



109th Congress

Securing America's Future



March 2005 / State **Work Period**
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SENATE REPUBLICAN CONFERENCE

Rick Santorum, Chairman

Kay Bailey Hutchison, Vice Chairman

<http://gop.senate.gov>



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109th Congress

March 17, 2006

Dear Colleague,

Thank you for your ongoing commitment to work together to Secure America's Future. During the upcoming recess we encourage you to continue to highlight the strength of the economy and the ongoing critical importance of fighting the War on Terror.

We are also encouraging Senators to have listening sessions in their states on the important issue of border security and immigration reform. Comprehensive immigration reform must begin with securing our borders. America is a nation of immigrants, which we embrace. We are also a nation of laws. Without properly securing our borders, we remain vulnerable to those who may enter our country undetected--criminals, terrorists, and other individuals who may mean harm to Americans.

Since August of 2003, nearly 5 million net new jobs have been created for American workers and families. Jobs have been created for 30 consecutive months, illustrating the strength of the economy. Moreover, the signing into law of the Deficit Reduction Act also accomplishes a critical step in restraining federal spending, including entitlement spending, while maintaining our commitment to beneficiaries. Our work on a responsible FY07 budget is also a crucial step forward.

In the ongoing fight against terror, we have made significant progress by completing long-term renewal of the Patriot Act to maintain and refine the essential tools for this effort. We also need to continue to remind our constituents of the critical role of proactive surveillance and intelligence gathering in keeping Americans safe.

With input from members of our Conference, we have agreed to build on our accomplishments and embrace a longer term positive agenda for America. We have also agreed to focus on five priority issue areas related to the War on Terror/border security, jobs/economy, health care, energy/conservation, and education.

OVERALL THEMATIC: **SECURING AMERICA'S FUTURE**

SECURING AMERICA'S FREEDOM, HOMELAND, AND BORDERS

SECURING AMERICA'S COMPETITIVENESS AND CREATING JOBS THROUGH A GROWING ECONOMY

SECURING AFFORDABLE AND ACCESSIBLE HEALTH CARE FOR ALL AMERICANS

SECURING AMERICA'S ENERGY INDEPENDENCE

SECURING A SAFE AND QUALITY EDUCATION FOR ALL AMERICANS

In contrast to our positive vision for America, our friends on the other side of the aisle have not laid out a positive agenda for America. Many of them are standing on the quicksand of obstruction and hypocritical attacks. Regardless, we will continue to work together to protect this nation and to improve the lives of all Americans by addressing the problems they face.

Thank you,

Handwritten signature of Rick Santorum in blue ink.

Rick Santorum, Chairman

Handwritten signature of Kay Bailey Hutchison in blue ink.

Kay Bailey Hutchison, Vice-Chair



Agenda/Accomplishments

Thematic: Securing America's Future

PRIORITY ISSUE: **WAR ON TERROR**

SECURING AMERICA'S FREEDOM, HOMELAND, AND BORDERS

- Patriot Act Renewed
- Combat Meth Act
- Budget Funding for Defense
- Budget Funding for Homeland, Port, and Border Security

PRIORITY ISSUE: **JOBS/ECONOMY**

SECURING AMERICA'S COMPETITIVENESS AND CREATING JOBS THROUGH A GROWING ECONOMY

- JOBS: Nearly 5 million jobs created since August 2003.
- 30 consecutive months of continual growth
- Deficit Reduction Act signed into law
- FY07 Budget – fiscal responsibility

PRIORITY ISSUE: **HEALTH CARE**

SECURING AFFORDABLE AND ACCESSIBLE HEALTH CARE FOR ALL AMERICANS

- Medicare Prescription Drugs Implementation

PRIORITY ISSUE: **ENERGY/CONSERVATION**

SECURING AMERICA'S ENERGY INDEPENDENCE

PRIORITY ISSUE: **EDUCATION**

SECURING A SAFE AND QUALITY EDUCATION FOR ALL AMERICANS

- Budget Education Funding

Democrats Play Block & Blame, Republicans Secure America's Future



Republicans are proud to have a bold, positive agenda to Secure America's Future. We have fought and won some important victories already in the 109th Congress, and Republicans in the Senate are prepared to build on that success in 2006.

However, we face an enormous hurdle in moving America forward because of a Democratic Party that would rather block what needs to be done and then blame Republicans when things don't get done. Yet, while they spend all of their energy attacking Republican actions, Democrats have offered no solutions of their own to America's serious challenges.

The American people expect passionate debates in Congress, but they are increasingly frustrated by a Democratic Party that simply says "no" to everything, while putting forth no ideas or clear agenda as an alternative.

Republicans are moving to Secure America's Energy Independence by developing affordable and reliable energy to reduce our reliance on Middle Eastern oil. But Democrats vote in unison to block domestic production, block new refineries, and block nuclear generation that has been proven safe and clean in nations throughout Europe. How can they then blame others for high energy prices that burden families and threaten jobs?

Republicans are working to Secure Affordable and Accessible Health Care for All Americans by ensuring every American can own a personal health plan. But Democrats vote in unison to block health savings accounts that give control to consumers and drive down costs, and they block efforts to allow individuals to deduct the cost of health insurance just like businesses. Then they blame others for rising costs and complain about the millions of uninsured Americans?

Republicans are working to Secure America's Freedom, Homeland and Borders by aggressively fighting the War on Terror and ending illegal immigration. But Democrats have tried to block the Patriot Act which is vital to catch terrorists before they attack, and to block any restrictions on illegal immigrants. Democrats constantly undermine President Bush's ability to pursue terrorists and grandstand on intelligence issues, while offering no plan of victory of their own. How can they then blame Republicans for slow progress in winning the War?

Republicans are fighting to Secure America's Competitiveness and Create Jobs through a Growing Economy, making our country the best place in the world to do business. Our policies have created the best economy in decades. But Democrats try to block continuing economic expansion by voting in unison to block tax relief for families and small businesses, block any attempts to restrain spending, and block the legal and regulatory reforms that would make American businesses more competitive. How can Democrats then blame Republicans for American businesses struggling to keep up with foreign competitors and job loss?

The truth is that Democrats will say anything, but do nothing. They have no ideas, no solution, no positive agenda. Democrats offer only attacks, obstruction, and partisan rhetoric. Americans expect Democrats to do better. Yet, Republicans will not wait around while the other party plays political games. We will continue to Secure America's Future with a bold vision for tomorrow and solutions for today.

War on Terror



Strategy For Victory: Defeating The Terrorists And Training Iraqi Security Forces



Recently, President Bush Delivered The First In A Series Of Speeches Updating The American People On Our Strategy For Victory In Iraq. The President delivered an update on progress in training Iraqi Security Forces and explained Coalition efforts to combat improvised explosive devices (IEDs). The President's Strategy for Victory in Iraq has three tracks: political, economic, and security. Today's speech focused on the security track.

The Iraqi People Have Chosen A Future Of Freedom And Peace

After The Brutal Terrorist Attack On The Golden Mosque of Samarra, The Iraqi People Looked Into The Abyss And Did Not Like What They Saw. The attack on the Golden Mosque of Samarra was a clear attempt to ignite a civil war. There were mass protests and reprisal attacks in response to the provocation, but by their response over the last two weeks, the Iraqi people have shown the world they want a future of freedom and peace, and they will oppose a violent minority that seeks to take that future away.

While The Situation Is Still Tense, We Have Also Seen Signs Of National Unity. We saw the restraint of the Iraqi people in the face of massive provocation. Many Iraqis showed solidarity by coming together in joint Sunni-Shia prayer services. We saw the leadership of Sunni and Shia clerics, the capability of the Iraqi Security Forces, and the determination of many of Iraq's leaders to come together and act decisively to diffuse the crisis.

Iraqis Now Have A Chance To Show The World That They Have Learned The Lesson Of Samarra. A country that divides into factions and dwells on old grievances risks sliding back into tyranny. Soon, the new parliament will be seated in Baghdad and begin forming a new government. This will demand negotiation and compromise by the Iraqis – and patience by America and our Coalition allies. Yet out of this process, a free government will emerge that represents the will of the Iraqi people – instead of the will of one cruel dictator.

Iraqi Security Forces Are Taking The Lead In Defending Their Democracy

The Aftermath Of The Samarra Mosque Attack Shows The Progress Made By The Iraqi Security Forces. After the Samarra bombing, Iraqi Security Forces – not Coalition forces – restored order. Iraqi leaders put the Iraqi Security Forces on alert – canceling leaves and heightening security around mosques and critical sites. In Baghdad and other trouble spots, Iraqi police manned checkpoints, increased patrols, ensured peaceful demonstrators were protected, and arrested those who turned to violence. Public Order Brigades deployed rapidly to areas where violence was reported. During the past two weeks, Iraqi Security Forces have conducted more than 200 independent operations.

- **Having Iraqi Forces In The Lead Has Been Critical Because They Can Do Things That Coalition Forces Could Not.** For example, on the day of the Samarra bombing, the Iraqi National Police responded to an armed demonstration where an angry Shia crowd had surrounded the Sunni Al Quds Mosque. The Iraqi Brigade Commander placed his troops – who were largely Shia – between the crowd and the mosque, and called for calm and urged the crowd to disperse. After a two-hour standoff, the crowd eventually left without incident, and the National Police remained in position overnight to guard the Mosque until the threat was over. The fact that Iraqis were in the lead and negotiating with their own countrymen helped diffuse a potential confrontation and prevented an escalation of violence.

- **Iraqi Security Forces Are Making Progress Against the Enemy, And They Are Gaining The Confidence Of The Iraqi People.** Last fall, there were over 120 Iraqi Army and Police combat battalions fighting against the terrorists – and 40 of these were taking the lead in the fight. Today, there are more than 130 battalions in the fight – and more than 60 are taking the lead. As more Iraqi battalions come online, these forces are assuming responsibility for more territory. Iraqi forces now conduct more independent operations throughout the country than do Coalition forces.

A Major Goal Of 2006 Is To Accelerate Training Of The Iraqi Police. The Iraqi police still lag behind the Army in training and capabilities. One problem is that some police units have been disproportionately Shia – and there have been reports of infiltration of the National Police by militias. We are taking a number of steps to correct this problem:

- **First, We Are Partnering U.S. Battalions With Iraqi National Police Battalions.** U.S. forces are working with their Iraqi counterparts to give them the tactical training needed to defeat the enemy. They are also teaching them about the role of a professional police force in a democratic system, so they can serve all Iraqis without discrimination.
- **Second, We Are Working With Iraqi Leaders To Find And Remove Any Leaders In The National Police Who Show Evidence Of Loyalties To Militias.** For example, last year there were reports that the Second Public Order Brigade contained members of an illegal militia who were committing abuses. Last December, the Interior Ministry leadership removed the Brigade's commander and replaced him with a new commander – who then dismissed more than 100 men with suspected militia ties. Today, this Iraqi police brigade is a capable and professional unit that performed with courage and distinction during the recent crisis.
- **Third, Iraq Is Diversifying The Ranks Of The National Police By Recruiting More Sunni Arabs.** For example, the basic training class for the National Police Public Order forces that graduated last October was less than one-percent Sunni, but the class graduating in April will include many more Sunni Arabs. By ensuring the Public Order forces reflect the general population, Iraqis are making the National Police a truly national institution.

As More Capable Iraqi Police And Soldiers Come Online, They Will Assume Responsibility For More Territory. The goal is to have the Iraqis control more territory than the Coalition by the end of 2006. Today, Iraqi units have primary responsibility for more than 30,000 square miles of Iraq – an increase of 20,000 square miles since the beginning of the year. As Iraqis take over more territory, American and Coalition forces can concentrate on hunting down high-value terrorist targets.

Coalition Forces Are Combating The Threat Of IEDs

The Terrorists Are Turning To A Weapon Of Fear Because They Know They Cannot Defeat Us Militarily. After the terrorists were defeated in the battles in Fallujah and Tall Afar, they saw they could not confront Iraqi or American forces in pitched battle and survive. So they turned to IEDs – a weapon that allows them to attack from a safe distance, without having to face our forces in battle. Innocent Iraqis are the principal victims of IEDs.

Our Strategy To Defeat IEDs Has Three Elements: Targeting, Training, And Technology. To combat IEDs, the Administration has established a new high-level organization at the Department of Defense, led by retired four-star General Montgomery Meigs.

- **Targeting And Eliminating Terrorists And Bomb-Makers.** Across Iraq, we are capturing and killing the enemy before they strike, uncovering and disarming their weapons before they go off, and rooting out and destroying bomb-making cells so they cannot produce more weapons. Because the Iraqi people are also targets of the bombers, Iraqis are increasingly providing critical intelligence to help us find the bomb-makers and stop new attacks. The number of tips from Iraqis has grown from 400 last March to over 4,000 in December.
- **Coalition Efforts Are Producing Results.** Today, nearly half of IEDs in Iraq are found and disabled before they can be detonated – and in the past 18 months, the casualty rate per IED attack has been cut in half. During the past six months, Iraqi and Coalition forces have found and cleared nearly 4,000 IEDs, uncovered more than 1,800 weapons caches and bomb-making plants, and killed or detained hundreds of terrorists and bomb-makers.
- **Providing Our Forces Specialized Training To Identify And Clear IEDs Before They Explode.** Before arriving in Iraq and Afghanistan, our combat units receive training on how to counter the threat of IEDs. Last month, we established a new IED Joint Center of Excellence headquartered at Fort Irwin, California – where lessons learned from the IED fight in Iraq are shared with troops in the field and those preparing to deploy. This new initiative will ensure every Army and Marine combat unit headed to Afghanistan and Iraq is prepared for the challenges of IEDs. Before deploying, our troops will train with the equipment used in the IED fight, study enemy tactics, and experience live-fire training that closely mirrors what they will see when they arrive in the combat zone.
- **Developing New Technologies To Defend Against IEDs.** The Department of Defense recently gathered some 600 leaders from industry, academia, the national laboratories, the National Academy of Sciences, all branches of the military, and every relevant government agency to discuss technological solutions to the IED threat. We now have more than 100 projects underway.

The President Is Committed To Providing The Funding And Personnel Needed To Succeed. In 2004, the Administration spent \$150 million to fight the IED threat. Last year, the funding was increased to \$1.35 billion, and this year, we are providing \$3.3 billion to support our efforts to defeat IEDs.

Topline Message Points on Comprehensive Immigration Reform

Securing America's Freedom, Homeland and Borders

Comprehensive immigration reform must begin with securing our borders.

- Our national security depends on border security. We need to know who is coming into the country, where they are from, and what they are doing here.
 - No reform of the immigration system will be successful unless Congress makes a definitive commitment to ensure that the agencies responsible for stopping illegal immigrants have the resources that they need to get the job done.
- Without properly securing our borders, we remain vulnerable to those who may enter our country undetected – criminals, terrorists, and other individuals who may mean harm to Americans.
- We must ensure our border patrol agents have the resources, the manpower, and the technology to do their jobs.

America is a nation of immigrants. We are also a nation of laws.

- America has been built on the hard work and innovation of immigrants. Our country thrives on the new ideas and fresh energy that our many legal immigrant groups continue to bring. It is part of what makes our country great.
 - America will remain a nation of immigrants, regardless of what we do in legislation because of the number of legal immigrants that we welcome to our shores every year.
 - We invited over 1 million new permanent immigrants last year – much more than any other nation. And we accept over 6 million applications for immigration benefits each year.
- But America has also been founded on respect for rule of law, and those who enter our country illegally disrespect our laws, and take advantage of our generous immigration system.
- We must find a comprehensive solution that acknowledges the important contributions legal immigrants make to our country without rewarding illegal behavior.
 - We must remove the magnet of illegal employment and enable employers to determine whether their workers are legal. All employers must be held accountable.

Comprehensive immigration reform must reflect America's best values – fairness, opportunity, and respect for rule of law.

- Comprehensive immigration reform must provide a temporary worker program that unites willing employers with willing temporary workers when no U.S. citizen is available to do the job.
- We must find a way to address those individuals already here illegally in a way that is humane and realistic, but does not provide amnesty.
 - As a critical part of controlling future illegal immigration, there must be a temporary program that addresses the illegal immigrants already here.
 - A viable temporary worker program – when we know who has entered the country, who their employer is, and where they are working – will guard against abusive labor practices.
 - Citizenship is an incredible privilege and millions have patiently waited their turn to legally immigrate. We must find a way to address those individuals already here illegally, in a way that is humane and realistic but does not allow people to “cut in line.”
- Securing our borders and eliminating illegal employment will control illegal immigration. But no solution is complete unless we deal with the illegal immigrants already living here. True reform must bring those workers out of the shadows, but amnesty is not an option.



U.S. Senator Rick Santorum

March 9, 2006

Remarks on Project HARMONY Legislation

Mr. President, I rise today to offer remarks on legislation that I am introducing today here in the Senate.

This legislation concerns the need to release military documents and photographs recovered in Iraq and Afghanistan. Specifically, the bill requires the Director of National Intelligence to make publicly available on an Internet website documents captured in Afghanistan or Iraq during Operation Desert Storm, Operation Enduring Freedom, or Operation Iraqi Freedom.

In my conversations with President Bush and Secretary of Defense Rumsfeld, I urged that efforts to examine these documents and photographs be accelerated. With U.S. and Coalition forces actively engaged in Iraq, the analysis and release of these documents should be made a top priority within the Department of Defense.

Recently, I gave a speech at the Valley Forge Military Academy in Pennsylvania concerning ongoing military operations in Iraq and detailed why we must prevail. In my speech, I noted that U.S. and Coalition forces are fighting the forces of Islamic fascism and those who seek to overthrow the values and beliefs that civilized nations cherish. In short, this is a battle we cannot afford to lose.

By way of background, *The Weekly Standard* published several articles detailing a number of these documents and the information contained within them which "connect the dots" between Saddam Hussein and the training of Islamic terrorists. Among the points highlighted in a recent *The Weekly Standard* article:

The photographs and documents on Iraqi training camps come from a collection of some 2 million 'exploitable items' captured in postwar Iraq and Afghanistan. They include handwritten notes, typed documents, audiotapes, videotapes, compact discs, floppy discs, and computer hard drives...Nearly three years after the U.S. invasion of Iraq, only 50,000 of these 2 million 'exploitable items' have been thoroughly examined.

Many of the translated and analyzed documents were entered into a government database known as "HARMONY." It is now four years since these documents were captured. I understand that previous requests to release information from the HARMONY database have been rejected or delayed. It is reasonable to assume that over the course of the last four years any actionable intelligence contained within these documents has already been exploited.

It is imperative that documents captured in Iraq which highlight the connections between Saddam Hussein's brutal regime and Islamic terrorists be released as soon as possible. These documents are increasingly necessary to help the American people understand both the reasons for our involvement in Iraq and the challenge of defending freedom and democracy.

However, in the interest of national security, the bill permits the Director of National Intelligence to withhold making a document publicly available--provided he informs the relevant congressional committees of the justification for not disclosing the document.

THE WHITE HOUSE



Office of the Press Secretary

For Immediate Release

March 16, 2006

The President's National Security Strategy

“The ideals that have inspired our history – freedom, democracy, and human dignity – are increasingly inspiring individuals and nations throughout the world. ... We choose leadership over isolationism, and the pursuit of free trade and open markets over protectionism. We choose to deal with challenges now rather than leaving them for future generations. We fight our enemies abroad instead of waiting for them to arrive in our country. We seek to shape the world, not merely be shaped by it; to influence events for the better instead of being at their mercy.”

President George W. Bush, Letter Introducing The National Security Strategy, March 16, 2006

Presidential Action: Today, the White House released President Bush's second term National Security Strategy (NSS), which reflects the President's most solemn obligation: to protect the security of the American people.

The NSS explains how we are working to protect the American people, advance American interests, enhance global security, and expand global liberty and prosperity. The strategy is founded upon two pillars:

1. The first pillar is promoting freedom, justice, and human dignity – working to end tyranny, to promote effective democracies, and to extend prosperity through free and fair trade and wise development policies.
 - * The survival of liberty in our land increasingly depends on the success of liberty in other lands. The best hope for peace in our world is the expansion of freedom in all the world.
 - * In the world today, the fundamental character of regimes matters as much as the distribution of power among them. Free governments are accountable to their people, govern their territory effectively, and pursue economic and political policies that benefit their citizens. Free governments do not oppress their people or attack other free nations. Peace and international stability are most reliably built on a foundation of freedom.
2. The second pillar of the strategy is confronting the challenges of our time by leading a growing community of democracies.
 - * Many of the problems we face – from the threat of pandemic disease, to proliferation of weapons of mass destruction, to terrorism, to human trafficking, to natural disasters – reach across borders. Effective multinational efforts are essential to solve these problems. Yet history has shown that only when we do our part will others do theirs. America will continue to lead.

The President's National Security Strategy specifically focuses on the following areas:

Champion Aspirations for Human Dignity

- The United States champions freedom because doing so reflects our values and advances our interests.
 - * Championing freedom advances our interests because the survival of liberty at home increasingly depends on the success of liberty abroad.
 - * Because democracies are the most responsible members of the international system, promoting democracy is the most effective long-term measure for strengthening international stability, reducing regional conflicts, countering terrorism and terror-supporting extremism, and extending peace and prosperity.
- To protect our Nation and honor our values, the United States seeks to extend freedom across the globe by leading an international effort to end tyranny and to promote effective democracy. We will employ the full array of political, economic, diplomatic, and other tools at our disposal. Effective democracies:
 - * Honor and uphold basic human rights, including freedom of religion, conscience, speech, assembly, association, and press;
 - * Are responsive to their citizens, submitting to the will of the people, especially when people vote to change their government;
 - * Exercise effective sovereignty and maintain order within their own borders, protect independent and impartial systems of justice, punish crime, embrace the rule of law, and resist corruption; and
 - * Limit the reach of government, protecting the institutions of civil society, including the family, religious communities, voluntary associations, private property, independent business, and a market economy.
- Elections are the most visible sign of a free society and can play a critical role in advancing effective democracy. But elections alone are not enough – they must be reinforced by other values, rights, and institutions to bring about lasting freedom. Our goal is human liberty protected by democratic institutions.
- We have a responsibility to promote human freedom. Yet freedom cannot be imposed; it must be chosen. The form that freedom and democracy take in any land will reflect the history, culture, and habits unique to its people.

Strengthen Alliances to Defeat Global Terrorism and Work to Prevent Attacks Against Us and Our Friends

- We are a nation at war. We have made progress in the war against terror, but we are in a long struggle. America is safer, but not yet safe.
- In the short run, the fight involves using military force and other instruments of national power to kill or capture the terrorists, deny them safe haven or control of any nation, prevent them from gaining access to weapons of mass destruction (WMD), and cut off their sources of support.
- In the long run, winning the war on terror means winning the battle of ideas, for it is ideas that can turn the disenchanted into murderers willing to kill innocent victims.

- * Terrorists exploit political alienation. Democracy gives people an ownership stake in society.
- * Terrorists exploit grievances that can be blamed on others. Democracy offers the rule of law, the peaceful resolution of disputes, and the habits of advancing interests through compromise.
- * Terrorists exploit sub-cultures of conspiracy and misinformation. Democracy offers freedom of speech, independent media, and the marketplace of ideas.
- * Terrorists exploit an ideology that justifies murder. Democracy offers respect for human dignity.
- The advance of freedom and human dignity through democracy is the long-term solution to the transnational terrorism of today. To create the space and time for that long-term solution to take root, there are four steps we will take in the short term: We will 1) prevent attacks by terrorist networks before they occur; 2) deny WMD to rogue states and to terrorist allies who would use them without hesitation; 3) deny terrorist groups the support and sanctuary of rogue states; and 4) deny the terrorists control of any nation that they would use as a base and launching pad for terror.

Work with Others to Defuse Regional Conflicts

- If left unaddressed, regional conflicts can lead to failed states, humanitarian disasters, and ungoverned areas that can become safe havens for terrorists. We will work to address regional conflicts at three levels of engagement: conflict prevention and resolution; conflict intervention; and post-conflict stabilization and reconstruction.
- Patient efforts to end conflicts should not be mistaken for tolerance of the intolerable.
- Genocide must not be tolerated.

Prevent Our Enemies from Threatening Us, Our Allies, and Our Friends with Weapons of Mass Destruction (WMD)

- We are committed to keeping the world's most dangerous weapons out of the hands of the world's most dangerous people.
 - * The best way to block aspiring nuclear states or nuclear terrorists is to deny them access to the essential ingredient of fissile material.
 - * We are countering the spread of biological weapons by improving our capacity to detect and respond to biological attacks, securing dangerous pathogens, and limiting the spread of materials useful for biological weapons.
 - * We are working to identify and disrupt terrorist networks that seek chemical weapons capabilities, and we are seeking to deny them access to materials needed to make these weapons.
- If necessary, under long-standing principles of self defense, we do not rule out the use of force before attacks occur. When the consequences of an attack with WMD are potentially so devastating, we cannot afford to stand idly by as grave dangers materialize.

Ignite a New Era of Global Economic Growth through Free Markets and Free Trade

- We are working to open markets and integrate the global economy through the Doha Development Agenda of the World Trade Organization and through regional and bilateral Free Trade Agreements. To promote energy independence, we are working to open, integrate, and diversify energy markets.
- To ensure stability and growth in the international financial system, we will work to promote growth-oriented economic policies worldwide; encourage adoption of flexible exchange rates and open markets for financial services; strengthen international financial institutions; build local capital markets and the formal economy in the developing world; and create a more transparent, accountable, and secure international financial system.

Expand the Circle of Development by Opening Societies and Building the Infrastructure of Democracy

- Development reinforces diplomacy and defense, reducing long-term threats to our national security by helping to build stable, prosperous, and peaceful societies. Improving the way we use foreign assistance will make it more effective in strengthening responsible governments, responding to suffering, and improving people's lives.
- Long-term development must include encouraging governments to make wise choices and assisting them in implementing those choices. We will encourage and reward good behavior rather than reinforce negative behavior.

Develop Agendas for Cooperative Action with the Other Centers of Global Power

- The struggle against militant Islamic radicalism is the great ideological conflict of the early years of the 21st century and finds the great powers all on the same side – opposing the terrorists. This circumstance differs profoundly from the ideological struggles of the 20th century, which saw the great powers divided by ideology as well as by national interest.
- We enjoy unprecedented levels of cooperation with other nations on many of our highest national security priorities.
- Going forward, the NSS describes our strategy for cooperating with partners in critical regions of the world and discusses the freedom agenda as it relates to different regional contexts.

Transform America's National Security Institutions to Meet the Challenges and Opportunities of the 21st Century

- We have taken a number of steps in the last four years to transform our key national security institutions, including establishing the Department of Homeland Security; launching the most significant reorganization of the Intelligence Community since the 1947 National Security Act; and completing the Department of Defense's 2006 Quadrennial Defense Review. We must extend and enhance the transformation of key institutions, both domestically and abroad.

* At home, we will sustain the transformation already under way in the Departments of Defense, Homeland Security, and Justice, including the Federal Bureau of Investigation, and the Intelligence Community.

- * We will continue to reorient the Department of State toward transformational diplomacy, which promotes effective democracy and responsible sovereignty. And we will improve the capacity of agencies to plan, prepare, coordinate, integrate, and execute responses covering the full range of crisis contingencies and long-term challenges.
- * Abroad, we will promote meaningful reform of the United Nations to improve its accountability, efficiency, and effectiveness. We will enhance the role of democracies and democracy promotion through international and multilateral institutions. And we will establish results-oriented partnerships to meet new challenges and opportunities.

Engage the Opportunities and Confront the Challenges of Globalization

- Globalization presents many opportunities. Much of the world's prosperity and improved living standards in recent years derives from the expansion of global trade, investment, information, and technology.
- Globalization has also exposed us to new challenges and changed the way old challenges touch our interests and values, while also greatly enhancing our ability to respond. Examples include public health challenges like pandemics that recognize no borders; illicit trade, whether in drugs, human beings, or sex, that exploits the modern era's greater ease of transport and exchange; and environmental destruction, whether caused by human behavior or cataclysmic mega-disasters such as floods, earthquakes, or tsunamis.
- Effective democracies are better able to deal with these challenges than are repressive or poorly governed states. These challenges require effective democracies to come together in innovative ways.
- The United States will lead the effort to reform existing institutions and create new ones – including forging new partnerships between governmental and nongovernmental actors, and with transnational and international organizations.

THE WALL STREET JOURNAL.

REVIEW & OUTLOOK

Sunshine for the Iraq Files

March 15, 2006; Page A22

It has taken far too long, but it looks as if the Bush Administration has finally decided to release most of Saddam Hussein's secret documents. That word came late Monday from the Directorate of National Intelligence, the new executive branch office that is supposed to coordinate the various American intelligence services.

Only last week, the DNI seemed determined to keep secret -- or at least release very s-l-o-w-l-y -- the millions of documents, computer files and audio tapes captured in Iraq and Afghanistan and now collected in Qatar as part of what's called the Harmony document exploitation program. Director of National Intelligence John Negroponte had publicly said the material was largely of "historical" value, and had shown no great urgency to find out what was in them.

But now Mr. Negroponte has done an about-face, though not without pressure from Congress and perhaps also from his boss, President Bush. House Intelligence Committee Chairman Pete Hoekstra and Senator Rick Santorum both refused to take no for an answer and even introduced legislation that would require the DNI to be more forthcoming. Mr. Bush had also privately expressed to Members of Congress his desire to get the documents out, and that message may finally have made its way down through the bureaucracy. Once in a while in Washington, even Presidents get their way.

Mr. Hoekstra told us yesterday he's been talking to Mr. Negroponte and other senior DNI officials in recent days, and that they've committed to begin "aggressively" releasing documents on the Internet as soon as this week. He says he also senses a spirit of openness and compromise that he hadn't before. For example, DNI officials initially balked at releasing their own potentially flawed translations of the largely Arabic language documents. But they have now agreed to do so with the caveat that interested parties would be well-advised to double check the accuracy of the DNI's work.

The Congressman has also been told that documents won't be kept secret because of mere uncertainty about possible -- and vague -- "national interest" implications. And, finally, Congress will have an oversight role regarding documents that the DNI decides should remain classified for whatever reason.

We don't think Mr. Hoekstra is exaggerating when he says that removing these materials from the exclusive domain of the U.S. intelligence community and offering them to all interested analysts will cut years off the amount of time it takes to extract the important information they contain. While some of what's uncovered may be misleading, we trust an open process to discover the truth more than we do intelligence services with a stake in defending their previous (mis)judgments.

This information may well shed light on whether Saddam planned the insurgency that we and the Iraqis are now fighting, or whether he canoodled with Islamist terrorists, as some of the documents already translated suggest. Only this week, we are learning from the new book on Iraq by Michael Gordon and Bernard Trainor that many of Saddam's own generals believed he had weapons of mass destruction and was prepared to use them. So much for the allegation that "Bush lied" about WMD; Saddam lied to everyone.

All of these issues are highly relevant to the ongoing debate over how the U.S. is fighting both in Iraq and in the larger war on terror, and where we should go from here. The Iraq War is a long way from being over, and anything we can know about the accuracy of our judgments before and during the fight is well worth trying to uncover and understand.

Editorial – March 15, 2006

News from Iraq not all negative

Information that four Georgians serving in Congress returned with this week from Iraq presents an entirely different story than what Americans mostly hear on television and in other media outlets.

Low morale, impending civil war and Iraqis' strong resentment of U.S. troops wasn't what Senators Saxby Chambliss and Johnny Isakson and Representatives Phil Gingrey and John Linder learned. Instead, they saw progress, optimism and pride, and heard about gratitude.

Either these four are easily buffaloed — in which case their trip would have been a waste — or the naysayers making the loudest noises are ignoring reality.

In visiting with members of the 48th Infantry Brigade of the Georgia Army National Guard in Iraq during the weekend, the members of Congress talked mostly with fellow Georgians who are among the 4,000 “citizen soldiers” that make up the brigade. These men and women came from regular civilian jobs when they were called into service, jobs they intend to return to at some point in the near future. Their life experiences and mindsets might be a little different from career military or the very young who signed up not too long ago.

“They are winning the hearts and minds of Iraqis as well as killing the bad guys,” is how Chambliss describes the U.S. military after the visit.

How are they doing it? For instance, one area now has electricity thanks to the 48th Brigade. In another town, soldiers have replaced a mud building — at U.S. taxpayer expense — with a school for grades one through six. In another town, where children were often sick or died because the only available drinking water was dirty, Iraqis now have clean water for the first time after the 48th Brigade dug three wells.

At a U.S. field hospital congressmen saw two young Sunni children being treated for severe burns suffered in an explosion in their home.

Isakson tells that three of the six soldiers he dined with had re-enlisted because they believe so strongly in their mission. One soldier said the difference between him and Iraqis is that he has hope and opportunity, something he wants to bring to them.

Isakson and Gingrey point out that Americans and allies have accomplished more than two of the three initial goals: 1. Depose Saddam Hussein; 2. Hold free elections and 3. Train Iraqi troops to defend their own people. With the first two completed, we're well down the road toward accomplishing the third, they said.

The prevailing sentiment in the United States seems to be doom and gloom — the situation is out of control, no good is coming about and the invasion was a colossal mistake.

For someone to embrace those statements as truth, they would have to totally disregard the upbeat, first-hand report by four congressmen Georgians elected to represent them.

Perhaps, the hysteria of naysayers is what should be disregarded.

Jobs/Economy



Securing America's Competitiveness and Creating Jobs Through a Growing Economy

Republicans are securing America's competitiveness and creating jobs through a growing economy. Even with the devastation of the Gulf Coast hurricanes and high energy prices, the nation still is enjoying sustained job creation and economic expansion. Republicans will not rest until every American has economic security and the opportunity for a good-paying job.

Republican pro-growth tax policies are fueling job creation and economic growth. The economy has grown steadily for the last two-and-a-half years.

- Since August 2003, the economy has created nearly 5 million new jobs. Employers added more than 2 million jobs in the last year, including 243,000 jobs in February alone. The U.S. economy has experienced 30 consecutive months of job growth.
- The current unemployment rate is a low 4.8% -- lower than the averages of the last three decades.
- In just two and a half years, real Gross Domestic Product grew by an amazing 9.8%. The economy has grown by more than 3.5% a year, faster than any major industrialized nation in Europe or the Pacific Rim democracy. It likely will grow by at least as much this year.
- In the 11 quarters since the 2003 tax relief lowered tax rates on dividends and capital gains, business investment has grown at a strong average annualized rate of 8.5 percent. Stronger private investment has helped boost household wealth by 16.3% since 2003.
- Homeownership has reached all-time highs. More than two-thirds of Americans own their homes today -- more than any time in history. Housing starts are at a more-than-30-year high.

Republicans are working to restrain government spending and balance the budget by supporting the 2007 budget resolution to keep the economy strong.

- Fiscal discipline is critical to creating jobs and strengthening our economy.
- Republicans last year passed the Deficit Reduction Act to curb wasteful spending and now are building on that success with Budget Committee reporting of the 2007 budget which cuts the deficit in half by 2008.
- Constraining the growth of entitlement spending and exercising fiscal restraint will keep America's economy strong.

Republicans are working to prevent massive tax increases that would harm the economy by passing the Tax Reconciliation bill currently in conference.

- It is important to keep in place policies in the current tax code that have fueled job creation and economic growth.
- The Tax Reconciliation bill will prevent a huge tax increase that would hurt the economy.
- The Tax Reconciliation bill will ensure that Americans continue to have more of their own money to spend, save and invest.

Economic Growth Continues – Almost 5 Million Jobs Created Since August 2003

Recently, The Government Released New Jobs Figures – 243,000 Jobs Created In February. The economy created 243,000 jobs in February and has created about 2.1 million jobs over the past 12 months – and almost 5 million since August 2003. The unemployment rate is 4.8 percent – lower than the average of the 1970s, 1980s, and 1990s.

The Economy Is Strong And Continues To Grow

- **GDP Growth Is Strong.** Real GDP increased 3.5 percent in 2005, and growth was revised up from an original estimate of 1.1 percent to a 1.6 percent annual rate for the fourth quarter of 2005. The economy has been growing for 17 straight quarters, and the composite index of leading indicators increased 1.1 percent in January, indicating continued economic growth. In the last five years, the President's tax relief has helped spur growth by keeping \$880 billion in the hands of the American people. The Administration has reduced the growth of non-security discretionary spending every year since 2001, and at the President's request, Congress cut this spending last year.
- **State Unemployment Rates Fall.** As of January, the unemployment rate is now at a record low in five states: Nevada, Florida, West Virginia, Montana, and Idaho. Over the past year, unemployment rates have decreased in 46 states.
- **Incomes Increase.** Real disposable incomes have risen 2.2 percent over the past 12 months. Since January 2001, real after-tax income per person has risen 8.2 percent. Real household net worth is at an all-time high of \$51.1 trillion, and the median net worth of American households rose 1.5 percent between 2001 and 2004.
- **Manufacturing Expansion Continues.** The Institute for Supply Management (ISM), a private research group, reports manufacturing activity grew for the 33rd consecutive month in February. The ISM's manufacturing index reading of 56.7 indicates continued sector expansion. According to the Federal Reserve, over the past 12 months total industrial production rose 3.1 percent and manufacturing industrial production rose 4.5 percent, including 0.7 percent in January.
- **Inflation Remains Contained.** The core Consumer Price Index (CPI) rose just 0.2 percent in January. Core CPI has increased a moderate 2.1 percent over the past 12 months, indicating core inflation remains contained.
- **Retail Sales Rise.** Nominal retail sales rose 2.3 percent in January and are up 8.8 percent over the past 12 months. In January, real consumer spending posted a solid 0.4 percent gain and increased 3.6 percent over the past year.
- **Service Sector Grows.** The ISM reports non-manufacturing business activity grew for the 35th consecutive month in February. The ISM's business activity index reading of 60.1 indicates continued sector growth.
- **Productivity Growth Continues.** During the past four quarters, productivity has increased 2.5 percent. Productivity has grown at a 3.4 percent annual rate since the business-cycle peak in the first quarter of 2001.
- **Housing Starts Reach Highest Level In Over 30 Years.** Housing starts in January totaled a seasonally adjusted annual rate of 2.276 million units – up 14.5 percent from December and the highest level in over 30 years.

The President's Agenda To Grow A Vibrant Economy

President Bush's Pro-Growth Policies Will Ensure Continued Economic Opportunity. The President has asked Congress to make tax relief permanent and presented a disciplined budget to halve the deficit by 2009. President Bush is working with Congress to make health care more affordable and accessible; increase America's energy independence; open additional markets to American products; reform the immigration system and ensure secure and orderly borders; and reform our legal system.

The President Proposed The American Competitiveness Initiative (ACI) To Encourage Innovation Throughout The Economy. The ACI will increase Federal investment in critical research, provide children with a strong math and science foundation, and ensure the Nation continues leading in innovation.

This Week, The President Submitted Line-Item Veto Legislation To Stop Wasteful Spending, Reduce The Budget Deficit, And Improve Accountability. Special fast-track procedures would be created to guarantee an up-or-down vote by a simple majority in Congress on a proposal by the President to rescind specific spending or tax legislation that has been passed.

Why Prevent A Tax Increase

- **The economic recovery is on solid footing.**
 - There have been **17 consecutive quarters of growth** in the inflation-adjusted (real) gross domestic product (GDP), with growth averaging a robust annualized pace of over 3%.
 - There have been **30 consecutive months of payroll job gains**, adding close to 5 million new jobs to the Nation's payrolls.
 - **Unemployment has fallen to 4.8%**, well below the averages of the 1970s, 1980s, and 1990s.
 - **Household wealth is at historic highs.**
 - **Inflation is well contained.**
 - **Interest rates remain low by historic standards.**
- **This was not the case three years ago.**
 - The economy was struggling in the aftermath of:
 - the economic downturn that began in 2000,
 - the terrorist attacks,
 - geopolitical uncertainties,
 - corporate accounting scandals,
 - the bursting of the equity-market high-tech bubble that resulted from the speculative excesses of the late 1990s.
 - While the recession officially had ended in late 2001, the pace of economic recovery was too slow.
 - Growth was anemic, business confidence was low, labor markets remained sluggish, and investment in capital was down.
 - Recognizing the need to overcome the sluggish economic recovery, Congress and the President acted to encourage growth in jobs and the economy by enacting pro-growth tax initiatives in the Jobs and Growth Tax Relief Reconciliation Act (JGTRRA), signed into law in May 2003.
- **What provisions did tax relief legislation enacted in May 2003 contain?**
 - Lower tax rates on personal income for all taxpayers
 - Lower taxes on business investment
 - An increased child tax credit
 - The end of the marriage penalty
 - A phased-in repeal of the estate tax
- **Results of May 2003 tax relief include:**
 - 10 consecutive quarters of robust growth in business investment.
 - Significant gains in employment – nearly 5 million jobs since August 2003.
 - Fall in unemployment rate to 4.8% from 6.3% near-term June 2003 peak.
 - Stock markets regaining positive momentum.



JOINT ECONOMIC COMMITTEE

ROBERT F. BENNETT, VICE CHAIRMAN

RECENT ECONOMIC DEVELOPMENTS

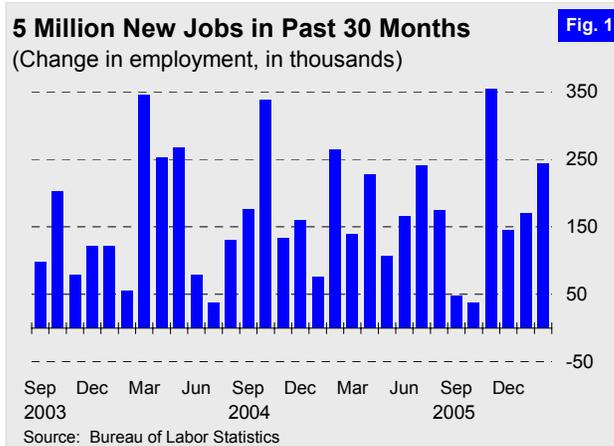
MARCH 14, 2006

Economy Poised for a Growth Rebound

Strong job gains and a continuation of low unemployment last month support the consensus forecast of a resumption of rapid growth in the current quarter. Despite a slowdown in the 4th quarter, growth in the inflation-adjusted (real) gross domestic product (GDP) was a robust 3.5% last year. Forecasters see a sharp rebound in economic growth this quarter, and sustained healthy growth throughout the year. They also see healthy job gains, historically low unemployment, and low inflation and interest rates.

Highlights

- Payroll employment rose by a robust 243,000 new jobs in February, the 30th consecutive month of employment gains (Fig. 1). The unemployment rate edged up to 4.8% in February, from a 4½ - year low of 4.7% in January.
- Annualized real GDP growth was revised up to 1.6% for the 4th quarter of 2005 from a prior estimate of 1.1%. Forecasters believe that the economy is poised for a surge in growth to 4.7% this quarter (Fig. 2, next page).
- The trade deficit remains elevated, rising by 5.3% in January to a new record dollar-value high of \$68.5 billion.



30 Straight Months of Job Gains Have Added Close to 5 Million New Jobs to Payrolls

The economy added 243,000 *payroll jobs* in February, the 30th consecutive month with job gains (Fig. 1). Close to 5 million new jobs have been added to payrolls in that period, and 2.3 million new jobs have been created in the last year alone. The *unemployment rate*, based on a survey of households, edged up to 4.8% in February from a 4½-year low of 4.7% a month earlier. The unemployment rate remains well below the averages of the 1970s, 1980s, and 1990s and is well below the near-term peak of 6.3% in June 2003.

1.6% Annualized GDP Growth in the Fourth Quarter and 3.5% Growth in 2005.

GDP growth was revised up to a 1.6% annual rate in the 4th quarter of last year, from a prior estimate of 1.1%. The disappointing growth performance broke a 10-quarter string of growth at 3.3% or more. The slowdown in growth from the rapid 4.1% rate posted in the 3rd quarter is attributed to factors that most analysts believe are likely to prove temporary, such as a lull in consumer spending on vehicles and a sharp downturn in Federal Government spending. Despite the 4th-quarter slowdown, real GDP growth was a robust 3.5% last year. The *Blue Chip* forecast—a monthly consensus of private forecasters—is for real GDP growth to surge to a rapid 4.7% this quarter, followed by a return toward healthy, trend-like growth between 3.4% and 2.9% during the remaining quarters of this year (Fig. 2, next page).

The Trade Deficit Rises to New Record High

The U.S. *trade deficit* rose by 5.3% in January to a new record dollar-value high of \$68.5 billion, surpassing the old monthly record of \$67.8 billion set last October. Import growth in January grew by 3.5%, outstripping export growth of 2.5%. The U.S. trade deficit was \$723.6 billion for all of 2005, a record high.

The Fed is Expected to Raise Rates Again

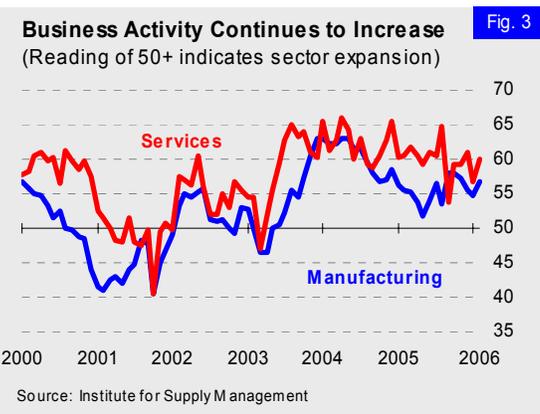
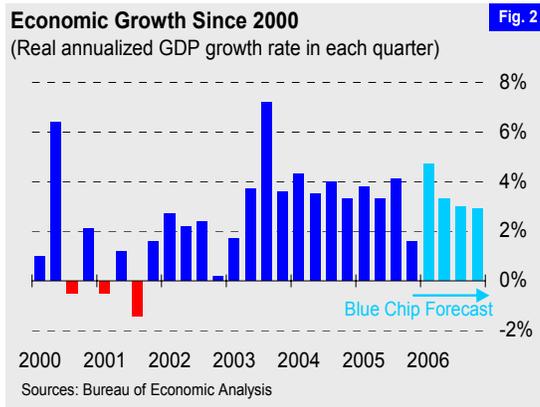
Markets expect that the *Federal Reserve* will continue its recent course of monetary policy by increasing its target for overnight interest rates again by a quarter percent at its policymaking meeting scheduled for March 27 and 28. Markets also assign high odds to yet another quarter-point increase at the Fed's May 10 meeting. The Fed has raised its target overnight interest rate from 1.0% to the current 4.5% in a sequence of quarter-point increases that began at the end of June 2004.

Inflation Has Remained Tame

Year-over-year *inflation* in the "core" *consumer price index*, which excludes volatile energy and food prices, was 2.1% in January, slightly below the average of roughly 2.2% throughout last year. Annual inflation in the core *personal consumption expenditure price index*, the Fed's preferred measure of consumer price inflation, was 1.7% in the 4th quarter of last year, little changed from earlier quarters. Surges in energy prices have been the dominant factor affecting inflation in recent years. According to recent remarks by Fed Vice Chairman Roger W. Ferguson, Jr., "...increases in energy prices over the past couple of years probably added about ½ percentage point to core inflation in 2005..."

Business Activity Has Remained Vibrant

The *Institute for Supply Management (ISM) manufacturing index* increased to 56.7 in February, from 54.8 a month earlier, indicating robust expansion in the manufacturing sector. A reading above 50 indicates expansion. The ISM manufacturing index has been above 50 for 33 consecutive months. The *ISM non-manufacturing index* also rose last month, to 60.1, indicating a vigorous pace of expansion in the service-producing sector of the economy. The non-manufacturing index has been above 50 for 35 consecutive months of expansion (Fig. 3).



Upcoming Indicators

Inflation – The Consumer Price Index for February is scheduled to be released on *March 16*.

GDP – The final estimate of GDP growth for the 4th quarter is scheduled for release on *March 30*. The first look at GDP growth for the 1st quarter of this year arrives *April 28*.

Employment – The Bureau of Labor Statistics reports the March employment situation on *April 7*.

Federal Reserve – The Fed's next monetary policy meeting is scheduled for *March 27 and 28*.

Health Care



The Medicare Prescription Drug Benefit: Helping Seniors And Reducing Costs

Recently, The President Discussed How The Medicare Prescription Drug Benefit Is Helping Seniors Receive The Drugs They Need At Reduced Costs. Ten weeks since the Medicare prescription drug benefit went into effect, over 26 million people with Medicare now have prescription drug coverage, and hundreds of thousands more are enrolling each week.

The Medicare Prescription Drug Benefit Is Helping Seniors And Reducing Costs

The New Program Is Working Well For Most Seniors, And Early Challenges Are Being Corrected. The Administration is working to ensure that drug plans get up-to-date information on beneficiaries by improving computer data transfer between Medicare and private plans. Since January, more than 2,700 events have been held across the country to answer individual questions and get people help. In the first ten weeks of the Medicare prescription drug benefit rollout, Health and Human Services Secretary (HHS) Michael Leavitt has traveled to 19 states and met with numerous Governors. The Centers for Medicare and Medicaid Services and HHS have helped local pharmacists identify seniors' needs by adding more operators at call centers and improving pharmacists' training and education about the Medicare prescription drug benefit.

Strong Competition Is Lowering Costs For Seniors And Taxpayers. This year, the Federal government will spend an estimated 20 percent less overall on the Medicare prescription drug benefit than projected last July. The average premiums seniors pay for their prescription drug benefits are a third less than expected – just \$25 per month instead of the earlier estimate of \$37 per month.

Seniors Must Sign Up By May 15, 2006, To Receive The Lowest Premiums Under The Medicare Prescription Drug Benefit.

- **Seniors Can Sign Up Online, Over The Phone, By Fax, Or Directly With Health Plans.** Seniors or family members with questions about the Medicare prescription drug benefit can call 1-800-MEDICARE or visit <http://www.medicare.gov>.
- **Assistance Can Also Be Obtained From Partner Organizations Including Pharmacists, Senior Centers, The AARP, And The Council On Aging.**

Registration Provides Seniors Peace Of Mind By Protecting Them From Unexpected Drug Expenses. Seniors now paying low prescription drug costs should consider joining to avoid unforeseen, higher prescription drug costs later in life.

The Medicare Prescription Drug Benefit Helps All Medicare Beneficiaries Pay For Prescription Drugs

Everyone On Medicare Can Get Help, No Matter How They Pay For Their Drugs. Seniors with average drug expenses will spend about half of what they previously spent on prescription drugs. Medicare provides extra help to beneficiaries with high prescription costs. Medicare covers 95 percent of all prescription costs once beneficiaries spend \$3,600 of their own money in a given year.

The New Drug Coverage Offers More And Better Choices Than Ever Before. Seniors can choose from a number of private plans to find the one that best serves them – and plan providers are competing for seniors' business. That means seniors can save more and get the coverage they want.

Medicare Will Pay Nearly All Of Low-Income Beneficiaries' Drug Bills. Low-income seniors are eligible for prescription drug coverage that includes little or no premiums, low deductibles, and no gaps in coverage. On average, Medicare will pay for more than 95 percent of the costs of prescription drugs for low-income seniors.

- **Eligibility Forms Are Available.** Subsidy applications have been mailed to many low-income seniors and Americans with disabilities. Forms are also available at locations around the country, including over 30,000 pharmacies, or through the Social Security Administration. No financial documents or complicated records are required to show eligibility for the subsidy.

Medicare Is A Critical Safety Net For Americans With Disabilities. Millions of Americans with developmental and physical disabilities, mental illness, and HIV/AIDS count on Medicare, and new Medicare coverage brings modern medicine to them.

The Medicare Prescription Drug Benefit Offers Better Choices

The Medicare Prescription Drug Benefit Offers Choice And Flexibility. Everyone on Medicare can choose brand-name drugs or generic drugs.

The Medicare Prescription Drug Benefit Supports Employer And Union Coverage. Employers and unions that provide drug coverage to former employees can continue to do so, and Medicare will help them with the cost.

Medicare Advantage Plans Allow Seniors And Americans With Disabilities To Choose Their Plans And Get Better Drug Benefits. Seniors and Americans with disabilities who enroll in Medicare Advantage Plans can choose the plan that works best for their needs and lifestyle and can save an average of \$100 each month over traditional Medicare.

Many Plans Provide Seniors Affordable Ways To Avoid Coverage Gaps. Under the standard plan coverage specified under law, if a senior's cumulative drug expenses reach \$2,250, there is a gap in coverage until his or her costs reach \$5,100. However, competition between private plans has enabled seniors to choose an affordable drug plan providing coverage in this gap.

The Part D Enrollment Deadline Does Not Need to be Extended

Issue: Some in Congress say that Medicare beneficiaries should be given more time to enroll in the new Medicare drug benefit. They maintain that the deadline for enrollment should be extended beyond May 15, 2006, the deadline set in statute, in order to increase enrollment.

Response:

- **We should help beneficiaries get the savings and security of prescription drug coverage now – not encourage them to wait to make a decision about the drug benefit.**
- **An enrollment deadline encourages action.** It is a feature of health insurance and retiree benefit programs, and of Medicare and Medigap benefits. The current May 15th deadline and late enrollment penalty are important components designed to encourage enrollment.
- **A late enrollment penalty is not a new feature of the Medicare program.** People with Medicare also are subject to a later enrollment penalty if they delay enrolling in Part B.
- **It doesn't cost much to take action.** Medicare beneficiaries can get prescription drug coverage for as little as \$1.87 per month in some states and for less than \$20 per month in every state except Alaska. In every state, beneficiaries have access to at least one plan with a deductible below the standard \$250.
- **The current May 15th deadline encourages people to enroll before they have significant drug costs.** The Medicare prescription drug benefit is founded upon the insurance principle of attracting both healthy and sick people into the insurance pool to hold costs down. If people wait to enroll until they experience high drug costs, the insurance concept underlying the program will be undermined and the program will become more expensive for everyone.
- **Keeping the May 15th deadline will result in more, not fewer, enrollees.** The independent CMS Office of the Actuary indicates that the keeping the deadline will cause a surge in enrollment as it approaches and as beneficiaries enroll to avoid the late enrollment penalty. The actuaries believe that extending the deadline would likely decrease overall enrollment in 2006 as pressure on beneficiaries to take action would be diminished.
- **Keeping the May 15th deadline means more seniors will be saving money now.** Once beneficiaries make a decision to enroll, they will start saving money on their prescription drugs and begin to enjoy the security and peace of mind that come from having prescription drug coverage.
- **Proposals to extend the enrollment deadline beyond May 15th include no funding for Medicare to maintain the high level of enrollment support that's available right now.** Beneficiaries should be encouraged to take advantage of outreach resources like the 1-800 MEDICARE telephone line. There are short or no waiting times now and individual, one-on-one counseling is available to help people select a coverage plan.
- **Tens of thousands of beneficiaries are currently enrolling every day, and there is still plenty of time to enroll in a plan.** CMS is on track to reach its target of 28-30 million Medicare beneficiaries with prescription drug coverage by May 15, 2006.

Most Medicare Drug Enrollees Already Saving

More than 80 percent say no problems using new benefits

WASHINGTON, DC – Ten weeks after the start of the new Medicare drug benefit, six out of 10 seniors who voluntarily signed up for the program say they already are saving money and more than eight out of 10 report having no problems related to enrollment or usage of their new benefits, a new survey released today found.

“When you get out of Washington and listen to seniors, you learn that seniors are saving and that the vast majority are not experiencing problems,” said Karen Ignagni, President and CEO of America’s Health Insurance Plans (AHIP).

Conducted by Ayres, McHenry & Associates on behalf of AHIP, the survey also shows that seniors are feeling increasingly positive as they experience the new program.

The poll found that 65 percent of enrolled seniors say they would recommend that other seniors sign up for the program, versus eight percent who say they would not. A similar survey conducted in December before the benefit went into effect found that 56 percent of enrolled seniors would recommend that other seniors sign up.

Two-thirds of enrolled seniors now say their new benefits are worth the time and effort they spent evaluating the various drug plans, up from 57 percent in December’s poll.

The poll found that 59 percent of enrollees say they are already saving money each month because of the new benefit, while 23 percent say they are not. December’s poll found that 51 percent expected to save money. The survey found that eight out of ten seniors say the program covers the drugs they need.

“After the deluge of media stories reporting problems with the Medicare prescription drug benefit, it is stunning to see the high percentage of seniors who report having no significant problems,” said Dr. Q. Whitfield Ayres, President of Ayres, McHenry & Associates.

Eighty-four percent of seniors say they experienced no problems signing up for the program. Five percent say they have an unresolved problem related to enrollment.

Eighty-five percent of seniors say they have experienced no problems using their new benefits. Five percent say they have an unresolved problem related to using their benefits.

Three percent of seniors say they had a problem both in signing up for and using their new benefits.

“While these data are of little comfort to any senior who has experienced a problem, they do put the scope of the issue in perspective,” said Ignagni. “Our community’s job is to work collaboratively with beneficiaries, pharmacies, physicians and advocacy organizations to resolve any remaining transition issues.”

The poll also found skepticism about the motives behind attacks on the Medicare drug benefit and an emerging concern that these attacks may discourage seniors from enrolling. Enrollees by a three-to-one margin say that politicians’ criticisms of the Medicare drug plan are motivated by a desire to score political points, rather than a sincere interest in fixing the program. Forty-one percent of enrollees say political attacks make seniors less likely to sign up for the program.

The survey of 408 seniors who have signed up for the Medicare drug benefit was conducted March 6-9, 2006 and has a margin of error of plus-or-minus 4.85 percent.

To view the full survey and a memo summarizing the results, please visit www.ahip.org.

Ninety Percent of Low-Income Seniors Surveyed Say No Problems Using Medicare Drug Benefit

WASHINGTON, DC – Nine out of 10 seniors who are dually eligible for Medicare and Medicaid say they have experienced no problems using the new Medicare drug benefit, a new survey released today found.

Often referred to as “dual eligibles,” these seniors previously received drug coverage through Medicaid and are now enrolled in a Medicare prescription drug plan.

The survey found that four percent of dual eligibles reported having a problem related to using their benefit that has been resolved, while four percent say they have an unresolved problem.

“This is the most vulnerable population of seniors and our members are hard at work with CMS to resolve any remaining challenges that they are experiencing,” said Karen Ignagni, President and CEO of America’s Health Insurance Plans (AHIP).

Conducted by Ayres, McHenry & Associates on behalf of AHIP, the survey also shows that 80 percent of dual eligibles say the Medicare drug benefit covers the drugs they need.

The poll also found that dual eligibles are skeptical about the motives behind attacks on the Medicare drug benefit and concerned that these attacks may discourage seniors from enrolling. Thirty-five percent say that politicians’ criticisms of the Medicare drug plan are motivated by a desire to score political points, versus 14 percent who say these criticisms are motivated by a sincere interest in fixing the program. One-third say political attacks make seniors less likely to sign up for the program.

According to the Centers for Medicare & Medicaid Services (CMS), dual eligibles are individuals who are entitled to Medicare Part A and/or Part B and are eligible for some form of Medicaid benefit.

When the new Medicare prescription drug benefit went into effect on January 1, 2006, responsibility for dual eligibles’ prescription drug coverage shifted from the states to the federal government. More than six million dual eligibles have transitioned from Medicaid drug coverage to new Medicare drug plans.

The survey of 401 seniors who were automatically enrolled in the Medicare drug benefit was conducted March 6-11, 2006 and has a margin of error of plus-or-minus 4.89 percent.

To view the full survey and a memo summarizing the results, please visit www.ahip.org.

Dutko Quick Take

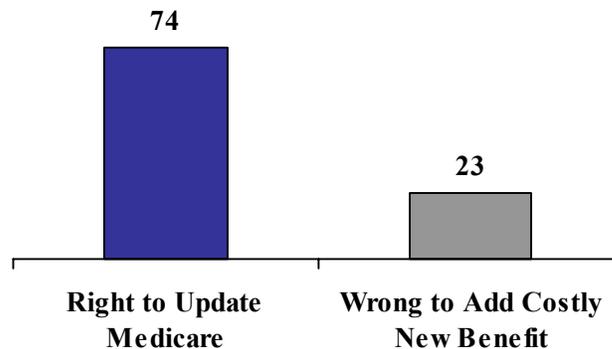
March 13, 2006

Volume 4, Number 1

Voters Overwhelmingly Believe Adding Prescription Drug Coverage to Medicare was Right Decision

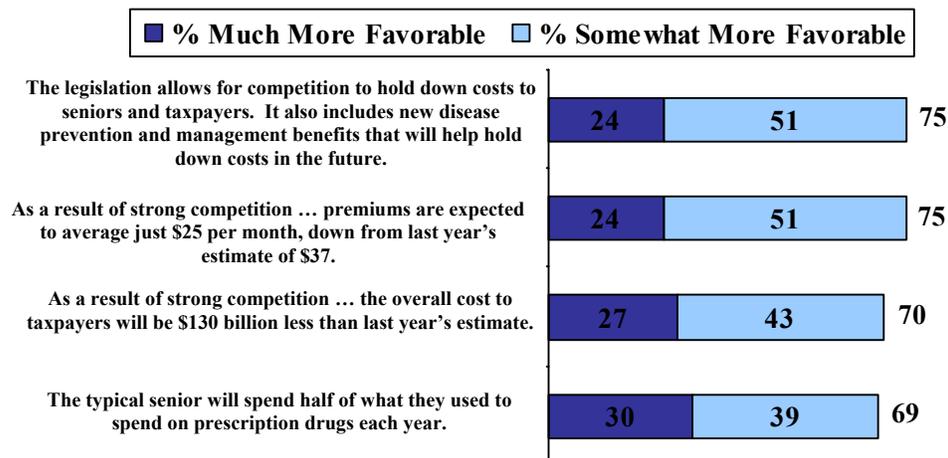
Three in four say it was right to update Medicare by adding prescription drug coverage. This view holds across party lines: 79% of Republicans, 75% of independents, and 67% of Democrats agree it was right.

“Medicare was established over 40 years ago with a promise to provide health care to seniors. Today, many illnesses that once required surgery can now be treated with prescription drugs. Which one of the following two statements comes closer to your opinion: It was right to update Medicare to include prescription drug coverage; or It was wrong to add a costly new benefit to Medicare.”



Voters react positively to key prescription drug plan implementation facts. Approximately three-fourths say each of four statements tested gives them a more favorable view of the legislation, with between 24% and 30% saying each statement gives them a much more favorable view.

“... please tell me if each of the following statements gives you a more favorable or less favorable view of the legislation ...”



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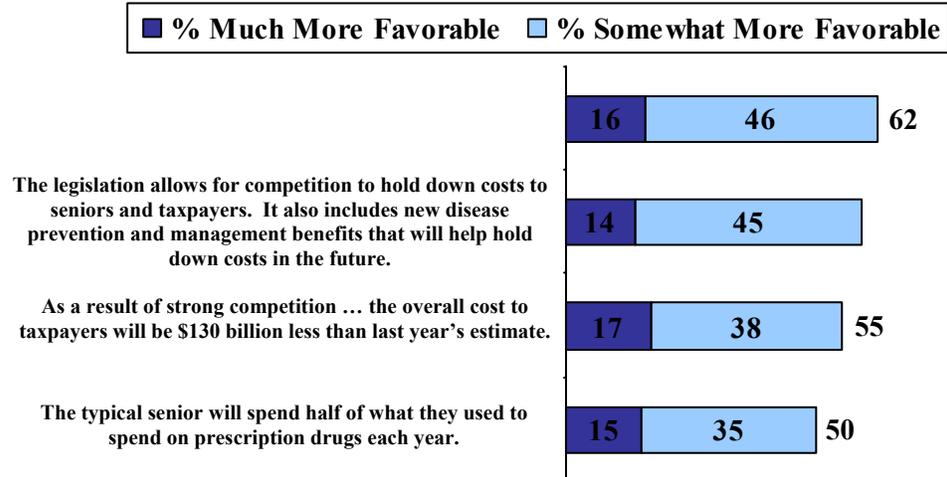
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(202) 484-7016

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Even among those who initially disapprove of the legislation, each statement gives at least half a more favorable opinion.

“... please tell me if each of the following statements gives you a more favorable or less favorable view of the legislation ...”

Among Voters Who Initially Disapprove of Medicare Legislation



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Summary

Health Insurance Marketplace Modernization and Affordability Act of 2005 S. 1955

The cost of providing health insurance has doubled for employers over the past six years, particularly affecting small business owners without the numbers to negotiate reasonable health insurance costs. After 15 years of debate, it's time for Congress to act to provide real relief to America's working families.

This comprehensive, bipartisan package of health insurance reforms will make health insurance more accessible and affordable by making responsible and targeted modifications to health insurance principally in the small group market.

S. 1955 allows small businesses to pool together from the underlying small group market to negotiate the best prices for health insurance plans that are right for their families and employees, giving them the leverage that larger companies have had for years. Today, many small businesses simply cannot afford to offer coverage to their employees because comprehensive plans are so costly. The many mandates on health insurance coverage are much to blame for the prohibitive cost.

This groundbreaking legislation allows small businesses to offer more affordable choices to their employees by allowing them to offer some plans that differ from state mandates. If Small Business Health Plans (SBHPs) choose to offer mandate-light options, they must also offer a comprehensive health insurance option that follows one of the five most populous states' state employee benefit programs. (The five most populous states today are California, Florida, Illinois, New York, and Texas). This provision ensures that small business employees will have access to the more benefit-heavy plans if they would like. This bill solves concerns raised in the past about association health plans by making sure that access to a plan covering all benefits is preserved.

While some individuals and businesses may want to purchase insurance that covers many benefits, they should not be forced by law to buy benefits that may be beyond what they can afford. Allowing small businesses to offer a more affordable alternative increases the likelihood that uninsured individuals will have access to health care coverage.

It is important to note that this legislation ensures that oversight and regulation of health insurance will remain with states, which have proven adept at addressing consumer complaints and monitoring health insurance plans.

Mandates requiring health insurance plans to charge roughly the same premium to all consumers no matter their health status is another related reason health insurance costs have soared in recent years. Requiring a healthy twenty-five year old to pay a premium very similar to that of a sixty-year-old, who will be expected to incur four times the health care costs, is simply bad policy.

These mandates, called community rating, have been proven in many states to push younger, healthier people out of the health insurance market because their premiums are higher than what they would expect to spend on health care. This drives up the cost for older, higher risk, and chronically ill consumers. In fact, in the 10 states with the highest family health insurance premiums, seven used community rating to determine their premiums. By contrast, nine of the 10 states with the lowest family premiums used rating bands, which allow for more variance in premiums.

This bill would use a rating model developed by the National Association of Insurance Commissioners (NAIC) which allows for some variance in premiums, between 25 percent above or below the base rate. This will ensure that healthier people stay in the market and keep their insurance, while keeping cost down for everyone.

S. 1955 also provides for a harmonization board under the Department of Health and Human Services to develop uniform standards for health insurance regulation, specifically in the areas of form and rate filing, market conduct review, prompt payment of claims, and internal review.

Summary

The Actuarial Study of S. 1955

Mercer Oliver Wyman

March 7, 2006

The highly-respected actuarial firm, Mercer Oliver Wyman, issued a report on S. 1955, the Health Insurance Market Modernization and Affordability Act of 2005 on March 7, 2006. This report found that the bill, once fully phased in, will reduce employer premiums by 12 percent – which according to today's health care spending estimates will save small businesses about \$1,000 per employee.

While reducing costs, the report also found that S. 1955 will newly insure 1 million more working Americans, reducing the number of working uninsured in this country by 8 percent.

The study also found that S. 1955 will reduce costs not only for small businesses, but by leveling an unfair playing field it will result in lower costs and fewer uninsured Americans for the insurance market as a whole.

These important reforms would be achieved by allowing premium variance, the offering of low-cost options, and streamlining administrative processes.

The analysis of the bill was conducted by Mercer for the National Small Business Association (NSBA), a traditional opponent of association health plan (AHP) legislation, but a supporter of the approach in S. 1955. In 2003, Mercer did a similar analysis of AHP legislation for the NSBA. That study found that one million people would actually lose coverage under that approach.

S. 1955 solves the problems presented by traditional AHP legislation and addresses broad discrepancies that have led to a growing uninsured population.

ENZI-NELSON-BURNS

S. 1955, the Health Insurance Marketplace Modernization and Affordability Act of 2005 (HIMMA)

Valuing Jobs, Valuing Families

Senate Republicans took a major step this week toward making health insurance more affordable for America's small business owners and working families.

The Senate Health Committee, on which I serve, began consideration of a bipartisan bill that would create more affordable options through Small Business Health Plans. The final vote in the committee comes next week.

The bill would give small business owners the power to band together through their associations and negotiate for the benefits they want, at prices they can afford.

This bill would reduce the cost of health insurance for small employers by 12 percent – that's \$1,000 per employee – according to a respected actuarial firm.

The bill would also cover more than one million uninsured Americans in working families.

The bill would give a small or family-owned business the opportunity to choose the health plan that is best for the owners, their families, and their employees – whether it's a basic set of benefits or a more comprehensive option.

Senate Republicans will keep working in committee next week to make basic, affordable health insurance available to working families by passing S. 1955, the Health Insurance Marketplace Modernization and Affordability Act.

ENZI-NELSON-BURNS

Health Insurance Marketplace Modernization and Affordability Act of 2005 (HIMMA)

The Enzi-Nelson-Burns bill (S. 1955) creates new and more affordable health insurance options by:

- Enabling business groups to pool their members in small business health plans (SBHPs) for greater market clout and affordability.
- Protecting against adverse selection and market disruption by creating a level playing field between SBHPs and other options.
- Creating the opportunity for more coverage options in more states by simplifying and streamlining the current hodgepodge of varying health insurance regulation.
- Giving small businesses and working families the right to choose lower-cost coverage alternatives free of some of the current expensive benefit mandates.
- Protecting consumers by maintaining strong oversight of SBHPs at the state level and not moving it to Washington.

The bill draws on the best aspects of the current association health plan (AHP) bills, but it responds to the concerns over self-insurance and cherry-picking that have stalled this health insurance legislation for a decade.

The bill offers relief not just to members of associations, but to all purchasers as well.

The bill reflects months of careful compromise negotiation among stakeholders on all sides of the AHP issue, including small businesses, insurance regulators, and insurers.



109th Congress

Securing America's Future



March 2005 / State **Work Period**
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