POLICYBRIEF
HOUSE REPUBLICAN CONFERENCE | Mike Pence, Chairman

Democrats Cut Back-Room Deals Benefiting AARP

Organization Gouges Seniors to Fund PR Blitz

> **"There's an inherent conflict of interest….They're ending up becoming very dependent on sources of income."**
>
> — Former AARP Executive Marilyn Moon, quoted in Bloomberg article

Speaker Pelosi recently called insurance companies "immoral villains," and Sen. Jay Rockefeller derided their tactics as "rapacious," yet the majority has simultaneously relied on an organization that has received billions of dollars in windfall profits from those same insurers as an "independent" source to support their government takeover of health care—AARP. The Democrat majority has even relied on AARP's support for legislation (S. 1776) that would increase the federal debt by nearly $250 billion to fund physician reimbursements, even though the bill would raise seniors' Medicare premiums by over $60 billion. AARP opposed unpaid-for legislation as recently as December for that very same reason. An analysis of Democrats' rhetoric and actions provides evidence why AARP may have changed its position—in exchange for its support of a government takeover of health care, AARP has received special considerations regarding several provisions in health "reform" legislation that could benefit the organization quite handsomely:

- While the AARP website claims that the organization supports "guaranteeing that all individuals and groups wishing to purchase or renew coverage can do so regardless of age or pre-existing conditions," a review of the New York State Insurance Commissioner's website finds that AARP-branded Medigap coverage imposes a six-month waiting period for individuals with pre-existing conditions. Yet Section 111 of H.R. 3200 would exempt Medigap policies from new limits on pre-existing condition restrictions—thus allowing AARP to continue to deny Medigap claims of individuals with serious health conditions.

- The health "reform" bill approved by the Senate Finance Committee would eliminate the tax deductibility for all insurance company executive salaries over $500,000. However, as drafted by the Committee, the legislation would exempt AARP from this requirement, even though fully **38 percent of its $1.1 billion in 2008 revenue came directly from "royalty fees" paid by United Healthcare**—more than AARP received in membership dues, grant revenue, and private contributions combined. But for Chairman Baucus' exemption, AARP salaries would in fact be subject to the penalties in the Finance bill—in 2008, then-CEO William Novelli received total compensation of $1,005,830—more than 78 times the average annual Social Security benefit of $12,738.

- Speaker Pelosi has recently discussed the imposition of a new "windfall profits" tax on insurance companies as a potential addition to the House's health "reform" bill. However, she has made no comments indicating that she would apply a similar tax to AARP—even though the organization by its own admission has received nearly **$3.4 billion in profits from selling health insurance** and other similar products. Thus it is entirely possible that Democrats could exempt AARP from the insurance windfall profits tax, in the same way that Chairman Baucus created a loophole to allow AARP to continue paying its CEO more than $1 million per year without penalty.

- White House senior advisor David Axelrod recently offered Administration support for price control provisions included in H.R. 3200 that would require insurance companies to pay out a minimum percentage of their premiums in medical claims. However, while H.R. 3200 would place strict price controls on Medicare Advantage plans—requiring them to pay out 85 percent of premium revenues in medical claims—Medigap policies face a far less strict 65 percent requirement. In other words, under the Democrat bill, seniors could pay as much as 20 cents more out of every premium dollar to fund "kickbacks" to AARP-sponsored Medigap plans.

- A Bloomberg news analysis published in December highlighted what one observer called AARP's "dirty little secret"—overcharging its senior members, many of whom who felt betrayed after paying hundreds of dollars above market price for AARP-branded coverage. One noted that "AARP has great buying power, and people should be able to get the best deal….This is unconscionable, what AARP has allowed to happen." Another disillusioned senior wrote to the organization's leadership asking whether AARP had a "'special relationship' with [insurance carriers] by which it receives commissions, incentives, rebates, or dare I say 'kickbacks?'"

- In November, news sources reported that AARP suspended the sale of "limited-benefit" health insurance policies, largely as a result of pressure from Republicans in Congress concerned that the organization was selling policies advertised as a "smart option for the health care insurance you need," even though the policies would only pay up to $10,000 for surgery costs. However, the fate of the more than 1 million policy-holders who purchased limited-benefit coverage from AARP remains unclear—and the organization has made no public offers to return the "royalty fees" on the "bare bones" policies it sold under questionable pretenses.

The special deals provided to AARP in the House and Senate health care bills raise questions about whether and why the Democrats are ignoring a *de facto* insurance conglomerate in their midst:

- Why did Finance Committee Chairman Baucus exempt AARP from the salary requirements imposed on all other insurance carriers in his health "reform" legislation? Did Chairman Baucus cut another "rock-solid deal" with AARP behind closed doors so that its executives' ability to earn million-dollar compensation packages would not be impaired?
- Will Speaker Pelosi exempt an organization that earns more than 60 percent of its revenue from "royalty fees"—and obtains more of its revenue from United Health Group than from membership dues, grants, and private contributions combined—from the windfall profits tax she proposes to levy on insurance companies?
- If Energy and Commerce Committee Chairman Waxman wants to investigate the compensation levels and corporate practices of insurance companies, why did he not submit requests for information to AARP, which makes 60 percent of its income by selling health insurance and related products to seniors? More to the point, why has the Committee not focused any of its investigative efforts on the widely-reported instances of abuses related to AARP-branded products to ensure executives are held to account and seniors adequately protected?
- Do the Administration and Democrats in Congress support exempting AARP and its Medigap policies from the same regulations they propose to place on other insurance companies? In other words, **do Democrats want seniors to be less protected from inflated profits and denied coverage due to pre-existing conditions than the rest of the American population?**

Beneath these questions lie two broader issues: Is AARP a seniors' advocacy group, or a billion-dollar insurance company masquerading as a "charity" organization? And are Democrats so intent on enacting a government takeover of health care that they would knowingly ignore seniors being exploited in "unconscionable" ways to maintain the support of an organization who will lobby for their efforts?

STAFF CONTACT

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