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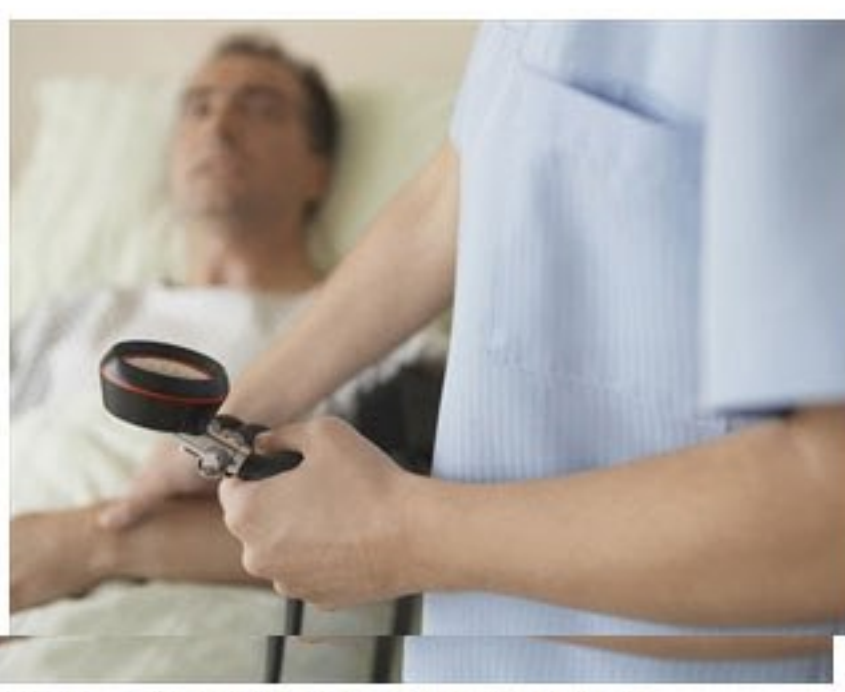
Fed hospital cuts 'politically motivated'

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FEDERAL cuts to state hospital funding were politically motivated to improve the budget and that calls into question the federal government's commitment to health reforms, a scathing Senate report says.

Just weeks after Prime Minister Julia Gillard bypassed the Victorian government to directly fund hospital administrators, the coalition-dominated Senate committee says her government should immediately reinstate funding cuts made in October last year.



A SENATE INQUIRY HAS CALLED ON THE FEDERAL GOVERNMENT TO REINSTATE HOSPITAL FUNDING TO THE STATES. AAP

The mid-year budget cuts to hospitals sparked a long-running stoush with Victoria and Queensland, which complained of losing hundreds of millions of dollars because of a revision based on "dodgy" population figures.

The committee agreed the population calculations were flawed and said their use was indefensible.

It said the health cost index also used to determine payments was "woefully inadequate" in reflecting true cost increases.

The states signed up to the national health funding agreements, instigated by former prime minister Kevin Rudd, "in good faith", the Liberal chair of the committee Scott Ryan wrote in the report.

"But it appears the commonwealth pursued politically motivated funding cuts to improve its financial position at the expense of public hospital users," Senator Ryan said.

"The evidence provided to the committee in relation to funding of public hospitals since December 2012 calls into question the Commonwealth government's commitment to hospital reform."

Victoria claims the commonwealth stripped \$475 million from the state's health budget over four years - \$107 million this financial year - complaints that were echoed by other states such as Queensland and NSW.

To end the standoff, Canberra bypassed Victoria's government by directly paying \$107 million to hospitals.

Ms Gillard threatened to do the same in other states if they continued to agitate for a return of funding.

The Senate committee has made six recommendations, including that the commonwealth reinstate "as a matter of urgency" the funding cuts.

It also called on the federal government to "desist from attempts" to bypass states and fund hospitals directly.

Australian Greens health spokesman Richard Di Natale said the report showed the mid-year cuts "were an appalling act of penny-pinching".

The funding cuts had caused enormous upheaval in the public hospital system, he said.

"Surgeries have been cancelled, bed numbers have been reduced, emergency departments have been put under threat," he said.

"The federal government relied on a dodgy interpretation of population data as justification for its cuts, and then tried to get away with it by blaming it on the states."

A spokesman for Health Minister Tanya Plibersek dismissed the inquiry that produced the report as a "political stunt".

"We will respond to the report in due course, but it's clear that the commonwealth has acted in accordance with the agreements that it has signed with the states and territories," he said.

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