Introduction

There was little for current and aspiring middle-class Americans in tonight's State of the Union Address.

On the domestic front, which is the concern of this report, President Bush wavered between promoting ideologically driven experiments to fix our most pressing problems and offering such detailed proposals that the larger challenges were obscured.

When it came to health care, the President opted to push an aggressive ideological agenda on the backs of middle-class Americans, offering "market-based" proposals that treat health care as if it were any other commodity and fail to address the real reasons behind its ballooning costs. On the economy, the President wants to reduce the deficit while maintaining his tax cuts that favor the very wealthy.

On issues like education and energy, the President's proposals lacked a core vision or an admission that previous years of inaction and underfunding have made these problems far more intractable today than they had to be.

Listening to the speech, average Americans heard the President use those words that the droves of Americans who abandoned him and his party at the polls two months earlier wanted to hear. He spoke of improving access to health care and of providing a system of public education that would "leave no child behind." He told us he would balance our federal budget. He promised to reduce America's dependence on oil, to improve our environment, to secure the border and to save Social Security, Medicare and Medicaid. He looked Americans in the eye and told them our economy was good and their lives were getting better.

But when one looks past the State of the Union's middle class window dressing, one cannot help but notice the speech reflects a view of America and an approach to government that is at odds with the reality lived by average Americans. The flourishing economy described in the speech may reflect the view held by corporate CEOs and Wall Street bankers whose fortunes have certainly improved in the past year, but it bears little resemblance to the experience of middle-class Americans who worry about the security of their jobs, how they can afford to pay their mortgages, to send their children to college as well as to save for retirement, and who wonder why their dollar seems to buy less and less every year.

The President's proposals, at their core, would implement a conservative ideology that doggedly protects the wealthiest Americas from tax hikes by sharply cutting social programs and absolve corporations from their obligation to protect the health and welfare of their employees by shifting those burdens to the workers themselves. And on issues like the environment, the President merely plays a shell game by distracting Americans with promises to reduce our nation's consumption of oil while he discretely announces his desire to step up domestic oil production and to double the capacity of our nation's Strategic Petroleum Reserve.

As the father of the President's party, Abraham Lincoln, once wisely observed, "you can fool some of the people all of the time, and all of the people some of the time, but you cannot fool all of the people all of the time." Tonight, those who genuinely value the interests of the middle class and those aspiring to join the middle class have not been fooled.

The Economy & Taxes

President Bush: The economy is strong and improving.

- "The future of hope and opportunity begins with a growing economy – and that is what we have… Unemployment is low, inflation is low, and wages are rising."

DMI SAYS: "The President's glowing report of the condition of the American economy, while reflective of the views of corporate CEOs and Wall Street bankers, is out of touch with the average American's experience. Faced with escalating health care and college costs, personal debt rising to unsustainable levels, and an ever weakening system of retirement security, the middle class is not feeling nearly as positive as the President about their economic future."

- These days, corporate profits are growing and CEOs are picking up enormous paychecks. But ordinary Americans are just trying to get by. The costs of health care and of putting a kid through college keep on going up. And with the housing market continuing to weaken, middle-class Americans who only managed to buy a house or find a job because of this industry's growth will be hit hard. For the 7 million Americans still unemployed and 46.6 million Americans uninsured, the economic recovery has not even begun.
- Working people are just now beginning to see the benefits of economic growth, even as the prospect of a worsening housing slump threatens to bring on a slowdown.
- Economic recovery may have come too late for the millions of Americans who cashed in equity from their homes to pay basic living expenses or relied on high-interest credit cards to make ends meet. More than 2 million Americans filed for bankruptcy in 2005,

even as legislation championed by President Bush made it harder for cash-strapped families to dig themselves out of debt in 2006.

- The President's economic policies have done little to address these issues, primarily because he has refused to acknowledge a middle-class squeeze characterized by increased obstacles to accessing the American Dream. While middle-class Americans aspire to build up equity in their homes, send their children to college and save for a secure retirement, even hardworking families with good jobs are finding it harder to meet these goals and get ahead.
- Despite recent gains, job creation has been slow compared to previous economic recoveries, employers like Whirlpool, AOL and General Motors that offered well-paying middle-class jobs have just announced thousands of lay-offs, and many of the new jobs that replaced those that were lost during the recession are lower-paying and offer fewer benefits.

Relevant Statistics:

- According to exit polls in the midterm elections, percentage of Americans who think life for the next generation will be about the same or worse, respectively: 28, 40
- Increase in the number of Americans living in poverty between 2000 and 2005: 5.4 million
- Number of indebted households using credit to cover basic living expenses, according to Demos: 7 in 10
- Percentage of personal bankruptcies that can be traced back to a serious illness or other medical cause: 54.5
- Percentage of debtors who went without food before declaring bankruptcy: 19.4
- The percentage of the GDP belonging to wages and salaries has never been lower than it was in 2006 at any point over the past 77 years where data was available.
- Percentage increase in the cost of health care premiums in 2006: 7.7 - two times the rate of inflation.
- Percentage increase since 2000 in the cost of premiums for employment-based health care coverage: 87
- Percentage increase in tuition and fees at the average public four-year college over the past five years: 35

Budget

President Bush: Reduce the budget deficit through spending cuts.

> “We must balance the federal budget. We can do so without raising taxes. What we need to do is impose spending discipline in Washington D.C.”

DMI SAYS: "The same President who single-handedly returned Washington to an era of staggering budget deficits is now preaching the wisdom of fiscal discipline and a balanced budget. But the President's refusal to reduce his war expenditures or to take back any of his staggering tax cuts for the richest Americans means he intends to balance the budget on the backs of average Americans. Refusing to fund programs that ease the daily struggles of middle class Americans and slashing public support for programs that enable low-income Americans to work their way into the middle class should be a last resort for balancing the federal budget, not a first choice."

- Every year since President Bush took office 2001, the government has run a deficit, which in 2005 was the largest in American history.
- We support the President's interest in cutting the deficit, but we are unclear on how this is possible in a time of war spending without limit and a commitment to continuing tax cuts that have drained our coffers.
- These tax cuts deprive the public sector of the revenue needed to fund college aid, Medicare, unemployment benefits, education reform, and other programs the middle class relies on. Meanwhile, most of the revenue from these cuts raised comes from the wealthiest people who can most afford to pay.
- A recent study from the Congressional Budget Office confirms that the benefits of President Bush's tax cuts continued to flow disproportionately to the top 1 percent of income earners, while tax rates for middle-income earners edged up.
- According to the Center on Budget and Policy Priorities, if the President's tax cuts had been in full effect in 2006, their total cost would have been three times larger than all federal spending on education—including elementary, secondary and post-secondary programs. The total cost of these tax cuts would also be three times larger than all federal funding for veterans services, including veterans pensions, veterans disability compensation, veterans health care, and other veterans services. Or, seen in another way, the total cost of then President's tax cut package equals the combined annual operating budgets of all of these agencies: Homeland Security, the State Department, Department of Housing and Urban Development, Education, Energy, Veterans Affairs, and the Environmental Protection Agency.
- President Bush's 2007 budget provides an indication of the type of spending he would like to discipline, such as the 13 percent decrease in funding for veterans' health care he proposed. Also on the chopping block were billions of dollars in proposed cuts to community colleges, job training programs, and elementary education – programs that help the neediest Americans get the skills they need to work their way into the middle class.
- In sum, it is in the interest of America's middle class that the federal government reduce the deficit. But we are sure that it is the middle class who will suffer on the road to accomplishing that goal if the President holds fast to a policy of maintaining and extending irresponsible tax cuts.

Relevant Statistics:

- Size of the 2006 budget deficit: $296 billion
- Rank of the Bush tax cuts among the factors leading to increased budget deficits since 2001: 1
- Amount by which government revenues in 2006 fell short of where they would be without the President's tax cuts: $250 billion
- Ratio of the cost of making the President's tax cuts permanent to the size of the Social Security shortfall over the next 75 years: 3:1
- Total estimated cost of the current tax cuts, the extension of expiring tax cuts and AMT relief through 2016: $6.5 trillion
- Amount of the President's 2001 and 2003 tax cuts that went to the top 1% income earners between 2002 and 2004: $197 billion
- Percentage of the American people who will get the majority of benefits from cuts in dividend and capital gains taxes: 0.2
- Percentage of benefits from these tax cuts that will go to households making more than $200,000: 75
- Under the 2006 Extension of Tax Cuts for Capital Gains and Dividends, average tax cut for people making under $50,000 a year: $3
- Average tax cut for people making $1 million or more a year: $59,972
- Percentage of all corporate stock and business assets held by the richest 1% of households: 60
- Amount by which the President's proposed 2007 budget would decrease funding for education and workforce development programs, which includes K-12 education, higher education, community college funding, job training, and other such programs, over the next five years: $52.7 billion, amounting to a 17% decrease.

President Bush: We must make Social Security, Medicare and Medicaid fiscally sound.

- "With enough good sense and good will, you and I can fix Medicare and Medicaid – and save Social Security."

DMI SAYS: "Unfortunately, when President Bush proposes fixing something, it usually means weakening it."

- In his 2007 budget, the President proposed cuts in Medicaid that would shift costs to the states, driving them to restrict eligibility or diminish benefits. Similarly, the President's ill-fated 2005 Social Security privatization plan included steep cuts in the benefits guaranteed to retirees, survivors, and the disabled. While putting these vital components of our nation's social safety net on sound fiscal ground is imperative, we must not undermine needed health care or retirement income for the elderly, sick, and poor to do so.

- Cutting Social Security benefits is not necessary to ensure the program's solvency. Social Security will have enough money to pay all benefits through 2046, with no changes to the system at all.
- Modest reforms, including raising the cap on income subject to Social Security taxes so that high earners, like low and middle-income Americans, pay the tax on all of their earned income, would go a long way towards ensuring solvency.
- Workers who have paid into the Social Security system have a right to full benefits. For the government to deny full benefits would, in effect, mean that the United States has defaulted on its government bonds.
- The erosion of traditional pensions means that Social Security is even more essential to the retirement security of middle-class and aspiring middle-class Americans than ever before.
- Medicare and Medicaid costs are growing because overall health care costs are increasing, not because these programs are administered inefficiently, or because benefits are too generous. While "reforms" could push more of the costs onto the states or onto poor families and the elderly, lower federal costs would be achieved at the expense of missing needed medical care.
- The President's interest in securing these programs for the benefit of America's middle class will be illustrated by the substance of the proposals he offers, and his willingness to suspend "market" ideology and preserve the intention that drove the founding of these programs in the first place.

Relevant Statistics:

- Percentage of the typical retirees' income provided by Social Security: 75
- Number of senior citizens lifted above the poverty line by their Social Security benefits: 13 million
- Approximate percentage of the Social Security shortfall over 75 years that could be erased by repealing the President's tax cuts on the top one percent of Americans: 100
- Number of Americans who rely on Medicaid: 55 million
- Proportion of children who get their health care through Medicaid: More than 1 in 4

Earmark Reform

President Bush: We must reform the budget process by cutting the number of earmarks and making them more transparent.

- "Let us work together to reform the budget process… expose every earmark to the light of day and a vote in Congress… and cut the number and cost of earmarks at least in half by the end of this session."

DMI SAYS: "The President's proposals this evening are a good start and if enacted will bring needed reform to a system that leaves too much room for pork. But there is more to do."

- The President is right that much more transparency is needed in a budget process that currently allows for billions of dollars – often targeted at special interests and projects without a public purpose – to go undisclosed every year.
- Earmarking, which is different than the normal budgetary process in which funds are pooled for general expenses, designates certain funds for a specific institution, project or business. The problem is that there has been very little oversight in the process - allowing anonymous Congressional sponsors to back earmarks whose structure and purpose are not fully disclosed. This had led to a corrupt budgetary process wherein Congressmembers can earmark funds for special interests, pet projects, and projects that serve little purpose.
- The time for the President's proposals has certainly come. The Congressional Research Service reports that the amount of earmarks in appropriations bills has tripled in the past ten years, totaling 16,000 earmarks that cost the U.S. $50 billion in 2006.
- A 2006 USA TODAY poll found that a large number of special interest projects received earmarks after they hired lobbyists with close personal ties to lawmakers or staffers working with the House and Senate appropriations committees. The President's call to print the substance of earmarks in the actual text of bills, not in the undisclosed reports that accompany them, will be an important tool in tracking and cracking down on these sorts of kickbacks.
- Cutting earmark funding in half by the end of this session is a laudable goal, but it is also important that earmarks remain part of the budgetary process because they allow Congress to direct some of the White House's fiscal priorities. While spending on earmarks has reached enormous heights over the last decade, it's important that earmark reform not only scale back the portion of the budget spent on earmarks, but also include measures to guarantee as much transparency as possible.
- What would complete the President's plan is a measure to require that the sponsors of every earmark also be disclosed, thus allowing both those within and those outside of the government to keep tabs on tax dollars, and discourage Congressmembers from granting kickbacks to special interests.

Relevant Statistics

- Number of individual earmark requests that the House Appropriations Committee receives each year: 35,000
- Amount that the 704 earmarks included in the $16.8 billion appropriations for agriculture cost in 2005: $500 million
- Percentage by which earmarks attached to agriculture appropriations were larger in 2005 than in 1994: 50

- Amount that Ted Stevens (R-AK), chair of the Senate Committee on Appropriations, earmarked to fund his infamous "Bridge to Nowhere," a bridge that serves to connect an Alaskan town of 8,900 to an island of 50 inhabitants (accomplishing the same thing as a short ferry ride): $223 million

Health Care

President Bush: “A future of hope and opportunity requires that all our citizens have affordable and available health care. For all Americans, private health insurance is the best way to meet their needs. But many Americans cannot afford a health insurance policy.”

DMI says: “The State of the Union’s health care proposals share three common themes: (1) they shift the cost and risk of health care from employers and the public sector on to individuals and families; (2) they threaten the existing health benefits middle-class Americans get through their jobs; and (3) they pressure ordinary Americans to second-guess their doctors’ advice and to cut back on needed care. Together, these ‘market-based’ proposals favor the wealthy and healthy to the detriment of the sick, poor, and anyone who suffers a medical emergency.”

Standard Deduction for Health Insurance

President Bush: Health insurance should be tax deductible up to $7,500 for individuals and $15,000 for families, both for people who purchase health care on their own and for people who get insurance from their employers.

- “With this reform, more than 100 million men, women and children who are now covered by employer-provided insurance will benefit from lower tax bills. At the same time, this reform will level the playing field for those who do not get health insurance through their job. For Americans who now purchase health insurance on their own, my proposal would mean a substantial tax savings… And for the millions of other Americans who have no health insurance at all, this deduction would help put a basic private health plan within their reach.”

DMI SAYS: “Despite the impressive sounding numbers, President Bush’s proposal offers tax benefits that are modest at best for the middle class, as part of a plan that will actually do little to make insurance more affordable for the low-income uninsured. What’s more, the President’s proposal would provide a dangerous incentive for employers to stop offering job-based health coverage entirely.”

- The President promotes this deduction as an incentive for the uninsured to purchase coverage, but the reason 1 in 7 Americans aren’t insured isn’t a lack of incentives. It’s the cost of health insurance -- which is simply out of reach for these Americans.

- What's more, a tax deduction won't help. A tax deduction is only useful if you earn enough to pay income taxes. Many of the uninsured pay little or no income taxes to begin with.
- Instead, the tax break will act as an incentive for well-off and healthy people to leave traditional employer-sponsored plans and go off on their own. With a lower risk of illness, these healthy people may get cheaper coverage in the marketplace, but they leave behind a weakened insurance pool, raising the cost of coverage for older, sicker, and lower-income Americans.
- The tax breaks offer a disincentive to employers to provide coverage. This will harm middle-class Americans who will lose their employer-provided coverage and be stuck paying more out of pocket to maintain the quality of their coverage.
- The President's proposal assumes that the quality of existing care is too high, leading people to use too much health care – but, as we explain in the section on Associated Health Plans, this is not what's driving up costs.
- The skyrocketing costs of health care are attributable to a host of factors, from new technology, to inefficiencies in the system, and soaring HMO profits.
- The fact that people with insurance can see a doctor when they want is one of the few strengths of our current system, not a weakness.

Relevant Statistics:

- Number of children without insurance: 10 million
- According to the National Priorities Project, the U.S. could pay for a year of health care coverage for every American child three times over for roughly the same amount of money the nation has spent so far on the war in Iraq.
- Amount it would cost to provide the nation's uninsured with health care for one year: half the annual cost of the Iraq war
- Number of Americans who currently get private health insurance through their employers: 175 million
- Estimated amount the U.S. would save each year on paperwork if it adopted single-payer health care: $161,000,000,000
- According the Commonwealth Fund, percentage of people in the U.S. of working age with moderate to middle incomes who went without health insurance for at least part of the year in 2005: 41, up from 28% in 2001

Affordable Choices Initiative

President Bush: "Affordable Choices" grants will direct federal funds away from public hospitals and to states that agree to help the poor get private insurance.

- "States that make basic private insurance available to all their citizens should receive Federal funds to help them provide this coverage to the poor and the sick. I have asked the Secretary of Health and Human Services to work with Congress to take existing federal funds and use them to create 'affordable choices' grants."

DMI SAYS: "This initiative would redirect money from the nation's already squeezed public health infrastructure to provide subsidies to the insurance industry."

- The President emphasizes that eligible states must help their citizens buy private health insurance, in effect subsidizing the insurance industry rather than expanding efficient public programs like Medicaid.
- To take advantage of the federal funds, the President suggests that states would have to scale back consumer protection laws about what types of care insurance companies must cover, encouraging the growth of junk insurance policies that don't cover needed medical care.
- Have you ever heard of an over-funded public hospital? The President boasts that his plan is revenue neutral, but this is only possible because it redirects funds from the nation's existing public health infrastructure – the emergency rooms and community clinics that make up not only our health care safety net, but would also treat the sick and dying in the event of a terror attack.

Relevant Statistics:

- Amount the President's plan would redirect away from the public health infrastructure over five years: $3.9 billion
- Increase in HMO profits during the first six months of 2005: 21.2 percent
- Approximate proportion of public hospitals belonging to the National Association of Public Hospitals that have operating margins too low to finance working capital or reinvest in maintaining their own infrastructure: 3 in 5
- Percentage of uncompensated care these hospitals provide: 25
- Percentage of funding for public hospitals that comes directly from the public sector: 69

Health Savings Accounts

President Bush: Health care should be consumer-driven, and expanding Health Savings Accounts will help to meet this goal.

- "There are many other ways that Congress can help. We need to expand Health Savings Accounts."

DMI SAYS: "Health Savings Accounts (HSAs) do nothing to address the fundamental problems of our enormously expensive and inefficient private health care system; HSAs

just push risk and costs from businesses and the government on to America's squeezed middle class and exacerbate existing strains in the health care system."

- Health Savings Accounts are predicated on the notion that people are spending too much on unneeded health care expenses and will spend less if they have to pay for it out of their own pockets.
- Presenting HSAs as a solution to the health crisis in America is disingenuous. The reason health care is so expensive isn't because middle-class Americans are reveling in their gold-plated plans and spending unnecessarily. The cost of health insurance is high because of many causes, including skyrocketing HMO profits and industry expenditures that have nothing to do with medical care.
- One such non-medical cost is the $60 billion to $82.5 billion on advertising and marketing to health care providers that the pharmaceutical industry is expected to shell out in 2007—approximately $200 to $280 per person in the United States.
- Other health care spending that did not go into providing care was the $277.6 billion in revenues at the top ten pharmaceutical companies in 2004, and the $11.4 billion profit HMOs made in 2004.
- The idea that individuals should control their own health care defies the central principle of insurance –to spread risk so that no insured individual is left with overwhelming costs or without access to needed care.
- President Bush expects busy middle-class Americans with no medical training to evaluate which tests and treatments are worthwhile. Doctors and other health care professionals—not patients trying desperately to save a buck—should decide what care is really warranted.
- By individualizing risk rather than spreading it among many people, HSAs will be attractive to healthier, wealthier people, who have less risk and more money to begin with, draining them from the insurance risk pool and leaving traditional insurance plans to cover the much steeper costs of providing coverage to higher-risk people.
- For the most part, HSAs do not make health care less expensive: instead they just move costs from employers, who may previously have paid for comprehensive health care benefits, to employees, who must now pay high health care deductibles out-of-pocket.
- Any health care savings that do arise from HSAs are the result of providing less health care — including skimping on needed care.
- HSAs are more effective as tax shelters for the very wealthy than opportunities for middle-class Americans to access quality health care.
- Contributions to the accounts are tax-deductible, and withdrawals from the accounts to pay for out-of-pocket medical costs are tax-free, providing an unprecedented opportunity for the very wealthy to shield money from taxation.
- Meanwhile, these tax breaks will not help the aspiring middle class (who comprise the bulk of the uninsured), because the majority pay little or no income tax. President Bush's plan makes the situation worse by requiring additional costs that have nothing to do with providing medical care — billions of dollars in fees the middle class would have to pay banks and money managers to manage their health savings accounts.

Relevant Statistics:

- Predicted net decrease in the number of uninsured people if the Administration's health care proposals were put into place: 600,000 new uninsured, despite spending of more than $10 billion annually to subsidize HSAs
- Average deductible for an HSA-qualified family plan offered by employers in 2005: $4,070
- Approximate proportion of patients with deductibles over $1,000 who decide to forgo needed medical care because of the cost, according to one study: 2 in 5
- Approximate proportion with deductibles over $1,000 who reported difficulty paying medical bills or paying off medical debt: 1 in 2
- Average deductible for a preferred provider organization (PPO) plan: $679
- Likelihood that an individual with a high-deductible plan attached to an HSA paid more than 5 percent of their income in out-of-pocket medical expenses in 2005: two and a half times more likely than someone enrolled in a comprehensive insurance program
- Percentage more that a person in the 50-percent tax bracket saves in taxes per dollar that they deposit into an HSA than a person in the lower-income 15-percent tax bracket: 30 percent
- Cost, according to the Bush Administration, of the HSA proposals over the next ten years: $156 billion

Association Health Plans

President Bush: Association Health Plans will help small businesses to provide health coverage to their employees.

- "We need to…help small businesses through Association Health Plans."

DMI SAYS: "Association Health Plans (AHPs) will harm the middle class — raising the cost of health care for small businesses and increasing the number of uninsured Americans — if they are exempt from state insurance laws that prohibit insurance companies from only insuring the healthiest consumers."

- Exempting AHPs from state regulations increases average health care costs for small businesses and reduces the number of workers with health insurance. State laws prevent insurance plans from cherry-picking only the healthiest people for insurance coverage, allowing businesses with relatively healthy employees to join for less money, while charging higher rates to those with older and sicker workers. Such cherry-picking would destabilize the health care marketplace: state regulated health care plans would see their healthy workers siphoned off to the AHPs, leaving them with a disproportionate number of older and sicker employees who are more expensive to cover. As a result, an estimated 4 out of 5 small businesses would see their premiums increase under unregulated AHPs.

- Small businesses should be able to band together to get a better deal on health insurance without this harmful disaggregating of risk that will ultimately rebound to make health care less accessible and more expensive for many middle-class Americans and small businesses.

Relevant Statistics:

- Number of Americans who do not have health insurance: 46.6 million
- Percentage by which health care premiums have increased since President Bush took office: 73
- Percent of U.S. companies that offered their workers health insurance in 2005: 60, down from 69 percent in 2006.
- Among the 95 percent of U.S. businesses considered "small," percent that offered health benefits in 2005: less than 50
- Change in the percentage of middle class families that have health insurance since President Bush took office: -5.76
- Ratio of growth in premiums for employer-sponsored health insurance to the growth of an average worker's salary since 2000: 4 to 1
- Increase in employee contributions to company-provided health insurance since 2000: 143 percent
- Proportion of small business employees that would see their premiums increase if AHPs became common: 4 out of 5
- Average estimated increase in health care premiums for small employers with state-regulated coverage under AHP legislation: 23 percent

Malpractice Liability Caps

President Bush: We should work to decrease the cost of medical care by reducing medical errors and limiting liability for medical malpractice.

- "We need to…reduce costs and medical errors with better information technology… and protect good doctors from junk lawsuits by passing medical liability reform."

DMI SAYS: "We agree that reducing medical errors will decrease the cost of medical care. However, Bush's proposal to limit liability for medical malpractice will only increase the frequency of medical errors because it eliminates a critical incentive for maintaining high quality patient care."

- President Bush is right that part of the reason for the high cost of health care is the high number of medical errors.

- However, in the second part of his proposal, President Bush calls for capping medical malpractice liability. Capping malpractice liability limits the amount of money patients can receive when injured by their doctor's negligence, and can effectively grant doctors immunity from the consequences of their malpractice. Capping liability for lawsuits is actually likely to *increase* the amount of medical errors that Bush agrees contribute to the cost of healthcare.
- The President's own logic undercuts his call to implement these liability caps. In the absence of the "better information technology" that Bush agrees will "reduce medical costs and errors," the threat of malpractice lawsuits is one of the primary means of controlling medical errors and their increased costs, as well the primary means of holding bad doctors accountable. Moreover, lawsuits are the only means of actually compensating the injured victims of medical malpractice.
- The President's proposal would eliminate a critical incentive for maintaining high quality patient care. Most doctors are good doctors. Indeed, only a small group of "bad" doctors (5.9%) are responsible for the majority of all medical malpractice payments (57.8%). Because medical professional associations rarely discipline even the worst members of their profession, there are few other means available aside from lawsuits for holding them accountable.
- Instead of protecting *"good"* doctors from *"junk"* lawsuits, President Bush's proposal mechanically protects *all* doctors *whenever* they make *any* kind of mistake. Just like good people do bad things, good doctors sometimes make mistakes and injure people who need to be compensated.
- Medical malpractice liability costs – including all malpractice payouts, settlements, and legal fees – only account for 1 percent of the nation's health care expenditures. Clearly, this is not a significant contributor to rising health care costs. Indeed, even the Congressional Budget Office found that implementing Bush's proposal would only reduce health care costs by at most half of one percent.
- One guaranteed way to reduce the cost of medical care is not to "reform" malpractice lawsuits, but to enact patient safety reforms that will reduce the current 44,000-98,000 annual deaths and 300,000 annual injuries resulting from preventable medical errors, as well as the $1.5 million medication errors that total $3.5 billion in unnecessary expenses each year. In short, the best way to get rid of the lawsuits President Bush complained about this evening is to modernize the practice of medicine and eliminate the avoidable medical errors that are the only reason these lawsuits exist.
- Bush's liability caps would also fall disproportionately on women, people of color, children, the elderly, and working people.

Relevant Statistics:

- Percentage of health care costs in the U.S. that can be directly tied to malpractice lawsuits, settlements, and payments: 1
- Percent by which medical malpractice legislation championed by the President would decrease health insurance premiums and health care expenditures: .04 -.05

- Number of hospital deaths each year that are attributable to preventable medical errors: 44,000 - 98,000
- Number of hospital injuries each year that are attributable to preventable medical errors: 300,000
- Total amount of annual medication errors that are preventable: 1.5 million
- Amount that these medication errors cost each year: $3.5
- Amount that each preventable medication error adds to the cost of the inflicted individual's hospital stay: $8,750
- Percentage of doctors with 10 or more malpractice liability payments that received no disciplinary action from their state medical board: 67

Immigration

President Bush: In order to ease the flow of undocumented immigrants into our country, we need to establish a temporary worker program.

- "We should establish a legal and orderly path for foreign workers to enter our country to work on a temporary basis"

DMI SAYS: "While the President is right about the need for immigration reform, we need a plan that focuses first and foremost on the needs of middle-class Americans, not the big business lobby. Any immigration reform proposal that undercuts America's middle class by creating a permanent underclass of exploited immigrant workers is unwise, inhumane and should be vigorously opposed by all Americans."

- While our economy relies on the contributions of immigrants – both legal and illegal – there are not enough ways for immigrant workers to enter and live in the country legally. As a result, millions of undocumented workers are forced to live in the shadows, vulnerable to exploitation in the workplace. When unscrupulous employers cut costs by hiring exploitable immigrants instead of native workers, this sets a new, lower standard in an industry and threatens to drive down wages and degrade working conditions for Americans trying to work their way into the middle class.
- Temporary worker programs institutionalize a permanent two-tiered labor market, formalizing some of the workplace exploitation that already exists informally. They also ensure that a continued stream of vulnerable workers will always be available, threatening to undermine middle-class wages and working conditions much as undocumented workers do now. It is plausible that many jobs will be transformed into "temporary worker jobs" at the cost of jobs that could provide the wages and benefits capable of providing a middle-class standard of living. Although some temporary worker proposals promise to enforce workplace rights for temporary workers, no matter what protections are in place, the temporary status of these workers ensures that this class of

workers will always remain more vulnerable and less secure than the mainstream of American workers.

- Even when workers are offered a path to permanent legal status, the very existence of a temporary worker program ensures that they will constantly be replaced with another influx of disempowered temporary laborers.
- A sound and successful immigration policy needs to do more for American workers than what's suggested in the President's proposals. To strengthen the existing middle class and give both immigrants and U.S.-born workers a leg up, we must eliminate the second-class labor market, allowing foreign and U.S.-born workers to share an even playing field with equal labor rights and making sure that employers cannot use deportation as a coercive tool in the labor market. Without a domestic underclass of disempowered workers to compete with, middle-class American workers, and those struggling to attain a middle-class standard of living, will have more power to demand improved wages and working conditions.
- We do give the President credit for not succumbing to the fiery rhetoric of many of his party, but urge him to go further in creating a policy that will not just solve the immigration problem, but address the real needs of our economy.

Relevant Statistics:

- Percentage of the national workforce that undocumented workers constitute: 5
- Total number of immigrants living and working in the United States: 36 million
- Estimated number of undocumented immigrants living and working in the United States: 12 million
- Percent of the nation’s purchasing power represented by Hispanic and Asian-American consumer markets, to which immigration is a major contributor: 12

President Bush: We must secure our border by increasing the number of Border Patrol agents and implementing high technology surveillance on the border. We must also focus on enforcement of immigration laws at the workplace.

- “When laws and borders are routinely violated, this harms the interests of our country. To secure our border we are doubling the size of the Border Patrol – and funding new infrastructure and technology…[w]e will enforce our immigration laws at the worksite, and give employers the tools to verify the legal status of their workers – so there is no excuse left for violating the law.”

DMI SAYS: “Once we enact immigration reform that truly responds to our economy’s needs, those laws must be enforced diligently. However, increased enforcement of our existing broken immigration laws and beefed up security on the border is inhumane, ineffective and extremely costly for middle-class taxpayers.”

- The history of U.S. border policy suggests that increased border enforcement is not effective. Since the early 1990s, the nation's spending on border security has tripled, yet the number of undocumented immigrants in the country nearly tripled as well. Increased technology and fencing on the border has only diverted migrants to cross in more dangerous areas, making apprehensions much more expensive. What is more, as many as 50% of all undocumented immigrants enter the country legally, with tourist or other temporary visas, and remain to work here after their visas expire. A heightened presence on the border will do nothing to deter these immigrants.
- Increasing the number of Border Patrol agents and further militarization of our border with Mexico will not regulate the flow of immigrants to the U.S. These are symbolic moves to appear tough on enforcement. Since the border is over 2,000 miles long, a "secure border" is impossible unless an incredible tax burden is imposed on middle-class Americans.
- Immigration raids take out the failures of the entire system on the most vulnerable participants – harshly penalizing undocumented workers even as our economy relies on their labor. Raids on individual worksites will never succeed in deporting all undocumented immigrants, but they do increase fear in immigrant communities, driving undocumented workers further underground and making them even more vulnerable to workplace exploitation that threatens to undermine the American middle class.
- Workplace raids also devastate local and state economies. When workers are detained and deported they cannot continue to work. A "chilling effect" on lawfully employed workers often prevents many of them from returning to work as well – since immigration authorities are feared across immigrant communities, even by those with legal status. When workers lose their jobs, consumer demand diminishes and local businesses suffer as a result.
- To truly get control of our borders and ensure that workplaces operate according to the law, we need to bring our immigration laws into line with economic reality, providing legal status to the undocumented workers already contributing to our economy and providing a means for future immigrants to enter the U.S. legally.

Relevant Statistics:

- Cost to build and maintain a border fence, over 25 years: $60 billion
- Spending on border security in 1993: $480 million
- Spending on border security in 2005: $1.4 billion
- Estimated increase in the number of undocumented immigrants in the U.S. between 1993 and 2005: 7.2 million
- Estimated percentage of undocumented workers who enter the country legally: 40 – 50%

President Bush: We must normalize the status of undocumented immigrants who reside in the U.S.

- "[W]e need to resolve the status of the illegal immigrants who are already in our country – without animosity and without amnesty."

DMI SAYS: "Allowing the nearly 12 million undocumented immigrants who currently reside in the U.S. to legalize their status would be a practical attempt to eliminate the underclass of undocumented workers that currently threaten to depress wages for U.S.-born workers. Once these workers are no longer under the constant threat of deportation, they would more readily assert their workplace rights and would no longer undercut the wages and working conditions of American workers so severely. U.S.-born workers would no longer have to compete with an exploitable class of workers."

- Any plan that does not address the 12 million undocumented immigrants who live in the U.S. would not go far enough to protect American workers and would fail to adequately reform our broken immigration system.
- Any plan that is multi-tiered and overly complicated will only guarantee that many undocumented immigrants will decide to go underground, again creating a race to the bottom with their American counterparts in the workforce.

Relevant Statistics

- Estimated number of undocumented immigrants currently residing in the U.S.: 12 million
- Number of U.S. citizen children living in families where the head of household or spouse is undocumented: 3.1 million
- Percentage of workers employed in farming occupations who are undocumented: 24
- Percentage of workers employed in cleaning occupation who are undocumented: 17
- Percentage of the foreign-born population that was undocumented in 2005: 30

President Bush: We must promote the assimilation of new immigrants.

- "We need to uphold the great tradition of the melting pot that welcomes and assimilates new arrivals."

DMI SAYS: "Any successful assimilation plan must include a dramatic increase in federal funding for ESL and civics programs."

- One of the first steps toward assimilation is the acquisition of the English language. Speaking English is vital for immigrants as they adapt to our society, interact with healthcare professionals, move up in their jobs and communicate with their children's schools. A study of immigrants in Los Angeles and New York found limited English proficiency to be closely related to low earnings and poverty.

- Newly arrived immigrants will always struggle more with the language than those who have been here longer, but more than three-quarters of immigrants are English proficient within ten years of coming to the U.S.
- Immigrants, by an overwhelming margin, want to learn English but classes are inaccessible. Because of limited funding, many ESL programs have waiting lists that can be up to a year long and full of thousands of names.

Relevant Statistics

- Percentage of Latinos who believe that immigrants have to speak English to be a part of American society: 57
- Of the one million New Yorkers who wanted to learn English in 2001, percentage of people for whom classes were available: 5
- An immigrant who is fluent in English will earn approximately 24% more than one who is not, regardless of qualifications.

Education

President Bush: No Child Left Behind is a success. Congress should reauthorize it.

- "Five years ago we rose above partisan differences to pass the No Child Left Behind Act…and because we acted, students are performing better in reading and math, and minority students are closing the achievement gap…I ask Congress to reauthorize this good law."

President Bush: School vouchers are the path to a better education for children in failing schools.

- "We can lift student achievement even higher by… giving families with children stuck in failing schools the right to choose something better."

DMI SAYS: "Lacking any original new ideas, the President turned to reauthorizing No Child Left Behind (NCLB) and offering school vouchers as his routes to improving public education. Although NCLB had potential when it was first passed by Congress, problems with its implementation and the President's own refusal to properly fund the program doomed it almost from the start. Unless the President is willing to reform and fully fund NCLB, it will once again stand no chance of helping American children get the start they need to attain a middle-class standard of living in adulthood. Likewise, moving children from one school to another is an inadequate substitute for a broad, aggressive effort to improve all of our public schools. Under the President's school voucher approach, while some students may enroll in better schools, scores of other children will be left to fend for themselves in failing schools that have been stripped of their stronger

students. The 'Many Children Left Behind' approach created by school voucher programs moves entirely in the wrong direction towards ensuring all American children receive a quality public education."

- Despite apparent gains in state tests, students are not showing improvement according to the National Assessment of Education Progress, the only uniform national test (according to analysis by the Harvard University Civil Rights Project).
- The same study showed little progress in the reduction of racial and poverty gaps, and predicts that less than a quarter of poor and black students will achieve reading proficiency by 2014 and less than half will attain math proficiency at the current rate of advancement.
- A significant reason NCLB has failed to live up to its early promise is that it has never been adequately funded. Since the law's passage, President Bush has requested funding levels more than $55 billion less than the authorized level. Schools and school systems were never provided with sufficient resources to support student achievement, yet schools have been have received funding based on how well students perform on standardized tests.
- The President has also proposed "Promise Scholarships" and "Opportunity Scholarships" – actually voucher programs which will undermine public education and rob struggling public schools of still more federal resources as they are forced to provide "scholarships" for students to attend private schools, and take federal funds with them.
- In last year's State of the Union address, President Bush made the case that training 70,000 new math and science teachers capable of teaching advanced placement courses was key to the nation's continued international competitiveness. Yet the President has not made it a priority to get Congress to fund this program.
- Preparing students for the 21st century goes far beyond NCLB. It would have been much more productive if the President has used his address tonight to lay out plans for what the nation really needs: a comprehensive education policy reaching from pre-school to college. Even modest policies, from guaranteeing every eligible child has access to Head Start to raising the maximum Pell Grant available to college students, could make an impact. If these education policies had been given play in tonight's address, then we would be closer to ensuring that America's youth have the resources they need for the future.

Relevant Statistics:

- Number of additional public school teachers that could be hired for one year for the current cost of the War in Iraq, according to the National Priorities Project: 6 million and counting
- Number of elementary and secondary school teachers in the U.S.: 3.4 million
- Amount by which President Bush under-funded NCLB in his 2007 budget: $15.41 billion
- Maximum percentage of students who will meet proficiency targets in reading by 2014 if present trends continue, according to the Harvard University Civil Rights Project: 34

- Percentage of white fourth graders who achieved math proficiency on the 2005 National Assessment of Education Progress: 47
- Percentage of black fourth graders who did: 13
- Return for every dollar invested in early childhood education: $4
- Number of 4-year scholarships to a public university that could be provided for the current cost of the War in Iraq, according to the National Priorities Project: 17 million and counting

For more information, please visit www.drummajorinstitute.org.

* All quotes are taken from the embargoed version of the State of the Union Address released by the White House before the speech.