

## AARP: Helping Seniors or Helping Itself?

*Administration Silences Medicare Advantage Critics—So AARP Can Collect More “Kickbacks”*

**“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

This week the Centers for Medicare and Medicaid Services announced it was investigating Humana for providing “misleading” information regarding the Administration’s proposed cuts to Medicare Advantage policies—and prohibited other Medicare Advantage plans from providing similar information on how Democrat health “reform” could take away their current coverage.

Yet the Administration’s edict prohibiting plans from communicating with their beneficiaries failed to include AARP, which sponsors a Medicare Advantage plan but has been a prime advocate of Democrats’ government takeover of health care—quite possibly because AARP has been supporting a health care overhaul from which it stands to gain overall handsomely. Even as AARP advocates for cutting Medicare Advantage plans by more than \$150 billion, an analysis of the organization’s operations reveals that it stands to receive tens of millions of dollars at the expense of seniors’ medical care—with Democrats’ full approval:

- The Congressional Budget Office has previously estimated that the cuts to Medicare Advantage plans proposed in Democrats’ government takeover of health care (H.R. 3200) would cause millions of seniors to lose their current plan and enroll in government-run Medicare.
- Because the government-run Medicare benefit is less generous than most private health plans, the independent Medicare Payment Advisory Commission [found](#) in June that more than nine in ten seniors not in nursing home settings utilize some form of Medicare supplemental insurance. While many of these individuals currently rely on Medicare Advantage plans for the extra benefits they provide to seniors, many would be forced to purchase supplemental Medigap policies should their existing Medicare Advantage plans be taken away from them due to Democrats’ government takeover of health care.
- A review of its [financial statements](#) finds that in 2008, AARP received more than half a billion dollars in revenue from selling products like Medigap supplemental insurance policies—\$652.7 million in direct “royalties and fees,” and an increase of more than 31 percent from the \$497.6 million in similar revenue AARP generated in 2007.
- Royalty revenues now comprise more than half—60.3 percent—of all AARP revenues; a Bloomberg news [analysis](#) published in December found that in 1999, royalties comprised only 11 percent of the organization’s total revenues.
- The Bloomberg article—which highlighted what one observer called AARP’s “dirty little secret”—profiled seniors 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?’”—and when he arrived at AARP headquarters for a tour, was promptly escorted out of the marble-covered atrium.

- 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 than Medicare Advantage plans.

The higher prices charged by AARP plans, and the organization’s increasing dependence upon revenue from “royalties,” provide tangible evidence why AARP would support cuts to Medicare Advantage that would likely increase their “kickbacks” from Medigap plans. However, it does not answer several key questions:

- Given the myriad new layers of insurance regulation included in Democrats’ government takeover of health care, why does the legislation not include a single provision attempting to impose any new restrictions on Medigap policies?
- Did Democrats “forget” to protect seniors—or were they informed that AARP could not support legislation that would limit its lucrative revenue source?
- Similarly, did CMS “forget” to include AARP among the organizations whose First Amendment rights to inform seniors of harmful Medicare provisions were restricted—or did the Administration only wish to silence its critics, and not outside organizations using “kickbacks” to fund advertising in support of the Democrat agenda?

These questions hint at a more fundamental query: With seniors believing that AARP is “making money on the backs of old people,” who should believe that the organization is looking out for seniors’ interests and not its own?

---

#### **STAFF CONTACT**

---

For more information or questions, please contact Chris Jacobs at 6-2302.