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(Comp No. 8352526)
भारत सरकार
स्वास्थ्य एवं परिवार कल्याण मंत्रालय
(ईएचएस अनुभाग)
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कर्तव्य भवन-1, दिल्ली
दिनांक –15-01-2026

कार्यालय ज्ञापन/OFFICE MEMORANDUM

Subject: Drug Procurement Policy in Central Government Health Scheme

The undersigned is directed to state that in view of the evolving requirements of healthcare service delivery, expanding scale of operations, that entails strengthening of supply chain resilience and adherence to quality assurance mechanisms, a comprehensive CGHS Drug Procurement Policy has been formulated.

2. The Ministry has approved the CGHS Drug Procurement Policy, which is hereby issued for adoption by all CGHS establishments.

3. The Directorate of CGHS shall issue necessary orders, clarifications and operational guidelines to facilitate adherence and roll out of the provisions of the policy.

This issues with the approval of the Competent Authority.

Digitally signed by HEMLATA SINGH
Date: 15-01-2026 18:11:50

(Hemlata Singh)
Under Secretary to the Government of India
Tel 011-24013252

Encl: CGHS Drug Procurement Policy

To

1. Addl. Director, CGHS(HQ)/ Addl. DDG(CGHS)/ Addl. Directors, CGHS of Cities / Zone.
2. ED, CDAC, Noida with request to make necessary changes in CGHS Software

Copy of Information to:

1. PPS to Secretary (H&FW), MoHFW
2. PPS to AS & DG CGHS
3. PPS to JS (MoHFW), CGHS

(Hemlata Singh)
Under Secretary to the Government of India
Tel 011-24013252

Your Health, Our Goal
आपका स्वास्थ्य, हमारा लक्ष्य

Drug Procurement Policy Central Government Health Scheme

Reference File Number:
E-Comp. No.: 8352526
File No.: 17-01/2025-26/CGHS/MSD

Contents

Overview

This document aims to establish a comprehensive policy framework for drug* procurement under the Central Government Health Scheme (CGHS). The objective is to ensure the uninterrupted availability of high-quality medicines to CGHS beneficiaries through diversification and redundancy in procurement sources. The policy seeks to strengthen supply chain resilience, quality standards, and promote efficiency, transparency, and accountability in the procurement process.

Necessity of Drug Procurement policy

The regulation of drugs in India is governed by a well-defined statutory framework. The Drugs and Cosmetics Act, 1940 and the Drugs and Cosmetics Rules, 1945 regulate the import, manufacture, distribution, and sale of drugs across the country. The Indian Pharmacopoeia prescribes uniform standards for the quality, purity, and potency of drugs manufactured and marketed in India, while the New Drugs and Clinical Trials Rules, 2019 outline the regulatory process for approval and manufacture of new and investigational drugs.

Within this national framework, the Central Government Health Scheme (CGHS) functions as one of the largest institutional consumers of medicines, serving a wide and diverse beneficiary base.

Procurement of medicines constitutes a specialised domain, involving perishable goods where quality assurance and timely delivery are of critical importance. In consonance with the General Financial Rules (GFR) and the Manual for Procurement of Goods, this policy framework has been formulated to meet the specific operational requirements pertaining to drug procurement under CGHS while ensuring alignment with standards of drug quality and emerging drug discovery.

*Allopathy drugs

I. INTRODUCTION

1. The Central Government Health Scheme (CGHS) is a contributory Health Scheme that provides comprehensive healthcare facilities for Central Government employees and pensioners, Members of Parliament, former Members of Parliament, and their dependents in CGHS-covered cities.
2. Presently, 42 lakh beneficiaries are covered by CGHS in 81 cities through 350 wellness centres. The endeavour is to strengthen this healthcare network to improve accessibility of the services.

II. OBJECTIVE

1. To ensure uninterrupted, equitable and efficient access to quality assured medicines.
2. To promote transparency and accountability in the drug procurement process while assuring drug quality and cost-effectiveness.
3. Replace ad hoc provisioning with demand-driven forecasting and planning.
4. Better utilisation of resources by shifting procurement of high-consumption drugs to bulk procurement.
5. To implement quality control measures.

III. DEFINITIONS

1. **Formulary:** Drugs formulary of medicines as prescribed by the Department of Health and Family Welfare, comprising of list of generic drugs commonly used in Government healthcare institutions.
2. **CGHS Database:** Drugs available for listing on the Hospital Management Information System of CGHS. The Competent Authority's office shall approve all drugs added to the CGHS Database and shall be consolidated and managed centrally for uniformity.
3. **Drug:** as per Section 3(b) of the Drugs and Cosmetics Act, 1940 or as amended.
4. **Generic Drugs:** as defined by WHO, a pharmaceutical product, usually intended to be interchangeable with an innovator product that is

manufactured without a license from the innovator company and generally marketed after the expiry date of the patent or other exclusive rights.

5. **Branded Drugs:** Innovator product.
6. **Branded Generic Drugs:** Branded generics are generic drugs that are marketed under a brand name and are equivalent to generic medicines
7. **Patented Drugs:** are medications that are protected by a patent, and are often marketed under a brand name.
8. **National List of Essential Medicines (NLEM)**: A list of medicines considered essential for the healthcare needs of the majority of the population, notified from time to time by DoHFW.
9. **Restricted Drugs**: as per office order No. F. No. Z15025/19/2024/DIR/CGHS/I/3721886/2024 dated 12-11-2024 or as amended from time to time.

IV. PROCUREMENT POLICY

The basis of medicine supply to CGHS beneficiaries shall be on a valid prescription issued by a Government institution or, empanelled healthcare organisation. In the interest of economy and wider beneficiary welfare, the preference shall always be given to the supply of generic medicines through bulk procurement of drugs.

A. Formulary in CGHS

1. The formulary of medicines shall be as prescribed by the Department of Health and Family Welfare, which comprises of list of generic drugs commonly used in Government healthcare institutions. It shall be maintained by the Medical Store Organisation (MSO) under the Directorate General of Health Services (DGHS) and revised at six-monthly intervals.
2. CGHS shall ordinarily follow the same formulary with limited exceptions approved on clinical or operational grounds. The formulary shall serve as the basis for bulk procurement of medicines under CGHS, ensuring uniformity.
3. At the planning stage, CGHS shall exercise due prudence and ensure that medicines selected for bulk procurement are drawn from the approved formulary, giving priority to those drugs that are commonly prescribed and reflected in valid prescriptions.

B. Eligibility for Inclusion in CGHS database of medicines

1. The nomenclature used in valid prescriptions is determined by the prescribing authority and may include generic, branded, branded-generic, or patent medicines. CGHS would endeavour to maintain an electronic database of medicines within its software systems, aiming to list the drugs manufactured by firms compliant with current WHO-GMP or Revised Schedule-M standards.

C. Exclusion Criteria

1. Items such as dietary supplements, cosmetics, baby food, toiletries, disposables, vaccines and medical devices that are not permissible under CGHS rules & guidelines, irrespective of listing in the formulary (Refer to Section A above), shall not be procured.

D. Sources of Procurement

1. Drug Procurement in Bulk: The drug procurement in bulk by CGHS shall be done by the Competent Authority after considering the consumption pattern, from the following sources:
    a. Medical Stores Organisation (MSO)
    b. Pharmaceuticals & Medical Devices Bureau of India (PMBI)
    c. Rate contracts for all such drugs, which are required for CGHS beneficiaries but are not available with MSO or Jan Aushadhi, CGHS shall procure these drugs by establishing its own Rate Contracts with the manufacturers through an open tender system to be supplied on a Direct-To-Consignee basis at Wellness Centre Level. These Rate Contracts shall be established by CGHS & shall be made operative throughout CGHS cities on a decentralised basis by the competent authority.
    d. In case of contingency, the Competent Authority may also procure drugs from the Central/State Public Sector Enterprises or any such entity, subject to the provisions of General Financial Rules and instructions on the subject.
2. Procurement of restricted medicines: CGHS shall procure restricted medicines after establishing Rate Contracts with the concerned drug manufacturers or importers, as applicable. In cases where a beneficiary requires a medicine for which no Rate Contract is in place, such requests shall be examined on a case-by-case basis, based on the actual requirement.
3. Procurement of medicines required on a day-to-day basis: In case medicines are not available at the CGHS Wellness Centre, they shall be procured from the Authorised Local Chemist (ALC) to ensure timely availability to beneficiaries. Such procurement shall be supplementary in nature and subject to applicable guidelines through the Government eMarketplace.
4. Accountability and Transparency Measures

a. CGHS has a robust drug distribution and monitoring software, the Healthcare Management Information System (HMIS). The implementation of the CGHS software in drug procurement enhances transparency, efficiency, and accountability across all stages of the supply chain. It enables real-time monitoring of stock positions, facilitates timely redistribution to prevent shortages or overstocking, thereby promoting the use of cost-effective generic medicines. The system facilitates data-driven decision-making to ensure that medicines are procured and distributed in the right quantity, at the right place, and at the right time, thereby promoting economy in expenditure and strengthening governance and service delivery within CGHS.
b. The procurement through Authorised Local Chemists shall be monitored at multiple levels — daily by each Wellness Centre, on a fortnightly basis by the respective Regional Office, and every quarter by the Directorate.
c. All Wellness Centres shall **monitor the provisioning, supplies, utilisation and the expiry** profile through the Healthcare Management Information System (HMIS) of CGHS and shall make all efforts to use the drugs within the permissible shelf life.
d. There shall be a mechanism in place to **monitor the availability of stocks in the Medical Store Depot and the attached Wellness Centres** through the HMIS of CGHS to monitor for timely movements of drugs to ensure the availability of medicines at the Wellness Centre.
e. There shall be a mechanism to **monitor overstocking at Wellness Centres** through the HMIS of CGHS, and the competent authority in CGHS shall, on a monthly basis, take appropriate measures to redistribute medicines to centres with lower stock levels.
f. There shall be a mechanism in place at the regional level for **monitoring of procurement through Authorised Local Chemist**, through the HMIS of CGHS, with the objective to minimise the procurement, and it shall be scrutinised at the Directorate level.

g. There shall be a mechanism in place at the directorate level for **monitoring of bulk procurement** (MSO/PMBI/Director to Consignee mechanism) through HMIS of CGHS to suggest action towards both over-procurement and under-procurement.

E. Provision of Drugs

1. Bulk Demand Estimation: CGHS shall forecast its medicine requirements based on consumption patterns in Wellness Centres and compile demand through the Competent authority for submission to the MSO/PMBI for bulk procurement. A Wellness Centre shall maintain a minimum buffer stock of three months. A permissible expiry margin may be determined to allow for the maintenance of a buffer level based on the patterns observed through the HMIS of CGHS.
2. Bulk Self Procurement: This form of procurement, as and when initiated, shall be for medicines not available with the MSO or PMBI, and the Competent authority in CGHS may place monthly online supply orders on Rate Contract (RC) holding manufacturers, based on the consumption pattern of drugs to be supplied on a Direct-To-Consignee basis at the wellness centre level.

F. Buffer stocks at CGHS units

It shall be the endeavour of CGHS to maintain buffer stocks of three 03 months for drugs procured in bulk quantity at all CGHS units for smooth functioning, calculated on the basis of details available in HMIS of CGHS. Further, CGHS shall aim to ensure that each Wellness Centre maintains adequate bulk stocks of medicines included in the National List of Essential Medicines (NLEM) 2022 or its subsequent amendments, except drugs mandated under National Health Programmes. However, the buffer would be maintained in such a manner that it minimizes the risk of expiry. This should be done by keeping medicines in buffer which have shelf life of at least one year or more. Medicines due to expire in 3 to 6 months should be taken out from the buffer and used. The buffer can be

replenished with fresh medicines with shelf life of one year or more. In case of damage, expiry due to short life, etc., write off can be considered.

G. Delivery Period

The time and date of delivery of quality drugs stipulated shall be the essence of the supplies, and delivery must be completed within the stipulated date of delivery.

H. Strengthening the Supply Chain

In addition to measures for strengthening the Supply chain of medicines at all levels, including last-mile delivery of medicines for CGHS beneficiaries, CGHS may identify a dedicated procurement agency/agencies, along with requisite warehousing facilities, to streamline and strengthen the supply chain management of medicines and medical consumables.

I. Quality

1. Quality check at the time of receipt of medicine

The mechanism for Quality assurance for Bulk procurement shall be as follows:

a. Bulk Procurement through MSO: The quality testing of medicine through MSO shall be as per the mechanism defined, amended from time to time.
b. Bulk Procurement through PMBI: The Quality testing of medicine CGHS shall carry out as per the testing policy of PMBI, as amended from time to time.

2. Periodic testing of medicines

Quality testing mechanism shall be in place as per the standards laid down in the Indian Pharmacopoeia or such similar standards; from, NABL-accredited testing laboratory, to be empanelled at the central level.

In case a drug/batch fails in testing and is reported as “Not of Standard Quality”, the matter shall be reported to the procurement agency

concerned, and action shall be taken as per contractual obligations and not limited to reporting the matter to the CDSCO.

J. Writing off expired medicines

In view of the perishable nature of medicines, the write-off of expired drugs shall be carried out in accordance with the instructions issued by the Department of Expenditure, as amended from time to time. Also, in case of damage, expiry due to short life, etc., a write-off can be considered.

Glossary	
Acronym	**Full Form**
CDSCO	Central Drugs Standard Control Organization
CGHS	Central Government Health Scheme
DoHFW	Department of Health and Family Welfare
HMIS	Hospital Management Information System
NLEM	National List of Essential Medicines
WHO-GMP	World Health Organization – Good Manufacturing Practices
MSO	Medical Stores Organization
PMBI	Pharmaceuticals & Medical Devices Bureau of India
RC	Rate Contract
ALC	Authorized Local Chemist
QC	Quality Control
NABL	National Accreditation Board for Testing and Calibration Laboratories
DFPR	Delegation of Financial Powers Rules
WC	Wellness Centre
NSQ	Not of Standard Quality