dealt with before a tragedy occurs over there.

This really bothers me. We tried to work with North Korea some time ago during the Clinton administration. We even had an agreement with them that they would stop their nuclear development program if we gave them some things, and we did. And what did they do? They lied and they went ahead with their program, and they are a nuclear power. They're using missiles that would be intercontinental in scope, testing them over the sea of Japan right now. And they've done that a number of times.

So we have to worry about them. We have to worry about North Korea and what they're going to do next. Can you imagine what it will be like once Iran develops a nuclear weapons program? They are committed to destroying Israel. They are committed to forcing their view of religion and religious beliefs on much of the rest of the world, and it could be a real problem for us. They don't like America very much either. And so we have a myriad of problems facing us if we don't get on with putting as much pressure as possible on Iran and doing it right now.

As we speak, they're developing their nuclear weapons program. They said they're going to let U.N. nuclear experts come in and police the area and see what they're doing. I don't believe that. I believe they will let us see one or two spots, but they're going to go on with their nuclear development program.

We must put pressure on them now. We must put pressure on them immediately, because if we don't, we're toying with a major problem, a major economic problem for America as well as a possible holocaust in that part of the world in the very near future.

IMPORTANCE OF INDUSTRY CLUSTERS TO A NATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana (Mr. SOUDER) is recognized for 5 minutes.

Mr. SOUDER. Mr. Speaker, I'm going to make a number of comments here that will be in the RECORD tomorrow. We'll also have the things I refer to—because I'm going to make a number of points—on our Web site in the next hour.

President Obama made his first visit after the stimulus package passed to Elkhart, Indiana, to Concord High School for a town hall meeting that straddles Congressman DONNELLY's and my district. Unemployment was 15.3 percent when he visited. It went higher, up to close to 20 percent. It's now at 16.5, I believe. In other words, we've gone backwards.

What he said that day—referring to a previous campaign visit there—''I promised you back then that, if elected, I'd do everything I could to help this community recover and that's why I come back today because I intend to keep my promise.''

Now, some interesting things have been happening. We've heard about blaming the banks. You know, business, to invest, has to have an idea that a recovery is coming. It has to request the money. And part of the challenge here if they're uncertain whether they're going to get taxed in a small business tax, if they're uncertain whether they are going to be taxed in health care, if they're uncertain of what the energy costs are going to be in Indiana—because ours are projected to get hit harder than any other congressional district in America, and I have the number one manufacturing district—they aren't asking to borrow and the banks don't know how to value the assets.

We have to have a recovery, not taxes and pressures on industry. There's a classic book, ''Competitive Advantage of Nations'' by Michael Porter. He's written a lot of books since then, including one on health care I don't particularly agree with. But he's a very reflective man, and these are the basic principles of how you develop clusters.

He says, ''Creating competitive advantage in sophisticated industries demands improvement and innovation—finding better ways to complete and exploiting them globally, and relentlessly upgrading the firm's products and processes.''

In another section of the book he says, We ''must create new advantages at least as fast as competitors can replicate old ones.''

He also points out the United Kingdom, in their R&D, is among the highest compared to GDP of any nations, but top heavy government R&D. They don't have the private sector R&D, so they don't have the growth, and the growth they have is in the wrong areas.

Now, why do I bring this up? In a newsletter of ''ORTHOKNOW, Strategic Insights Into the Orthopedic Industry,'' John Engelhardt reports the 10 to 30 percent tax in the Senate Finance Committee's bill that was passed yesterday would lead to roughly a tax of 50 percent of the R&D that the orthopedics industry does. For example, Zimmer—based in my district—in the orthopedics cluster, Zimmer would be taxed $94.7 million and their R&D is $194 million. They're the biggest orthopedic company.

Biomet—which I believe is the fourth or fifth biggest orthopedic company—would be taxed $60.9 million. R&D estimate for 2008 was 82.2, and they had a loss.

Now, Michael Porter points out when you lose one or two, you lose that competitive pressure, that you cannot sustain R&D with the new taxes, especially if at the margins the cost of the tax is greater than the profits of the firm, let alone the R&D.

I also refer to a USA Today article of this morning that says, ''Orthopedic Industry Has Enjoyed Fine Health.'' And it goes to Warsaw, Indiana in my district where three of the five biggest of the orthopedic companies, plus Medtronic, plus Orthopediatric, plus 6,000 direct feeding, plus as you move to South Bend and over to Fort Wayne and down to Indianapolis—and in fact throughout the Midwest—and then if you look at the whole industry of the United States, it's a cluster.

We had this theory in America that we were going to move up the ladder. And as other countries beat us on labor, we would do things like pharmaceuticals, like orthopedics, like biotechnology. We'd be the cutting edge, except now we're going to tax them to death.

So guess what this article says? They're looking at going overseas. I've already heard this. Why won't they go offshore if they can get cheaper labor? They can get engineering research, they can get government subsidies to some degree, but most importantly, they're going to go where they can do R&D and the combination cheaper than they can do it in the United States. A tax won't bring in revenue, a tax will drive our clusters away. To put the taxes on the most innovative clusters is unbelievable. I just don't understand, particularly in a State where the President said not 30 miles away from the center of the orthopedic industry where many of these parts people are, ''I promise you it will improve.''

The maverick CEO, Dane Miller, and the story of Biomet illustrates another myth that these are some sort of rich billionaires. It talks how he put a titanium hip in his own body because initially they wouldn't believe it, then it worked, and that's partly how we got the innovation today.

I encourage people to read this bio of Dane Miller.

[From Orthoknow, Oct. 2009]

SUCCESS FEES FOR ORTHOPAEDICS?

(By John A. Engelhardt)

In the Senate Finance Committee's healthcare reform bill, partial financing will come from ''fees'' imposed on the manufacturers of medical devices. As I review what is being proposed, I am (nearly) at a loss for words. The total cost to medical device companies will be $40 billion over ten years. That's $4 billion a year. Here is how it shakes down.

The U.S. medical device industry in 2009 is projected to be valued at $91.3 billion. Orthopaedic revenues generated in the U.S. in 2008 reached $21.7 billion. Assuming flat growth from 2008 to 2009, orthopaedics would then comprise 23.7% of the total medical device industry in the U.S. in 2009.

America's Healthy Future Act of 2009, ''Annual Fee on Manufacturers and Importers of Medical Devices,'' would impose an aggregate fee of $4 billion on the medical device industry, payable annually, beginning in 2010. Each company's fee would be calculated based on its relative market share of U.S. sales for the prior year with covered domestic sales taken into account as follows:

0% of sales up to $5 million

50% of sales over $5 million and up to $25 million

100% of sales over $25 million

According to our calculations, if orthopaedics represents 23.7% of the total medical device industry, then its portion of the $4 billion would be $949 million. Exhibit 1 summarizes the fees assessed for several companies.

You will note that this is not being called a tax. Thus, it is NOT deductible by these companies as a legitimate business expense. Let me just repeat that for effect. It is NOT deductible by these companies as a legitimate business expense!

The ''fee'' adds up to about four percent of orthopaedic product sales for the companies. Since it is not deductible, that automatically comes OFF the bottom line. The loss drops right through the P&L. Here are some highlights.

In the case of Exactech, it wipes out nearly 40% of its earnings. The value of the company will decrease a pro rata amount, losing $60 million in shareholder value.

In 2008, Osteotech made a small profit of $2.2 million. Under the Senate proposal, the company would pay $3MM in fees! This is a company struggling back to health. How long would they be able to remain a viable entity?

Biomet, in the midst of a rebuilding and restructuring, lost $749MM in 2008. Under the new plan, it would pay almost $61MM. I am not making this up.

Alphatec would have to pay about $3MM for the pleasure of having lost about $25MM!

Study Exhibit 1 carefully. You'll find yourselves asking many questions. What planet are we on? Where did these Senators go to school?

Did they even go to school? Maybe they didn't have math in their school.

It is very hard to argue with the economics of orthopaedic care. It has been positively documented for a half century.

Many people describe joint replacement as among mankind's most significant achievements, not only for the suffering it relieves but for its economic value to society. Recently, others have published the more compelling metrics of orthopaedic treatment in response to the reform debates. (See the ORTHOWORLD Position Paper on Healthcare Reform, www.orthoworld.com/site/index.php/main/healthcare, and Connections, the blog of Biomet CEO, Jeffrey R. Binder, www.biomet.com/corporate/ceo Blog/.)

It's as if, in their infinite wisdom, our representatives have identified the achievers and propose to levy a cost on them to help support the underachievers.

These companies have done too well, helped too many people, created too many good quality jobs. Shouldn't we be holding them up as an example to others, in order to encourage efficiency and reward performance?

I can think of no other term for this than a penalty for success. In essence, these companies will have to pay for the right to do business in their own country.

Forgive me if I am having trouble grasping the idea that if you fail, the government gives you taxpayer's money to bail you out. If you succeed, that same government fines you?

I hope not to insult any of you reading this when I suggest exactly what this will cause, because it is so obvious to us thinking folks.

1. Jobs will be lost. These companies are massive providers of extremely high quality jobs. They will be forced to pare down their workforces.

2. Jobs will be moved overseas. In order to make up the margin deficits, good corporate stewards will examine all opportunities to drive costs down.

3. R&D budgets will be reduced and innovation will slow.

4. U.S. companies will focus on the markets outside the States where the penalties don't apply. They'll get four more cents on a dollar of sales if the sale is ex-U.S.

5. The cost of healthcare will not budge.

6. When the plan fails, the government will just come back for more.

What's next? Bonus points for product recalls?

And so it goes. We take from the most successful, and give to the least, until such time as a steady state of mediocrity is reached. This goes way beyond everyone getting an award in the T-Ball tournament.

I will hereby propose a new Mediocrity Czar, whose job it will be to ensure that all aspects of society are put on an even playing field. Here are some suggestions.

SPORTS

LeBron James will be required to give every point over 20 per game to the other team.

Michael Phelps will have to swim with a cinderblock tied to his leg to allow all those who have never won a gold medal to do so.

Tiger Woods will be required to carry his own bag, and will not be allowed to set it down during play.

BUSINESS

Bill Gates and Steve Jobs will have a portion of their brains removed until such time as those pesky competitors of theirs catch up.

POLITICS

No action needed.

Perhaps there is more that orthopaedics can do to contribute.

All sales reps and distributors will have their commission structures modified such that the more they sell, the less they make. Those who sell more than $5MM per year will give a portion of their commissions to those who didn't sell squat.

Surgeon reimbursement will be inversely proportional to surgical volume.

If a surgeon is too talented and popular with patients, he/she will be required to strike that patient soundly with a stick at the end of each office visit.

This should help just about everyone rise to the middle.

A generation ago, some of the people reading this article and their forebears were called upon by mankind to help eliminate the suffering of millions of people crippled by arthritis, debilitated by back pain and homebound by injuries.

You responded with joint replacement, spinal fusion and arthroplasty, arthroscopy and soft tissue repair and trauma technologies, and the result was that these lost souls were able to return to active lives as healthy contributors to society.

You are called upon again today, as we seek to find a way to treat the millions of new orthopaedic patients stressing the system. Only this time we're broke.

So it looks as if we are being asked to pay for the right to contribute further.

Surely there is a better solution that will not undo a century of progress in healing.

[From Kaiser Health News]

ORTHOPEDIC INDUSTRY HAS ENJOYED FINE HEALTH

(By Julie Appleby)

WARSAW, IND.—Travis Funk, laid off a year ago from his job finishing boat interiors, hopes to land a job in a field he thinks has more promise: making artificial hips and knees for an aging population.

''I figured the best thing to do was get into the orthopedic industry,'' says Funk, 29, who is taking algebra, blueprint reading and computer programming classes at Ivy Tech Community College here several nights a week. He hopes knowledge gained in the 12-month program will earn him a job in Warsaw, a small town in a lake-dotted part of rural Indiana known as the ''orthopedic manufacturing capital of the world.''

Zimmer Holdings, Biomet and DePuy Orthopaedics are based here, along with several smaller companies and suppliers. Together, they generate nearly a third of the estimated $32 billion in global orthopedic device sales.

For much of the past decade, times have been good for the industry, with hefty profits from steadily rising sales of its artificial hips and knees, bone screws and other devices worldwide. More than 700,000 hip and knee replacements are performed in the U.S. each year. That number could double by 2016, driven partly by osteoarthritis and other ailments, researchers told the American Academy of Orthopaedic Surgeons' annual meeting last February.

Yet, the industry, succeeding even as some other U.S. manufacturing sectors are slumping, does face challenges:

The recession has curbed demand for orthopedlc devices worldwide as patients delay treatment, forcing layoffs at some companies.

A proposal that passed the Senate Finance Committee on Tuesday would place up to $40 billion in new taxes on the medical device industry in the next decade.

Device makers say such a tax would stifle job growth and innovation, adding to unemployment in regions such as Warsaw. But the health overhaul proposals could also bring benefits to the area, such as helping provide subsidies so unemployed workers such as Funk could purchase health insurance.

Senate Finance Committee Chairman, Max Baucus, D-Mont, who proposed the tax, sees the levy as the device industry's fair share in helping pay legislation that could bring it millions of new insured customers.

Orthopedic device industry profits are healthy: Zimmer Holdings and Stryker Corp. show five-year average gross profit margins of 76.5% and 68.3%, respectively, according to Thomson Reuters. Medical equipment and suppliers as a whole showed five-year gross margins of 59% compared with 45.8% for the S&P 500.

Drugmakers and hospitals have agreed to help finance part of the legislation, expected to cost more than $800 billion over a decade, according to a Congressional Budget Office estimate.

Drugmakers, for example, agreed to what they say is an $80 billion deal that includes cutting by half the prices they charge patients who hit a coverage gap in the Medicare drug program. Hospitals agreed to a $155 billion cut in Medicare reimbursements over a decade.

Jeffrey Binder, president and CEO of Biomet, says the device industry faces a double whammy.

''This particular fee is completely out of proportion with what any other sector has agreed to do,'' he says. ''It would cost our company alone $45 million to $50 million a year. That's equivalent of approximately 800 jobs.''

In addition. device makers, who sell directly to hospitals, will be under pressure to lower their prices as hospitals attempt to absorb their own cuts related to the health care overhaul, Binder says.

NO GUARANTEES

The fate of the tax is uncertain. A number of Democrats and Republicans oppose it.

So, too, dogs the industry's trade group, the Advanced Medical Technology Association (AdvaMed), which says the tax would be passed on to consumers in higher prices—or result in job cuts.

The $4 billion-a-year tax on the $130 billion medical device industry ''is a devastating prospect,'' particularly for smaller companies, AdvaMed President and CEO Stephen

Ubl said at a news briefing in Washington on Tuesday. The industry is lobbying hard against the tax, but Ubl says it supports other elements of the legislation, such as finding new ways to compare which drugs, devices and treatments work best.

Senate Finance Committee staff, speaking to reporters Monday, said the device tax is a flat amount based on each company's market share, not product prices, a provision meant to discourage passing the fee to consumers.

The controversy about the device tax illustrates how difficult it is for lawmakers to find ways to pay for their ambitious health care ideas. For months, proposals have come and gone—and come back again—from fees on soft drinks to levies on the wealthy. A windfall-profits tax on health insurers and an excise tax on expensive individual health policies are under consideration. Device makers are just taking their turn in the hot seat.

''Congress has a not-in-my-backyard problem in health reform,'' says Robert Laszewski, an Alexandria, Va.-based health policy consultant. ''Everyone wants it, but someone else has to pay for it.''

PLUSES AND MINUSES

The health care debate in Washington might seem a long way from this community 2½ hours north of Indianapolis. But the topic is top-of-mind for the executives who run the device companies, the physicians who use the products produced in the plants, and people seeking jobs in the industry.

Funk is among the growing number of uninsured in Warsaw and its surrounding area. About 19% of people here have no health insurance, compared with 15.4% nationally, according to the most recent census data.

For Funk, the proposed tax is ''a toss-up.'' If health reform is approved, he would likely qualify for subsidies to help him buy insurance. But the tax might make it more difficult for him to find work in the industry.

Today, device makers employ about 6,000 people in Kosciusko County, accounting for nearly 19% of the county's private-sector jobs, according to a September report from BioCrossroads, a group formed by venture capitalists and philanthropic organizations to boost the life sciences industry in Indiana.

''It's the only thing that provides a ray of sunshine in that part of the state,'' says Robert Guell, professor economics at Indiana State University.

Jobs run the gamut, from Ph.D. chemists to machinists. Workers at Biomet and the other plants use high-tech computerized lathes to craft hips and knees from titanium. At Zimmer, which has its own foundry workers in heat-protective suits pull molten-hot molds of joints from giant furnaces, Upstairs, scientists in nearly soundless offices research the next advance in device technology.

Medical device jobs in Kosciusko County pay well, averaging more than $81,000 annually, according to BioCrossroads.

For a time, experienced workers were often lured from one company to another.

There was so much movement,''you almost had to keep a scorecard to know where your neighbor was working,'' says Thomas Krizmanich, an orthopedic surgeon who lives and works in Warsaw. He says he has to be careful not to offend patients who work for one of the three big device makers by implanting them with competitors' products.

''Every company would like you to use 100% of their product,'' Krizmanich says. ''It can be difficult to make three companies happy.''

The sagging economy has slowed job hopping—and hiring—in the past year. In August, unemployment in Kosciusko County, which includes Warsaw, was 11.6%, vs. the national average of 9.7%, says database service Proximity. But that was far below that of neighboring Elkhart, where the jobless rate is 16%, in part due to a sharp downturn in the recreational-vehicle-building industry.

LEAVING THE AREA?

The proposed tax on device makers is not the only issue dampening future employment prospects here.

Other countries are offering huge incentives lure device makers overseas, where labor costs and other expenses may be lower.

Zimmer Holdings and Biomet already have manufacturing plants in Europe and China. And while Biomet's Binder says those plants mainly serve emerging markets, he acknowledges that some lower-skill production jobs have moved overseas.

It's unlikely that orthopedic device manufacturing will leave the USA entirely because the high-tech skills are hard to transfer, says Larry Davidson, director of the Center for the Business of Life Sciences at Indiana University.

''What has been helpful for that industry and will continue to provide jobs in the U.S. and Indiana is that it's harder for that industry to separate the technology and product development from the manufacturing,'' Davidson says.

Others are not so sanguine.

''It's conceivable that (device makers) could move everything eventually,'' says Nick Deeter, president and CEO of OrthoPediatrics, a Warsaw-based firm that develops orthopedic devices designed for children. He buys components from manufacturers based in the USA and abroad. ''Machines do all the work now. Someone starts them and stops them. Even though it's a high-tech product, it doesn't take a skill.'' Other states and countries have tried to get Deeter to move his headquarters.

''I have a pile of business cards from companies in Ireland,'' he says. ''Akron, Ohio, recently offered us a $3 million grant to move.'' But he stayed, with the help of $4.4 million in grants and other incentives from Indiana.

The ongoing recession means job openings in the device industry are fewer and attract many more applicants, says Melissa Denton, workforce and economic development director at Ivy Tech in Warsaw.

Enrollment in Ivy Tech's advanced orthopedic manufacturing skills training program has grown so fast, now at 400 students, that the school has had to move into larger quarters twice since last year.

Funk expects to complete his training soon, although he might pursue a two-year degree: ''I just hope someone hires me.''

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. GOHMERT) is recognized for 5 minutes.

(Mr. GOHMERT addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from North Carolina (Mr. MCHENRY) is recognized for 5 minutes.

(Mr. MCHENRY addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Arizona (Mr. FRANKS) is recognized for 5 minutes.

(Mr. FRANKS of Arizona addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Georgia (Mr. WESTMORELAND) is recognized for 5 minutes.

(Mr. WESTMORELAND addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from North Carolina (Ms. FOXX) is recognized for 5 minutes.

(Ms. FOXX addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. POSEY) is recognized for 5 minutes.

(Mr. POSEY addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Minnesota (Mrs. BACHMANN) is recognized for 5 minutes.

(Mrs. BACHMANN addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

HEALTH CARE

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 2009, the gentleman from Missouri (Mr. AKIN) is recognized for 60 minutes as the designee of the minority leader.

Mr. AKIN. Mr. Speaker, this evening we're going to be continuing on a familiar theme for many, probably the single issue that rivets the attention of Americans perhaps more than any single debate and discussion and, that is the change to American health care. This is not, of course, a small debate. It is a debate that involves a question of, to a large degree, whether the government is going to take over 18 percent of our economy. That's not a small section of our economy, 18 percent, nor is it a small question.

Not only economically is it a big question, every one of us has to live inside our own bodies. So it is a very personal question. We have to live inside our bodies, and we're dependent on health care, and we hope that we can continue to enjoy the high quality of health care that we have had in America.

But people recognize that there are problems with American health care. Those problems largely are not so much in the delivery of the health care but rather in how the health care is being paid for. So there are stresses in the system as to who's going to pick up the tab on it.