50 % of the EMD would be forfeited and the balance would be refunded in due course.
- (c) In case the applicant hospital / diagnostic centre refuse to sign the MOA, 50 % of the EMD would be forfeited.

Performance Bank Guarantee

4. The format of the PBG to be rendered by the nationalised bank is as enclosed. The PBG will forfeit and the hospitals / diagnostic laboratory removed from the list of empanelled institutions in case of the following.

- (a) In case of any violation of the provisions of MOA by the hospitals / diagnostic laboratory such as :-
 - (i) Refusal of service.
 - (ii) Undertaking unnecessary procedures.
 - (iii) Prescribing unnecessary drugs / tests.
 - (iv) Over billing.
 - (v) Reduction in staff / infrastructure / equipment etc. after the hospitals / diagnostic laboratory has been empanelled.
 - (vi) Non submission of the report, habitual late submission or submission incorrect data in the report.
 - (vii) Refusal of credit to eligible beneficiaries and direct charging from them.
 - (viii) If recommended by NABH / NABL at any stage.
 - (ix) Discrimination against ECHS beneficiaries' vis-à-vis general patients.

(b) The Bank Guarantee shall be forfeited and the ECHS shall have the right to de-recognize the hospitals / diagnostic laboratory as the case may be. Such action could be initiated on the basis of a complaint, medical audit or inspections carried out by ECHS teams at random.

(c) The decision of the Ministry of Defence (ESW) in this regard shall be final.

5. **Liquidated Damages.**

(a) The hospitals / diagnostic laboratory shall provide the services as per the requirements specified by the ECHS in terms of the provisions of the MOA. In case of initial violation of the provisions of the MOA by the Hospital / Diagnostic Laboratories such as refusal of service or refusal of credit to eligible categories of ECHS Beneficiaries or defective service and negligence, the amount equivalent to 15% of the amount of Performance Bank Guarantee shall be charged as agreed Liquidated Damages by the ECHS, however, the total amount of the Performance Bank Guarantee shall be maintained intact being a revolving Guarantee.

(b) In case of repeated defaults by the Hospital / Diagnostic Laboratories, the total amount of Performance Bank Guarantee shall be forfeited and action shall be taken for removing the hospital / diagnostic laboratory from the empanelment of ECHS as well as termination of the Agreement.

(c) For over-billing and unnecessary procedures, the extra amount so charged shall be deducted from the pending / future bills of the Hospital / Diagnostic Laboratories and the ECHS shall have the right to issue a written warning to the hospitals / diagnostic laboratory not to do so in future. The recurrence, if any, shall lead to the stoppage of referral to that hospital / diagnostic laboratory.

(d) Before initiating action under sub clause (a) to (c) above, ECHS shall serve a show cause notice to the Hospital / Diagnostic Laboratories for which it shall have to respond within ten days of its receipt.

6. All these clauses may be incorporated in the MOA signed with the hospitals empanelled under the new procedure as laid down vide a/m GOI letter.

Sd/-x-x-x-x-x
MD ECHS

PERFORMANCE BANK GUARANTEE

To:

President of India

Acting through (Regional Centre ECHS)

WHEREAS _____ (Name of Hospital) has undertaken, Agreement No. _____ dated, _____ 2011 b _____
_____ (Description of Services) hereinafter called "the Agreement".

AND WHEREAS it has been stipulated by you in the said Agreement that the Hospital selected for empanelment shall furnish you with a bank Guarantee by a nationalized bank for the sum specified therein as security for compliance with the Hospital performance obligations in accordance with the Agreement.

AND WHEREAS we have agreed to give the Hospital a guarantee :-

THEREFORE WE (Name of the Bank) hereby affirm that we are Guarantors and responsible to you, on behalf of Hospital (herein after referred to "the Second Party" up to a total of _____ (Amount of the guarantee in Words and Figures) and we hereby irrevocably, unconditionally and a bsolutely undertake to immediately pay you, upon your first written demand declaring the Second Party to be in default under the Agreement and without cavil or argument, any sum or sums within the limit of _____ as aforesaid, without your needing to prove or to show this grounds or reasons for your demand or the sum specified therein. This guarantee is valid until the _____ day of _____

This Guarantee shall be incorporated in accordance with the laws of India.

We represent that this Bank Guarantee has been established in such form and such content that is fully enforceable in accordance with its terms as against the Guarantor Bank in the manner provided herein.

The Guarantee shall not be affected in any manner by reason of merger, amalgamation, restructuring or any other change in the constitution of the Guarantor Bank or of the Hospital.

Date

Signature and Seal of Guarantors

Address:
