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Congress of the United States
House of Representatives
Washington, DC 20515-4708

October 15, 2009

Thomas C. Nelson
Chief Operating Officer
AARP
601 E Street NW
Washington, DC 20049

Dear Mr. Nelson:

Thank you for your recent response to my questions regarding AARP's support for current health care proposals. Though I appreciate your prompt reply, I found that many of the answers failed to directly answer my questions about the potential conflict of interest in AARP's advocacy for a bill that cuts billions of dollars from seniors' Medicare benefits, and I would like to take this opportunity for follow-up and clarification.

You say that "AARP does not have access to which Medicare-eligible members are enrolled in a Medicare Advantage plan." It concerns me that you are strongly advocating for cuts to a program when you have no idea the extent to which these cuts will harm your membership. Please explain, in detail, your advocacy for HR 3200 in light of your lack of information regarding the number of members the bill will affect.

I also find it problematic given that, according to AARP's most recent financial statements, "Insurance premiums collected by the Plan [AARP Insurance Plan] are paid directly by participants."¹ After taking AARP's slice of the premiums, the Plan then distributes the monies to the appropriate insurance carriers. As AARP acts as the intermediary for collecting and paying insurance premiums on behalf of its members, how is it possible that AARP does not have access to which of its members are enrolled in Medicare Advantage?

You state: "AARP is not an insurance company," yet 38 percent of your annual total operating revenue came from United HealthCare. Comparatively, only 23 percent of your total operating revenue came from membership dues. AARP makes nearly twice as much from insurance premiums as it does from membership dues. All told, royalties represent 60 percent of AARP's operating revenue. This clearly shows that AARP is an organization dependent on insurance funds.² If you are not an insurance company, as you claim, why are you collecting and holding premiums?

¹ AARP, "Consolidated Financial Statements December 31, 2008 and 2007," March 30, 2009, (available online at http://assets.aarp.org/www.aarp.org/_TopicAreas/annual_reports/assets/AARPConsolidatedFinancialStatements.pdf)

² *Id.*

Regarding AARP's royalty income, you provided the average income from 1999 through 2008. Please provide the royalty income received for each individual year, breaking out the portion of income that is derived from AARP-branded Medicare Advantage plans, and then separately, the Medigap plans for each of those years.

In a recent news article in The News Tribune, David Sloane, AARP's Chief Lobbyist stated AARP "would gladly forgo every dime of revenue to fix the health care system." While I certainly applaud that statement, how can AARP continue to do business with a loss of at least \$339.7 million in revenue each year?

In addition, you state that "whether private insurance plans choose to change their current benefit packages upon passage of a health reform bill is a business decision they will have to make." Will AARP continue to lend the AARP brand to – and collect royalty payments from – plans that increase premiums, increase cost-sharing, decrease benefit options, or eliminate Medicare Advantage plans should the Medicare Advantage cuts included in health care legislation that you support go into effect?

Furthermore, Bloomberg News has reported that many AARP members have found insurance plans cheaper than AARP-endorsed insurance products. You are advocating cuts to Medicare Advantage plans in order to bring payments in line with traditional Medicare. Please explain why AARP-sponsored plans are more expensive than others. While I can only hope it is because AARP is providing its members with additional benefits – similar to what Medicare Advantage plans provide their beneficiaries – I would appreciate specific details.

Finally, AARP has strongly advocated for health reform legislation to close the "doughnut hole" in the Medicare Prescription Drug Plan. I have conducted research through the Medicare Plan Finder on www.medicare.gov which showed that not a single AARP-endorsed plan offered coverage for brand name drugs when beneficiaries have exceeded the minimum coverage limit and have not yet reached the catastrophic coverage threshold. Is this accurate? If not, what percentage of AARP-endorsed plans offer this coverage?

Thank you for your prompt attention to these follow-up questions and comments. I request that you respond to my questions, in writing, by October 30, 2009. Should you have any questions, you may contact Beth Nelson in my office (beth.nelson@mail.house.gov or 202-225-7761).

Sincerely,



DAVID G. REICHERT
Member of Congress