This money would be much better spent improving the drug benefit, getting coverage to the growing number of uninsured, or bringing down our deficit. The Republican bill leaves nearly half of all seniors with no coverage for part of the year, even while they continue to pay premiums. Vote ''yes'' on the Bishop motion to fill that gap in coverage.

Mrs. CHRISTENSEN. Mr. Speaker, I rise in support of the motion to instruct conferees on H.R. 1 offered by my colleague from New York, Mr. BISHOP, and I commend him for offering it.

Medicare, which Republicans fought against at its inception and continue to attempt to undermine today, is an entitlement. It is available equally to everyone over the age of 65 who has paid into the system, and provides the security and peace of mind individuals need and deserve when they are disabled, or have reached retirement.

This motion to instruct the Conference committee would strike the new savings accounts portion of the House bill, and use the $174 million instead to close the gaping hole that 48 percent of Medicare beneficiaries would fall through.

In addition to making good common sense, it also makes good on our promise to seniors to give them a prescription drug benefit. We did not say a half a benefit or three quarters of a benefit, or a ring of a benefit, but a comprehensive benefit.

Additionally, I would further instruct the conferees to ensure that no group, regardless of income, should be left out or be made to pay for inclusion in this program. To do otherwise would further undermine Medicare. Low-income patients, who depend on Medicare's assurance of access to healthcare, must not be kicked off the program and on to Medicaid, especially since this benefit is not fully extended to the American citizens living to the terrorities. To do this would renege on the basic promise of Medicare to all of its eligible seniors and disabled.

In reaching an agreement, I would call the attention of the conferees to the fee-for-service chronic care management provisions especially as included in the House provisions. This is a good provision that would do much to cut the skyrocketing cost of health care to those most at risk for either acute or chronic institutionalization.

Finally I would point out to the conferees and all of my colleagues, that this benefit is not scheduled to take effect until January of 2006. Rather than kill or damage an important safety net program in this time of great uncertainty, let's wait and take the time to do it right.

Although, I fundamentally disagree with the premise and direction of both the House and Senate prescription drug bills, it should be noted that the Republican prescription drug plan does nothing to expand prescription drugs to the million of seniors that are in dire need of such help.

Both bills have a gap in coverage for Medicare beneficiaries, but the Senate bill, unlike the House bill, has no gap in coverage for low-income seniors. Under the House bill, low-income individuals receive no assistance in meeting their drug costs over $2,000 until they have spent $3,500 out of their own pockets on prescription drugs; 41 percent of total income for someone at the federal poverty level.

The House bill provides virtually no low-income assistance for those with incomes over 135 percent of poverty ($12,123 for an individual). The Senate provides substantially assistance for individuals with incomes up to 160 percent of poverty.

The House bill includes an assets that will prevent many low-income people from receiving assistance. The Senate bill allows low-income people who do not meet the assets test to qualify for the same assistance available to those with incomes between 135 and 160 percent of poverty.

No prescription drug program that does not provide comprehensive, low-cost prescription drug coverage to low income senior citizens can meet the needs of our constituents. The special benefits provided the low income under the Senate bill effectively addresses our concerns. However, the principle of universality and nondiscrimination that is central to the Medicare program demands that basic drug coverage be provided through Medicare, as specified in the House bill.

The Senate low-income assistance provisions are far superior to the House provisions, and these assistance provisions are of particular importance to the Nation's African American communities. There are 2,853,000 African American Medicare beneficiaries over age 65. Of these, almost 22 percent or 626,000 individuals are below 100 percent of the Federal Poverty Level ($8,980 for an individual, $12,120 for a couple). Another twenty percent live on incomes between 100 percent and 150 percent of poverty. This compares to a total of 9 percent of Caucasian senior beneficiaries below 100 percent of poverty and another 14 percent of Whites living on incomes between 100 percent and 150 percent of poverty.

As you can see, nearly twice as many African-American Medicare beneficiaries are living in poverty compared to the total Medicare propulation—and that means the pharmaceutical drug needs of this population are not being met.

For example, low-income Medicare beneficiaries without prescription drug insurance are able to fill only about 20 prescriptions per year, compared to 32 prescriptions per year for those with insurance. By providing better assistance to the low-income, the Senate bill will help fill this 'prescription gap.'

The differences in the low-income provisions of the House and Senate are clear:

House provides deductible and co-pay help only up to 135 percent of poverty ($12,123 per year for an individual);

Senate provides meaningful help up to 160 percent ($14,368 for an individual);

House imposes an asset test as a condition of getting low-income assistance. The asset test means that a low-income person is ineligible for assistance if they own any disposable assets (like U.S. savings bonds) of more than $6,000 for an individual or $9,000 for a couple. This test disqualifies several million low-income beneficiaries from getting any special assistance;

The Senate permits even those who do not meet the asset test to get special assistance in meeting the costs of co-pays and deductibles;

The House does not provide any assistance whatsoever to the low-income when they have $2,000 to $4,900 worth of prescription drug expenses (when they are in the so-called donut hole);

The Senate provides substantial help in meeting 80 percent to 95 percent (depending on exactly how low-income an individual is) of the costs of the ''donut.''

When you combine all these provisions, the impact is dramatic. For example, if a Medicare beneficiary is living on $12,123 a year (135 percent of poverty), and his or her doctor has prescribed $3000 worth of medicines, in the House bill, the beneficiary will owe $1,114 out of pocket (assuming they meet the asset test and have almost no liquid assets). Under the Senate bill, the person will only owe $150. Under this example, an individual who obviously had medical problems and has other out-of-pocket expenses for doctors, tests, etc., would have to spend more than one month's income on prescription drug cost sharing.

Furthermore, I believe that in addressing the low-income provisions, conferees must add language that will allow for full participation of the U.S. territories within the Medicaid program. As you know, the U.S. territories' Medicaid programs are capped and any coverage provision extending aspects of these programs do not translate to the U.S. territories.

Again, to help close the disparities in our society, we ask you to urge the House-Senate conferees to support the Senate low-income assistance provisions. Adopting the Senate's subsidy provisions will make a major improvement in the lives of our nation's most vulnerable Medicare beneficiaries. Mr. Speaker, we need to pass a meaningful prescription drug plan that uses Medicare to make drugs affordable and provides a universal, voluntary benefit for all seniors. I urge my colleagues to support this motion to instruct.

Mr. BISHOP of New York. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. GERLACH). Without objection, the previous question is ordered on the motion to instruct.

There was no objection.

The SPEAKER pro tempore. The question is the motion to instruct offered by the gentleman from New York (Mr. BISHOP).

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. BISHOP of New York. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this motion will be postponed.

MOTION TO INSTRUCT CONFEREES ON H.R. 1, MEDICARE PRESCRIPTION DRUG AND MODERNIZATION ACT OF 2003

Mr. FLAKE. Mr. Speaker, I offer a motion to instruct.

The SPEAKER pro tempore. The Clerk will report the motion.

The Clerk read as follows:

Mr. FLAKE of Arizona moves that the managers on the part of the House at the conference on the disagreeing votes of the two Houses on the Senate amendment to the bill H.R. 1 be instructed within the scope of conference to include income thresholds on coverage.

The SPEAKER pro tempore. Pursuant to clause 7 of rule XXII, the gentleman from Arizona (Mr. FLAKE) and

the gentleman from Ohio (Mr. BROWN) each will control 30 minutes.

The Chair recognizes the gentleman from Arizona (Mr. FLAKE).

Mr. FLAKE. Mr. Speaker, I yield myself such time as I may consume.

I rise today to make this motion to instruct the conferees. We are dealing now with a prescription drug benefit to Medicare that is simply uncontrollable in terms of cost. We believe that we ought to control that cost by means-testing the program. There is no reason in the world why we ought to be paying the prescription drug benefits for the wealthiest in society, the Bill Gates, the Barbra Streisands, the Ted Turners, the Warren Buffetts.

Think about this: With this prescription drug benefit that is part of Medicare if this bill passes, we will be paying the prescription drug benefits for the wealthiest in society.

Let me tell you what that means. The current drug bills are estimated to cost $400 billion over the next 10 years. That is $400 billion over the next 10 years to add this prescription drug benefit. If we look beyond that 10-year window into the next 10-year window, then it gets even uglier. From the years 2014 through 2023, that 10-year period after the first 10-year period, the drug benefit is projected to cost $772 billion. So $400 billion the first 10 years, $772 billion the next 10 years. That rapid growth rate will continue all the way through the year 2030.

In fact, what it means in the year 2030, let me just give you a scenario here. Married couple, 40 years old. This strikes home because I am 40 years old myself. This particular couple already pays 15.3 percent in payroll tax to fund current Medicare and Social Security beneficiaries. Because the payroll tax will not provide enough revenue to fund Medicare for all retirees, this couple also faces $39,894 in additional taxes between now and their own retirement in the year 2030.

Think about that. Because we are going to run out of money, because we do not have enough money in the Treasury and in trust fund accounts to fund this, one couple between now and 2030 will have to pay $39,894.

The proposed prescription Medicare drug benefit will make up, of this amount, $16,127. Sixteen thousand extra dollars between now and 2030 will be paid simply to pay this prescription drug benefit, largely because it is an entitlement. It is an entitlement. That means that we give the benefit to everyone.

Entitlements are out of control simply because you set a level for benefits and you say whoever enrolls will get that benefit and they are labeled uncontrollable in terms of what the costs are. We simply cannot control it, because it depends on how many are eligible and what the benefit levels are, and we are setting the benefit levels here, and so we have that kind of cost to look forward to.

When we look back to 1965 when Medicare was created, it was projected to cost $10 billion annually. It is costing $244 billion annually at the moment. That is on a pace to double over the next decade, and then it will expand exponentially beyond that time when the baby boomers start to retire. We simply cannot afford to do what we are proposing to do.

When we look at what we are proposing to do as well, it does not make any sense, given how demographics have played out. Census Bureau figures show that poverty among the elderly has plummeted. In 1959, 35 percent of the elderly lived in poverty compared to just 10 percent today. That is a reversal in relative position of the general population. In 1959, 35 percent of the elderly lived in poverty compared to 25 percent of the general population. In 2001, 10 percent of the elderly lived in poverty compared to 12 percent of the overall U.S. population.

□ 1615

And what this means is that we are shifting a huge financial burden to those who can least afford it, the young, from those who can most afford it at this point, the elderly. That is simply unwarranted.

During the break when I was home, I ran into a gentleman who was in his 80's and he pulled me aside and said, ''I know you are a Member of Congress.'' He said, ''Let me tell you, my wife is ill, and we spend about $600 per month for prescription drug benefits.'' And I thought, oh, no, here it comes. He is going to say get back here and vote for that bill. Instead, he said exactly the opposite. He said, ''We can afford it. Don't you dare saddle that burden on my grandkids.'' And I know there are a lot of people who feel the same way, a lot of people who say there is no way we should saddle this burden on generations to come. It is simply unconscionable.

When I announced my intention to vote against the House version of the bill in its present form, I gave a quote from George Washington after the Constitutional Convention. He simply said, when asked, when he was defending the kind of government that was set up, when it was a different kind of government than the people expected he said, we cannot do what we know is wrong; otherwise, how will we defend our work later? In particular, he said, ''If to please the people, we offer what we ourselves disprove, how can we afterwards defend our work?''

We as, Members of Congress, know the costs. We know the history of Medicare. We know what this new benefit will cost. And unless we means test it, unless we make sure that it is not a benefit for everyone, that it is simply targeted to those who can least afford it now rather than everyone, we know what will happen. We know that we cannot afford it. We know that future generations and ourselves, our own kids are not going to be able to afford the tax burden to sustain it. We know that it will make an already insolvent situation for Medicare insolvent all that much faster. So we simply cannot afford to go on the road we are going. And I think we ought to heed George Washington's word and do what we know is right, regardless of what we think the people want, regardless of what the last poll says, regardless of what we hear at one meeting or this one. We are sent here to do what we know is right, and we know that this will bankrupt us. So we know we have to take a different course, and I would submit that the course we need to take is to means test it.

Mr. Speaker, I reserve the balance of my time.

Mr. BROWN of Ohio. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in opposition to the motion offered by the gentleman from Arizona (Mr. FLAKE). I respect my colleague. I think that he is intellectually consistent and honest, something that we do not see on this floor nearly enough, and I appreciate his thoughts. I do not agree with him, but I think that he is bringing this to the table with the right attitude.

I do hear him say, however, in talking about the gentleman that he spoke about in Arizona that he met, the older gentleman whose wife and he were spending $600 a month on prescriptions and saying he did not want to saddle his grandchildren with debt, I mean this Congress has been all about saddling our grandchildren with debt, with tax cuts, with spending in Iraq, $1 billion a week with no accountability to private contractors, much of that money going to contributors to the President, much of that money going to Halliburton, a corporation which still pays Vice President CHENEY $13,000 a month, and those costs or those expenses are being paid by our grandchildren because that $87 billion this Congress will vote on in the next 2 or 3 weeks is going to be borrowed money.

That being said, I rise in opposition to the Flake motion. If there are Members of Congress who want to rewrite Medicare to make it a welfare program, which the Flake motion does, then let us have that debate. But just as it is wrong to co-opt seniors' need for drug coverage, to turn Medicare into a privatized insurance voucher program, it is wrong to capitalize on the coverage gap to turn Medicare into a means test and welfare program.

Medicare has enjoyed widespread popularity in this country, not only because it provides an essential safety net for America's most vulnerable seniors, although that is certainly a critical mission, it is also popular because it treats every American senior fairly. It is an insurance program that we should not fracture, one that has universal coverage, one that works for everyone, one that virtually everyone in society supports, and one that has worked as well as any Government program in our history over the last 38 years.

Understand that while by most major health indices: life expectancy, rate of vaccination, child mortality, infant mortality, maternal mortality, most measurements of health care, indices in this country, the U.S. does not rank very high compared to other wealthy countries, but on one measurement we rank near the top, and that is life expectancy at 65. If one reaches the age of 65 in the United States, chances are they will live longer than people, on the average, in almost any other country in the world. That is because Medicare treats everyone fairly, whether it is the retired factory custodian of modest means or whether it is the more affluent retiree who actually owns the factory. The Flake motion makes a radical change to this decades' old and very successful universal health care program that we call Medicare. The Flake motion asks the conferees to ensure the final bill includes a means-testing requirement. For the first time since its creation, Medicare would then look at the custodian, the poorest senior, the middle-class senior, the wealthy senior, and the plant owner all differently. All of them have paid into Medicare. The plant owner, frankly, has paid in more over his working lifetime than the custodian has, but under the Flake motion, Medicare offers the wealthy owner less coverage than his former employee. The Flake motion would turn Medicare from a national retirement savings program into a welfare program, undermining the popular support, undermining the universal support that Medicare has enjoyed in this country for 38 years.

A vote for this motion is a vote to weaken the pillar of fairness that supported Medicare for these 3-plus decades. The gentleman from Arizona's (Mr. FLAKE) motion also backs a means-testing plan that would almost certainly cut benefits for middle-class seniors. The House means-testing language would begin benefit cuts at income levels of $60,000. Sixty thousand dollars is hardly a Ken Lay lifestyle, especially in these days of ever-increasing health care costs.

I hear from my constituents week after week after week concerned that the cost of their health care insurance continues to grow with no end in sight. I hear it from seniors. I hear it from young, working families. I hear it from people who are close to retirement. It would seem to them that regardless of their income, regardless of how well they have planned for their health care future, that health care costs are eating up their savings. A Medicare prescription drug benefit that leaves any hard-working American out in the cold should be unacceptable to Members of this Congress. At least my Democratic colleagues and I think it is.

Let me be clear. A vote for the motion from my friend from Arizona is a vote to cut Medicare benefits, ultimately of middle-income Americans. Sixty thousand dollars now; that number could continue to be brought down in the next motion and the next motion and the next motion until public fee-for-service Medicare is only a program for the poorest and the lowest-working income people in this country.

A vote for the Flake motion is also a vote to increase bureaucracy and reduce privacy protections for American seniors. Here is how that works: House language would require Medicare to send a list of beneficiaries to the Internal Revenue Service. The IRS would respond with income information for every senior in Medicare. Medicare would then send that personally identifiable financial information to private health insurers that provide coverage under Medicare. I sure hope we get the do-not-call legislation enacted constitutionally, get it passed a court test if that happens. Surely, our Medicare cost-containment strategy should amount to more than adding paperwork in Medicare, increasing the bureaucracy at IRS and sending seniors' private tax information to HMOs.

The gentleman from Arizona's (Mr. FLAKE) concern, however, about the growing cost of Medicare is justified. The conference negotiations over H.R. 1 offer us an opportunity, an important opportunity, to address that concern by including clear, specific direction for the Government to negotiate with pharmaceutical companies reasonable prices for the medicines American seniors so desperately need.

We all know that growing health insurance costs are being driven by the skyrocketing costs of ever-increasing prescription drug costs. That is the 800-pound gorilla in the health care cost room. The House bill simply ignores it.

If we are really concerned about cost, we should instruct the H.R. 1 conferees to give Medicare real authority to protect seniors and taxpayers from rising drug costs. We are the only country in the world that lets the drug companies charge whatever they want. That is why we pay two times, three times, four times as much as the Canadians and the French and the Germans and the Israelis and the Japanese and the Brits pay. We should not instruct the conferees to cut the benefits of middle-income Americans and erode popular support for Medicare. We should, in this legislation, instruct the conferees to go after the high cost of prescription drugs.

I urge my colleagues to join me in opposing the motion from the gentleman from Arizona (Mr. FLAKE).

Mr. Speaker, I reserve the balance of my time.

Mr. FLAKE. Mr. Speaker, I yield myself such time as I may consume.

Let me say I have never heard so much concern for the rich coming from the other side of the aisle here. I just am overwhelmed with the concern that is over there that people like Arnold Schwarzenegger and others will not be able to afford prescription drugs without Government help.

And if you are concerned about the health of Medicare as a program, do not go with this program as it is outlined without a means test, because this will bankrupt it, and it will all be gone unless we do something to bring down the cost, and the best way is to ensure that it is targeted to those who need it most, not the wealthy who do not need it.

Mr. Speaker, I yield such time as he may consume to the gentleman from Indiana (Mr. PENCE), who has been a leader on this issue.

(Mr. PENCE asked and was given permission to revise and extend his remarks.)

Mr. PENCE. Mr. Speaker, I thank the gentleman for yielding me this time and for his courageous motion.

It is late in the workweek, Mr. Speaker, for us on Capitol Hill, and things tend to get a little blurry for Members of Congress when we put in a full, 3-day week. So I am going to try to unpack this a little bit, as I strongly endorse the motion by the gentleman from Arizona (Mr. FLAKE) which simply structurally affirms the idea of using income thresholds or means testing as a way of controlling costs in the Medicare prescription drug legislation that is currently being considered by a conference committee in the House and Senate.

This is not a radical and new idea, Mr. Speaker. In fact, according to our information, not only was means testing included in the catastrophic elements of the bill that passed the House, but also when the U.S. Senate signaled its support for means testing in June, there was an amendment that was drafted and sponsored by Senators NICKLES and FEINSTEIN. It prevailed on a test vote. Some 59 Senators indicated preliminary support for means testing as a way of controlling the extraordinary cost that we will place on working Americans in the future. Remember, entitlements are paid for by payroll taxes by working Americans. But because Senator TED KENNEDY, in effect, we are told in media outlets, raised the possibility of a filibuster, the amendment was not considered and was withdrawn.

So the idea that the Flake motion considers, Mr. Speaker, and that is brought so respectfully before all the Members of this body, but most especially the hard-working Members of our leadership team, is an idea that had broad support in this Chamber and arguably, by media accounts, in the Senate.

□ 1630

And I must tell my colleagues, I have great respect for the gentleman from Ohio. His passion and his eloquence on this floor is always memorable. But rather than reflecting on the remarks he just made, I would rather reflect on the motion that was debated in the hour prior to this one, which, as I sat on the back row of the Chamber, Mr. Speaker, was all about how the Medicare prescription drug benefit was too small, it did not spend enough, the

Democrat motion to instruct conferees argued, in sum. And I submit to my colleagues that the debate we heard last hour is a preview of the debate that will follow on the floor of this Congress every year if we create a universal drug benefit, a new entitlement in Medicare, a one-size-fits-all prescription drug benefit. It will, as we hear in every other entitlement, Mr. Speaker, it will simply be one other subject that our friends on the other side of the aisle will come into this Chamber and argue is insufficiently funded, and it will grow and it will grow and it will grow.

I believe in my own mind that the opposition by some to means testing here is because they know that if we create a prescription drug benefit that is based on the income of Americans, that it is, therefore, by definition not an entitlement. If we say that the person who owns the limousine and the person who drives the limousine are entitled to the same amount from the Federal Government in free prescription drugs every year, we have created an entitlement. If we create a difference there, we simply create a manageable government benefit. The Flake motion contemplates that, and I endorse it strongly; and the marketplace in need here also endorses it strongly.

I have to tell my colleagues, I do about 50 town hall meetings a year in my district; and I have become persuaded, Mr. Speaker, that there are seniors who struggle, in some cases, in heart-wrenching manners with the cost of prescription drugs. Statistics show us that nearly 24 percent of seniors have no access to drug coverage, and approximately 5 percent of seniors have out-of-pocket prescription costs of more than $4,000 per year. I would, as conservative as I am, and I would dare say even many of my colleagues would, be prepared to support the kind of program that President Bush called for to begin with: a program, we will call it Plan B, which would focus resources at the point of the need and leave the prescription drug coverage that 76 percent of Americans already enjoy untouched.

The reasons for this include the fiscal realities that the gentleman from Arizona (Mr. FLAKE) cited: the initial 10-year cost projected at $400 billion a year, from 214 to 223, though the numbers go up to a projected $772 billion, adding $2.6 trillion indebtedness to Medicare, a number almost the size of the national debt today. And why is that? It is because, Mr. Speaker, that there are 37 million people today entitled to benefits under Medicare; and by the time my baby boomer generation gets done retiring in the 2020s, there will be over 70 million Americans eligible for benefits in Medicare. Means testing and income-related testing is the only way of defeating the creation of a massive new Federal entitlement. I rise today to endorse it as a principle, as a concept, and as an idea whose time has come.

Nancy-Ann DeParle, President Clinton's Medicare administrator, issued inadvertently a warning about the work that we do here, saying that what Congress had contemplated would be ''the biggest expansion of government health benefits since the Great Society.'' And so it would, unless we bring Republican principles of limited government and fairness to bear on the challenges facing many seniors; unless we create a program built on that principle expressed by Abraham Lincoln when he said that government should ''never do for a man what he could and should do for himself.'' That is simply a principle of limited government, and it is also a principle of fiscal responsibility, and it is the principle underpinning the motion to instruct conferees brought today by the gentleman from Arizona (Mr. FLAKE).

I would submit to my colleagues, Mr. Speaker, that compassionate conservatism is about focusing solutions at the point of the need. Let us help our seniors near the poverty level with urgent and sufficient prescription coverage. Let us bring about reforms in Medicare so it is there for the future, without placing an undue burden on our children and grandchildren; and let us otherwise do no harm to the private sector foundation of the greatest health care system in the world.

For this reason, I strongly support the Flake motion to instruct conferees. I strongly support controlling costs through income thresholds on coverage, means testing, as it has come to be known; and I strongly support that principle for which our party was rewarded the ability to lead this institution, the principles of limited government and fiscal responsibility that I believe would be advanced by maintaining the means testing that was in the House bill; and if I can also offer, Mr. Speaker, expanding that means testing throughout the course of this benefit, so that we can truly focus the resources on those who need it most.

Mr. BROWN of Ohio. Mr. Speaker, I yield 4 minutes to the gentleman from New Jersey (Mr. PALLONE), who is a leader in this institution and in the area of health care.

Mr. PALLONE. Mr. Speaker, I want to thank the gentleman from Indiana (Mr. PENCE) for being honest about what he is trying to accomplish with this motion, but I have to say that his comments were very upsetting to me. Because if we listen carefully to what he said, it was a radical proposal. He said it was not radical, but it was extremely radical for the following reason: he said he does not want Medicare to be an entitlement. He said he wants means testing to extend to the entire Medicare program. And that is what the Republican ideology is all about. They do not want the Medicare program the way it was set forth 40 or 50 years ago when it was first set forth in this House of Representatives as a program that applies to every American senior.

Right now, every American senior gets the same benefits wherever they live, regardless of their income, regardless of their race, or regardless of anything, as long as they are a senior citizen. But if we listen to what the gentleman from Indiana said, what they would like to do through means testing is say that the program will be limited only based on one's income.

Now, in this motion to instruct, they say that seniors who earn more than $60,000 a year, $120,000 for couples, will not have the catastrophic coverage which is above $5,100 in the House bill. But if we listen to what the gentleman said, there would be nothing to stop us; in fact, he probably advocated today to perhaps lower that threshold below $60,000. Maybe next year or next month we will make it 30 or 40, or perhaps we will extend it to other parts of the program. So it would not just be for the catastrophic coverage, but maybe for the drug coverage in general, or maybe for the whole Medicare program.

I, listening to his remarks, would have to conclude that he would not have a problem means testing hospital care or doctors' care, so that if one is making $60,000 or more per year, maybe one would get hospital coverage under Medicare.

Well, that is what this Republican leadership is all about. Let us not forget that the Republicans did not vote for Medicare back in the 1960s when it first began. Let us not forget that many of the leadership, including Speaker Gingrich a few years ago, said that Medicare should wither on the vine, whatever that means; and that is what this motion is all about. They wanted to kill Medicare ultimately. They want to make it so limited that it only applies to a few people.

Now, I heard the argument. One of them was philosophical: well, it is just not right to cover everybody. But then I also heard the fiscal argument, which was, well, we cannot afford it anymore. Why can we not afford it? Well, we can afford it. But the reason they have made it more difficult to afford is because they have implemented all of these tax cuts for the last 2 years on the Republican side with a Republican President, and they are borrowing money from the Medicare trust fund to pay for the debt that has resulted from those tax cuts that have mainly benefited wealthy corporations and wealthy individuals. So they are forcing Medicare to go broke because they are borrowing from it and making the trust fund not have the money that it should have that people have paid into.

Mr. Speaker, I am extremely upset because on the one hand, I appreciate the gentleman from Indiana's honesty and the philosophy and the idealogy that he has laid up here, but on the other hand it is upsetting to me to think that people really feel that way and they want to do this to the Medicare program.

Think about it. In my home State of New Jersey, they say $60,000 is a lot for a person, or whatever the figure is for a couple. Well, $60,000 is still middle

class in New Jersey, and I am very fearful of the domino effect. Well, if we have another tax cut in another 6 months or a year and we borrow more from Medicare and we say we do not have the money, then they will reduce it to $50,000 or maybe $40,000. Well, what happens to the Medicare program? As my colleague from Ohio, the ranking member on our subcommittee, said, at some point, at some point, the Medicare program does not have the political support anymore because fewer and fewer people will be able to take advantage of it. That is what this is all about: killing Medicare. That is what my Republican colleagues are up to.

Mr. FLAKE. Mr. Speaker, I yield myself such time as I may consume to note that our motion to instruct contains no income figures or thresholds at all. The $60,000 figure that is cited is simply part of the Republican base bill that was passed in this House. We are simply establishing the principle of means testing. Now, I would suppose that if that was set at $100,000 or $200,000 or $300,000 or $400,000 or a half a million dollars, the cry from the other side of the aisle would be the same: do not means test it. Do not means test it. We want an entitlement. And that is what we are fighting about here. We simply want to say that we ought to target those who need it most, not spread it out so we bankrupt the system too quickly.

Mr. Speaker, I yield 3 minutes to the gentleman from Iowa (Mr. KING).

Mr. KING of Iowa. Mr. Speaker, I appreciate the remarks of the gentleman from Arizona. What we are really talking about here is means testing versus entitlement. Means testing says, we do not want to tax poor people to put drugs and Medicare into the accounts of Bill Gates. And entitlement means, we are going to do that for everybody so we can level this across all classes of people in America. That is not the American way. We do not do things like that. We are here for the underdog, and that is what means testing does. It protects this system for the poorest among us.

If we listen to some of the discussions about Social Security reform, we will hear, raise the age, lower the benefits, increase the contribution. All of those things are part of what happens if we do not provide for means testing, because then we have to draw it out of the pockets of the working people.

I am from Iowa. In Iowa we pay attention to Medicare. We are last in the Nation in compensation rates where I come from. I represent a district that has 10 of the 12 most senior counties in Iowa, and in Iowa we have the highest percentage of our population over the age of 65. We are extraordinarily sensitive to providing these resources to people who need it.

When I came here to this Congress, I pledged to support a prescription drug Medicare plan that was means tested and also provided for the reform in Medicare so that we could utilize those dollars in the most effective way possible and penalize the producers in this country the minimum amount possible. We do not have that in what is appearing to come together before our conference committee. I rise in support of the Flake motion to instruct for that reason, so that we can promote means testing and impose the idea of this entitlement, which weighs down this system.

So how did we get here? Two years of expectations raised by the Congress that said we are going to do prescription drugs. That brought us to this point. Then we set this number up on the wall that said $400 billion, then began to write prescription drugs-Medicare that hit that $400 million target. Really, the actuaries drove a lot of this policy, and it does not appear to resemble the things that I came here to support.

So I am for reform. There are places in this country where they get more money for Medicare compensation than they need and they use that to buy down insurance premiums in private payers in places in this country where they get substantially less, and Iowa is one of those. We are not addressing quality care or cost effectiveness. In an effective way, our $400 billion plan is about 25 to $27 billion worth of reform, and the balance of it is prescription drugs because it is an entitlement.

Mr. Speaker, I think the Flake motion goes directly to the heart of this, and to carry this philosophy into the conference committee and bring it out and bring it out to the floor with really the right thing for the right philosophy for Americans is the thing that we ought to do.

Mr. BROWN of Ohio. Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. SANDLIN).

□ 1645

Mr. SANDLIN. Mr. Speaker, I rise in opposition to my colleague's motion to instruct conferees to include means testing in H.R. 1. Such an instruction is opposed by America's seniors and would be a horrible mistake for this body.

Let us make no mistake about the nature of the gentleman's motion. It is simply another step along the Republican plan to completely destroy Medicare. It is as simple as that.

Implementing means testing obliterates the fundamental tenet of Medicare as a universal insurance program for everyone in this country. That is the foundation of Medicare. That is what it is. Efforts to means test Medicare destroys that program.

If this provision survives the conference, a provision that was soundly defeated in the United States Senate, our Congress would be the first in history to tax the middle class twice for their benefits. It is important to remember that means testing is not just for wealthy celebrities, as has been discussed. It applies to our Nation's middle class, to people making about $60,000 a year.

In both the House and the Senate drug plans our seniors already have to endure large gaps in coverage, gaps where they get no coverage but they have to pay a premium. Under this provision many of our middle-class seniors will not enjoy catastrophic limit protection until they personally spend $11,000. That is not fair, and it equates to no plan at all.

Further, when we talk about means testing, we cannot forget Medicare financing. Today, every Medicare beneficiary gets the same benefits and pays the same percentage of taxes into the program. This means those with higher incomes have been paying more into Medicare. This means that under this motion the very individuals that Congress wants to deny benefits to have been paying a larger proportion of the funds that sustain Medicare.

Now, on a side note I find it very ironic that the majority, which claims to want to minimize the government's role in our citizen's lives, will be creating a significant new government bureaucracy through means testing, one that will threaten the privacy of our Nation's seniors. After all, in addition to this provision, the Medicare administrator will be sending the IRS the names and incomes of seniors who will then forward this confidential information on to private insurance companies. That is kind of inconsistent, especially with Congress's strict demands on hospitals regarding the privacy provisions of HIPAA.

We do not need to embark on this dangerous path to dismantle Medicare. We do not need to give up the privacy of our seniors. Do not let the IRS send your private financial information to private insurance companies.

We have to respect our seniors. We have to respect our commitment to our Nation's seniors. Our elderly need stability in their health care. They have earned it, and they deserve it.

I urge Members to vote against this motion, protect our seniors, protect their privacy, defeat this motion, and let us focus our efforts on a strong Medicare and on a prescription drug plan that makes drugs available and affordable for all of America's seniors.

Mr. FLAKE. Mr. Speaker, I yield 3 minutes to the gentlewoman from Colorado (Mrs. MUSGRAVE).

Mrs. MUSGRAVE. Mr. Speaker, I admire altruism. I am very impressed when people want to help other individuals. I am very skeptical of altruism when it is funded with other people's money.

When we look at this Medicare prescription drug benefit, I think we ought to think about the young families in our country that are working very hard to make ends meet. Many of them are in their 30s, their 40s. They have young children. They are trying to figure out how they are going to pay for their little guy's glasses, the little boy in the second grade that cannot see

the bulletin board. They are trying to figure out how they are going to have any quality time together because mom is working and dad is working and somebody has got to pick up the kids and somebody has got to buy the groceries. They are frazzled young families. They are trying to do the right thing by their family, but they are also trying to figure out how they are going to pay their taxes and they are going to make ends meet.

When we look at these families and look at families where people are working in their late 50s and early 60s and they do not really have a very good prediction, good future for their retirement and they are working on because they are trying to make ends meet also, maybe we ought to think about those people before we try to figure out how we are going to give a benefit to the wealthy that do not even need it, the wealthy Americans who, God bless them, have been successful.

I am all for people accumulating wealth and enjoying it and being very prosperous, especially when they have made good plans and in the elder years of their lives they are reaping the benefits. But it makes no sense to me to increase the tax burden on our working families to give a benefit to people that have not asked for it that are going to try to figure out how many weeks they are going to spend on their yacht. This does not make sense.

I support the Flake motion. We need to have a means testing. It is common sense. That is how we need to be responsible with the only way government gets its money: from taxing our citizens.

Mr. BROWN of Ohio. Mr. Speaker, I yield 3 minutes and 30 seconds to the gentleman from Michigan (Mr. LEVIN).

(Mr. LEVIN asked and was given permission to revise and extend his remarks.)

Mr. LEVIN. Mr. Speaker, I hope that everyone who was not here today, our colleagues, will read the words in the CONGRESSIONAL RECORD and understand where the two parties are coming from. The gentleman from Arizona (Mr. FLAKE) has made clear that what he wants to do is to make sure that prescription drugs is not an entitlement. So, therefore, he wants to means test for those earning $60,000 and above. We must make clear that the logic is it will be reduced from 60 to 50, to 40. That will erode the Nation of an entitlement, if you are consistent.

So this is not a slippery slope. This is a sure path to destroy the prescription drug benefit as an entitlement. You have made that pretty clear. The logic leads to no conclusion but that. Then if you want to erode prescription drugs as an entitlement, the next logical step is to do the same for Medicare, if you are logical.

Then I am totally confused by the gentlewoman from Colorado (Mrs. MUSGRAVE) who says that we do not want to give this benefit to the wealthy. $50,000, $60,000, $70,000 is wealthy? And I would like to know where the people who have spoken for this motion were with the child credit vote, where we were talking about $15,000, $20,000. My guess is that the gentleman who is in support of this voted against it.

Then I would like to ask, after this discussion about let us not help the very wealthy, how you voted in terms of the estate tax that applies only to a few thousand people a year, to indeed the wealthy, where I think almost by rote all of you supported the elimination of the estate tax.

So this is clear, number one, you want to destroy prescription drugs as an entitlement; and, number two, you are totally inconsistent when you say someone earning $60,000 or $70,000 should not have the full benefit of a prescription drug plan, but then you vote not to give a child credit to people earning between $10,000 and $25,000. Then you vote that the 3,000 or 4,000 very, very wealthy families in this country, very few of them who are farmers, who are in small business, should be able to pass on millions, millions, and millions without paying estate tax.

I hope this discussion will be read by everybody before they vote and understand the meaning of their vote. Destroy prescription drugs as an entitlement and have crocodile tears because the very wealthy would benefit from a prescription drug benefit when all of your other votes show that you do not have that same sensitivity when it comes to the tax structure of the United States of America.

Mr. FLAKE. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I want to point out I am a little confused myself in terms of what is rich. On the other side of the aisle, they argued throughout the entire tax debate that the same middle-class individual, $60,000, $70,000, $50,000, are not going to benefit from taxes for the rich? What is rich? We set no standard in this motion to instruct. We simply say that we ought to have a means test. We have not pegged it at $60,000, at $70,000, $200,000, $300,000. We are simply establishing the principle that it should not be an entitlement.

If people are worried about it being a slippery slope, set it at $200,000. By the time that slippery slope ends, someone starting at 65 surely will not be around to collect. But set it somewhere, establish a principle that we should not be paying prescription drug benefits for the Bill Gates of the world.

Mr. Speaker, I yield 3 minutes to the gentleman from Indiana (Mr. PENCE).

(Mr. PENCE asked and was given permission to revise and extend his remarks.)

Mr. PENCE. Mr. Speaker, I want to compliment my colleagues on the other side of the aisle for a vigorous, embracing debate, Mr. Speaker.

Apart from some of the class warfare rhetoric, I want to concede a particular point, that the introduction, as the Flake motion suggests, into the prescription drug benefit of income related standards of means testing is precisely about destroying the creation of a new entitlement. It is precisely that, Mr. Speaker. Because despite the fact that we are hearing our friends on the other side of the aisle speak with great generosity about the middle class and even the upper class today, it will not be any of us in this room, judging from the relative age as I look around this Chamber, who will pay for this entitlement, but it will be people like my 10-year-old daughter, Charlotte.

Sometimes God has a sense of humor, Mr. Speaker. The very day I was called upon to vote to create the largest new entitlement since 1965 was my daughter Charlotte's 10th birthday. I started the morning stuffing a pinata at 6 a.m. for her little-girl birthday party. It was a great day.

And it really was that experience that emboldened me to take the stand that I took in voting against this measure and to take the stand that I take today with Mr. FLAKE in saying that we must, almost regardless of the politics and the demagogic rhetoric that will be foisted on us from many quarters, we must do right by Charlotte. Because it will be Charlotte in 20 years, hopefully married to a good and Godly man, raising my grandchildren, who will be paying two and three times the payroll taxes that we pay today to pay for the benefits that we are on the verge of creating, Mr. Speaker. It is that plain and that simple. And to do that by taxing young Charlotte's family to support benefits to people who could and should provide for themselves, in the words of Abraham Lincoln, is unconscionable.

So, Mr. Speaker, I support the Flake motion.

□ 1700

Mr. BROWN of Ohio. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I thank both my friends from Indiana and from Arizona for their comments. I am just intrigued that people can stand on this floor in the majority party and talk about burdening our children and our grandchildren with debt.

When President Bush took office, we had a surplus, billions of dollars a year, a 10-year surplus well into the several trillion dollars projected. Today, after Republican control of the White House for only 2½ years, Republican control of the House during that time, Republican control of the Senate much of that time, we are talking about trillions and trillions and trillions of dollars in debt. This year alone some $550 billion deficit. And for then my colleagues, not just today but time after time after time, coming to this floor and railing against Democrats for spending, it makes me absolutely incredulous.

My friends on the other side of the aisle are now talking about bringing

forward to this House Chamber a constitutional amendment to balance the budget. In other words, we cannot balance the budget, but we are going to do a constitutional amendment to make us balance the budget.

The fact is, Mr. Speaker, that when they argue costs and debt and burden on our children, they ought to look at the tax cut that they have given to millionaires, $93,000 for the average millionaire in this country, half of my constituents got zero dollars out of that tax cut, but they have given a $93,000 tax cut to the average millionaire.

They have way overspent the budget when it comes to issues such as what they are now doing with Iraq. We spend a billion dollars a week. They want to spend $87 billion next year, probably more than that, that is just what they are telling us now, with little accountability. We do not know where the money is going. The private contractors are getting unbid contracts, they are friends of the President, yet they talk about saddling our grandchildren with debt as if it is Medicare that is saddling our grandchildren with debt.

My friend from Arizona, as I said, I respect him for his candor and his intellectual consistency and honesty, but what this is all about is about privatizing Medicare. They wanted to privatize Social Security. They wanted to privatize the national parks. They want to privatize Medicare. They want to privatize every section of the government that they possibly can.

That is their philosophy. That is fine. But let us not talk about means testing. Let us talk about what their mission is, to turn Medicare over to the insurance companies. That is what Medicare+Choice is about. That is what their argument is about. They can call it means testing. They can call it a lot of things, but ultimately, we know what it is. We know they want to privatize Medicare.

As my friend, the gentleman from New Jersey (Mr. PALLONE) has said, for 35 years it is clear that my friends on the other side of the aisle, for honest intellectual, philosophical reasons have not liked Medicare. In 1965, only 12 Republicans voted for Medicare. Strom Thurmond voted no. Gerald Ford voted no. Bob Dole voted no. And my favorite, Donald Rumsfeld, voted no at the creation of Medicare in 1965.

In 1993, when the Democrats saved Medicare, when its life expectancy was not really very long, Democrats passed, with no Republican votes, legislation to extend the life of Medicare.

In the mid 1990s Speaker Gingrich came forward saying that he wanted Medicare to wither on the vine. He tried to cut Medicare $270 billion to give another tax cut to the wealthiest people in society.

Then Dick Armey, the majority leader of the Republicans, BILL THOMAS, the chairman of the Committee on Ways and Means, they have consistently said how they do not like Medicare. This is about privatizing Medicare. It is not about Bill Gates. It is simply not about means testing. It is about privatizing Medicare, turning it over to the insurance companies and ending Medicare the way that we know it. I urge my colleagues to vote no on the Flake motion.

Mr. FLAKE. Madam Speaker, I yield myself such time as I may consume.

Madam Speaker, I thank those who have participated in this debate. I want all Americans to know that tonight they will all get a big raise. It seems that tomorrow that those on the other side of the aisle will come back and talk about how those who are earning $60,000 who are decidedly middle class when it refers to this bill, will be rich when it comes to talking about tax cuts. Which is it? Which is it?

I want to remind my colleagues here, again, that this motion to instruct says nothing about which income levels we ought to set this at. It simply says we ought establish the principle that this be targeted at those who need it the most. And this debate about whether or not we ought to look at the income of older Americans will probably be moot in another 30 years because, as I pointed out before, someone 40 years old today, like me, will spend, like me and my family, will spend about $40,000 in additional taxes, in additional taxes over the next 30 years. We will spend $40,000 in additional taxes because the payroll tax does not provide enough revenue to fund Medicare. This adds fuel to the fire. This simply blows it up out of control.

Now, anybody who has watched my voting record, or the voting record of my colleague from Indiana (Mr. PENCE), knows that we are not proud of our fiscal restraint here in this House, be it Republican or Democrat, over the years. But we ought to look at this program right now. This is what is up for debate. We cannot say, well, Republicans have grown the deficit or Democrats have done this, so it is okay. We are going to take this program, and we are going to blow it up over the next 30 years and even greater beyond that. That is simply not acceptable. We know better than to do that.

If we are spending $40,000 in additional taxes for the average family of four over the next 30 years, we will not have a debate about whether to means test anything in the year 2030 because too few seniors will have enough disposable income to actually fund it. We will all be dependent on Government. Maybe the other side of the aisle would like that, but I do not.

I think people ought to have the ability to save for themselves. There is a difference between tax cuts and benefits like this. Tax cuts, you are taking money that somebody has paid, or will pay, in taxes and saying, You do not have to pay that any more.

This benefit is taking from people who have paid in already, and you are taking that money and saying, We will give it to this person, instead of giving it back to you who earned it.

Madam Speaker, I would conclude and simply urge support for this motion to instruct. Let us do what is right. Let us do what we know is right.

Ms. JACKSON-LEE of Texas. Madam Speaker, I rise to speak out against this motion to instruct conferees to include ''means testing'' of Medicare beneficiaries for prescription drug coverage. Although it looks like a good idea, looks are deceiving. This provision is unfair, will hurt people who deserve help, and will unnecessarily damage the Medicare program.

The idea of means testing is that seniors who earn more than $60,000 a year ($120,000 for couples) will not have the $5,100 stop-loss protection. Instead, they will have to pay more out-of-pocket before they get stop-loss protection because of their income. Therefore, this motion will force middle-income seniors to pay more for their drug coverage.

Means testing is unfair and inappropriate because it will tax middle-class seniors twice for their benefits. Today, the same Medicare benefits are available to all those who are eligible. Everyone pays the same percentage in payroll taxes and gets the same benefits out. It is not a welfare progam. All Americans who contribute taxes during their working years are entitled to the full package of Medicare benefits when they retire.

The House Republicans, however, are taking the first steps to turning Medicare into a welfare program, making middle-class seniors pay more for their Medicare benefits. Under the Republican bill seniors who earn above $60,000 a year will see their catastrophic limit raised from $5,100 to much higher levels based on their income.

This amounts to an additional Medicare tax on middle-class seniors—who already paid more money in Medicare taxes because of their higher earnings in the first place. So after giving massive taxcuts to the richest 1 percent of Americans, the House Republicans want to stick the bill for their mismanagement to senior citizens trying to get the health care they deserved.

Not only is this provision unfair, it probably will create a bureaucratic nightmare that will waste money, and ultimately not work. Because Medicare has no means testing now, there is no staff or system for managing data on seniors' income levels. Same goes for the IRS, where they have no protocol for exchanging private data on senior citizen incomes to the CMS, or to the insurance companies that ultimately are responsible for administering the prescription drug benefits, under the Republican plan.

As I understand it, the Medicare Administrator will need to send the names of seniors to the IRS, and the IRS will send back the seniors' income data for the previous year. Medicare will then send this very private information to private health insurance companies. Seniors' confidential information will be sent all across the country. This is a bureaucratic mess, and may well be illegal.

Not only will this scheme increase federal bureaucracy at the IRS and the CMS, but at private insurance companies as well. They will have different catastrophic levels for every senior above $60,000 in income. Giving the insurance industry income data on seniors and forcing them to create sliding-benefit structures, will also encourage plans to risk select, and pick out the cheaper seniors to be in their plans.

Once private insurance companies have income data on seniors, they can use it to selectively market their products to higher income seniors, who are likely to be healthier and use less health services.

This is a recipe for disaster. It is a step in the wrong direction for the successful and efficient Medicare program, that up until now has served every senior equally well. The approach taken in the Republican bill is wrong. We should not be taxing middle-class seniors twice for their Medicare benefits.

We should eliminate the means testing of catastrophic drug coverage in the House Republican bill. I will vote no on this motion, and urge my colleagues to do the same.

Mr. FLAKE. Madam Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mrs. MILLER of Michigan). Without objection, the previous question is ordered on the motion to instruct.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to instruct offered by the gentleman from Arizona (Mr. FLAKE).

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. BROWN of Ohio. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this motion will be postponed.

HOUR OF MEETING ON FRIDAY, OCTOBER 3, 2003

Mr. FLAKE. Madam Speaker, I ask unanimous consent that when the House adjourn today, it adjourn to meet at 10 a.m. tomorrow, Friday, October 3, 2003.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arizona?

There was no objection.

ADJOURNMENT FROM FRIDAY, OCTOBER 3, 2003 TO TUESDAY, OCTOBER 7, 2003

Mr. FLAKE. Madam Speaker, I ask unanimous consent that when the House adjourns on Friday, October 3, 2003, it adjourn to meet at 12:30 p.m. on Tuesday, October 7, 2003, for morning hour debates.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arizona?

There was no objection.

DISPENSING WITH CALL OF PRIVATE CALENDAR ON TUESDAY, OCTOBER 7, 2003

Mr. FLAKE. Madam Speaker, I ask unanimous consent that the call of the private calendar be dispensed with on Tuesday, October 7, 2003.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arizona?

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS ON WEDNESDAY NEXT

Mr. FLAKE. Madam Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule be dispensed with on Wednesday next.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arizona?

There was no objection.

WASHINGTON INSIDERS' NEW FIRM CONSULTS ON CONTRACTS IN IRAQ

(Mr. MCDERMOTT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MCDERMOTT. Mr. Speaker, as we in the House get ready to rubber-stamp another blank check for the President of the United States for $87 billion, I submit for the CONGRESSIONAL RECORD an article from the New York Times dated 30 September by Douglas Jehl. This is an article that talks about the company called New Bridge. The principals are Joe Allbaugh, who was Mr. Bush's campaign manager in 2000; Mr. Ed Rogers and Mr. Lanny Griffith, who were both White House assistants for the older Bush. These people work with Haley Barbour, who is running for the Senate down in the South. These folks have put together a program. Joe Allbaugh was FEMA director. He quit that job and went to work putting together the war-profiteering company they call New Bridge. They are going to go out there, and they are all swarming around. When Bremer was here in town, they had a big party, and they began talking about how they are going to get the contracts from the $87 billion. We are going to fund these war profiteers right out of the White House. They have no shame.

[From the New York Times, Sept. 30, 2003]

WASHINGTON INSIDERS' NEW FIRM CONSULTS ON CONTRACTS IN IRAQ

(By Douglas Jehl)

WASHINGTON, Sept. 29.—A group of businessmen linked by their close ties to President Bush, his family and his administration have set up a consulting firm to advise companies that want to do business in Iraq, including those seeking pieces of taxpayer-financed reconstruction projects.

The firm, New Bridge Strategies, is headed by Joe M. Allbaugh, Mr. Bush's campaign manager in 2000 and the director of the Federal Emergency Management Agency until March. Other directors include Edward M. Rogers Jr., vice chairman, and Lanny Griffith, lobbyists who were assistants to the first President George Bush and now have close ties to the White House.

At a time when the administration seeks Congressional approval for $20.3 billion to rebuild Iraq, part of an $87 billion package for military and other spending in Iraq and Afghanistan, the company's Web site, www.newbridgestrategies.com, says, ''The opportunities evolving in Iraq today are of such an unprecedented nature and scope that no other existing firm has the necessary skills and experience to be effective both in Washington, D.C., and on the ground in Iraq.''

The site calls attention to the links between the company's directors and the two Bush administrations by noting, for example, that Mr. Allbaugh, the chairman, was ''chief of staff to then-Gov. Bush of Texas and was the national campaign manager for the Bush-Cheney 2000 presidential campaign.''

The president of the company, John Howland, said in a telephone interview that it did not intend to seek any United States Government contracts itself, but might be a middleman to advise other companies that seek taxpayer-financed business. The main focus, Mr. Howland said, would be to advise companies that seek opportunities in the private sector in Iraq, including licenses to market products there. The existence of the company was first reported in National Journal, a weekly magazine of Government and politics.

Mr. Howland said the company was not trying to promote its political connections. He said that although Mr. Allbaugh, for example, had spent most of his career ''in the political arena, there's a lot of cross-pollination between that world and the one that exists in Iraq today.''

As part of the administration's postwar work in Iraq, the Government has awarded hundreds of millions of dollars in contracts to American businesses. Those contracts, some without competitive bidding, have included more than $500 million to support troops and extinguish oil field fires for Kellogg, Brown & Root, a subsidiary of Halliburton, which Vice President Dick Cheney led from 1995 until 2000.

Of the $3.9 billion a month that the administration is spending on military operations in Iraq, up to one-third may go to contractors who provide food, housing and other services, some military budget experts said. A spokesman for the Pentagon said today that the military could not provide an estimate of the breakdown.

Administration officials, including L. Paul Bremer III, the top American official in Iraq, have said all future contracts will be issued only as a result of competitive bidding. Already, the Web site for the Coalition Provisional Authority, http://cpa-iraq.org/, lists 36 recent solicitations, including those for contractors who might sell new AK–47 assault rifles, nine-millimeter ammunition and other goods for new army and security forces.

New Bridge Strategies was established in May and recently began full-fledged operations, including opening an office in Iraq, its officials said. They added that a decision by the Governing Council of Iraq to allow foreign companies to establish 100 percent ownership of businesses in Iraq, an unusual arrangement in the Mideast, had added to the attractiveness of the market.

Mr. Howland is a principal of Crest Investment in Houston and was president of American Rice, once a major exporter to Iraq. Richard Burt, ambassador to Germany in the Reagan administration and a former assistant secretary of state, and Lord Powell, a member of the British House of Lords and an important military and foreign-policy adviser to Prime Minister Margaret Thatcher, are among the 10 principals.

Mr. Allbaugh, the chairman, spent most of his career in Texas politics before Mr. Bush appointed him to head the federal disaster agency. Mr. Allbaugh, who now heads his own consulting firm here, did not return calls to his office today.