



601 E Street, NW  
Washington, DC 20049

T 202-434-2277  
1-888-OUR-AARP  
1-888-687-2277  
TTY 1-877-434-7598  
www.aarp.org

October 1, 2009

Hon. David G. Reichert  
U.S. House of Representatives  
1730 Longworth HOB  
Washington, DC 20515-4708

Dear Representative Reichert:

Thank you for your letter of September 21 regarding AARP's position on health care reform and the impact of pending proposals on Medicare Advantage enrollees. I greatly appreciate the opportunity to correct a number of misimpressions about AARP's role in the current debate and about our branded health insurance product offerings.

Let me be clear on the following points:

- AARP's process of developing policy positions, including our position on health care reform, is conducted independently of any AARP royalty generating activities.
- While AARP is actively engaged in the ongoing legislative debate, we have not endorsed any of the bills now pending in the House and Senate. Among our priorities, we are fighting to protect and improve Medicare benefits for seniors and ensure future generations have the health coverage they need.
- AARP is not an insurance company. We license our brand to certain insurance companies which have designed high-quality insurance options that are offered to our members and, for certain government programs, others who may not be members. Both Medicare Advantage and Medicare supplemental policies carry the AARP name.
- When it comes to Medicare Advantage, AARP has been on record stating that excess subsidies to private Medicare Advantage insurers have been unnecessarily costing taxpayers billions of dollars and driving up the cost of overall Medicare premiums. Despite the promise of cost efficiencies, those insurers now receive an average of 14 % more per person than the cost of traditional Medicare benefits.
- AARP believes that by reducing these subsidies, we can save money, lower Medicare costs, and help ensure seniors, their children and grandchildren will have the health benefits they have earned.

The Honorable David G. Reichert

October 1, 2009

Page 2

- AARP wants to see savings from Medicare Advantage used to strengthen Medicare by closing the Part D coverage gap or “doughnut hole,” to lower drug costs for millions of seniors; ensuring Medicare pays doctors fairly so seniors can keep the doctor of their choice or more easily find a doctor if they don’t have one; lowering out-of-pocket costs for important preventive services; improving the coordination of care for people with chronic health conditions; and strengthening the long-term financial security of the Medicare program.
- 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. AARP supports provisions in health reform legislation to pay bonuses to Medicare Advantage plans that provide better customer service and higher quality outcomes.
- Finally, AARP supports phasing in proposed payment system changes to minimize any impact.

In response to your specific questions, I am pleased to provide the following information:

Answer to Question 1: AARP does not have access to which Medicare-eligible members are enrolled in a Medicare Advantage plan. Information on the AARP-branded plan is confidential and proprietary to United HealthCare Insurance Company (“United”) and AARP does not have permission to disclose it.

Answer to Question 2: United has informed us that, as of the end of 2008, 9,618,221 people are enrolled in all Medicare Supplemental plans nationally, including plan types A-L, pre-standard plans and modified plans offered in so-called “waiver states.” Of that total, 2,789,889 are in AARP-branded plans.

Answer to Question 3: AARP publicly reports total royalty income from all service providers on its audited financial statements, including those which offer health insurance products, financial products, lifestyle products and others. Total royalty income from 1999 through 2008 averaged \$339.7 million per year.

Answer to Question 4: All of the royalties for all of the products are included in the publicly reported totals for AARP’s audited financial statements above.

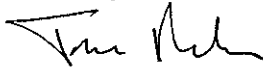
Answer to Question 5: First, AARP does not employ any insurance sales agents. United has informed us that between January 2008 and June 2009, it terminated eighteen field sales agents who sold either AARP-branded Medicare Supplement, Medicare Advantage plans or both, in response to marketing complaints. United has reported all of those individuals to their respective state Departments of Insurance for appropriate action.

The Honorable David G. Reichert  
October 1, 2009  
Page 3

Answer to Question 6: Again, AARP has not endorsed any of the pending bills. As for membership numbers, between July 1 and September 18, less than one-half of 1% of our members have indicated to us that they have dropped their membership due to AARP's efforts on health care reform. Further indicators point to little impact on overall membership, as during the same time period, more than 740,000 people joined AARP and nearly 2.7 million members renewed their memberships.

Thank you again for providing me this opportunity to clarify AARP's role in the health care reform debate.

Sincerely,



Thomas C. Nelson  
Chief Operating Officer