

Hand back money to hospitals, committee demands

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The Coalition-dominated committee says the Commonwealth should restore funding cut retrospectively to all states and territories. *Photo: Glen Hunt*

The Gillard government should immediately reinstate hundreds of millions of dollars cut retrospectively from state hospital budgets, a Coalition-dominated Senate committee has recommended.

The Commonwealth announced in October last year that due to a downward revision of population estimates, payments to the states and territories for the current financial year would be \$254 million less than originally estimated, and it would recover \$150 million from payments made in the 2011-12 financial year.

In their report, the committee majority – three Coalition and one Greens Senator – said the Commonwealth should restore funding cut retrospectively to all states and territories, and commit to not making retrospective cuts in the future.

"You can't take back a hip replacement and you can't put a child's tonsils back in," committee chairman, Liberal Senator Scott Ryan said.

"Once funding is committed and delivered, government has no place in taking it back," he said.

The cuts have been felt most keenly in Victoria, where hospitals had announced plans to close about 350 beds and cancel thousands of elective surgeries.

Federal Health Minister Tanya Plibersek had pointed to Victoria's own cuts – worth around \$123 million a year – but in a bid to end the damaging public stoush last month announced it would restore \$107 million cut from Victoria for the 2011-12 and 2012-13 years.

Ms Plibersek said the Commonwealth would bypass the state government, paying the money directly to hospitals and would recoup the money from reward payments earmarked for the state and grants for future projects.

NSW and Queensland have demanded the Commonwealth also restore funding cut from their budgets.

Prime Minister Julia Gillard has said she is prepared to "rearrange" the budgets of other states, restoring funding to hospitals directly and deducting the money from other federal grants.

Ms Plibersek has said such arrangements would be considered on a case-by-case basis.

The committee called on the Commonwealth to withdraw its threat to recoup the \$107 million from other grants to Victoria, and to abandon its plan to give money directly to hospitals, because this would increase the compliance burden on hospitals, forcing them to divert resources away from patients.

Greens Senator Richard Di Natale, who initiated the inquiry, said the cuts were "an appalling act of penny-pinching" on the part of the Commonwealth.

Labor senators said the cuts were in accordance with the agreement signed between the Commonwealth, states and territories.

It said the federal government was increasing health funding to the states, for example by 38 per cent to Victoria between 2011-12 and 2015-16 and by 32 per cent to NSW over the same period.

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