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November 2, 2009

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

Dear Representative Reichert:

Thank you for your follow-up letter of October 15, asking for further information about AARP's positions on health care reform and the Medicare Advantage program. We again appreciate the opportunity to address these issues, and we would be happy to meet at your convenience to discuss these matters further.

AARP is a nonprofit, nonpartisan membership organization committed to helping people 50+ have independence, choice and control in ways that are affordable and beneficial to them and society as a whole. We carry out this commitment in many different ways – including through our public policy and advocacy work, through our outreach and volunteer programs, in our publications and educational materials, and by providing access to member benefits that offer value and socially responsible features. Like many other nonprofit organizations (such as professional associations and universities), AARP receives a royalty for allowing providers of these member benefits to use the AARP name and intellectual property. This royalty income, along with the income from membership dues and other sources, helps us, in turn, continue to carry on this broad range of activities serving the needs of our members and all people age 50+.

We may, of course, not always agree with policymakers about the best ways to serve the age 50+ population and society, but please be assured that AARP's positions on public policy matters are not developed in order to further AARP's financial interests. As we noted in our earlier correspondence, AARP develops public policy positions through a process that is independent of any royalty-generating activities. This process involves input from AARP members and others, research and analysis by AARP staff of older persons' needs, review by a volunteer National Policy Council, and, ultimately, approval by the all-volunteer AARP Board of Directors. We would be happy to discuss this process with you further at your convenience.

The remainder of this letter addresses the specific follow-up questions raised in your letter of October 15.

Question 1. ***"You say that 'AARP does not have access to which Medicare-eligible members are enrolled in a Medicare Advantage Plan'.... 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 think there may be some confusion about our response to your initial question. Your original September 21 letter asked two different questions about AARP members enrolled in these types of plans.

First, you asked how many AARP members were enrolled in Medicare Advantage plans generally (i.e., all Medicare Advantage plans offered by all insurers). As we noted, we do not have this information. Enrollment in a Medicare Advantage plan is a private transaction between a member and his or her insurer of choice. We know that approximately 11 million people are enrolled in Medicare Advantage plans generally, but we do not know how many of these individuals are AARP members.

Second, you asked how many AARP members were enrolled in the United Medicare Advantage plans carrying the AARP name. We noted that this information is proprietary and confidential to United, and United did not give us permission to disclose this information in our letter of October 1. We have spoken with United again, and United has given us permission to disclose both the total number of enrollees in these plans, as well as the number of enrollees who are AARP members. There are approximately one million enrollees in the Medicare Advantage plans carrying the AARP name, and about 37 percent of those enrollees are AARP members. Please note that you do not have to be an AARP member to enroll in these United plans.

With respect to your question about our position on HR 3200, AARP has not, up to this point, endorsed a particular bill. We have, however, actively advocated for reform of our health care system, and for the inclusion of provisions to protect our members and the age 50+ population in any health care reform legislation. Our Board is carefully evaluating the health care reform proposals and weighing them against our public policy priorities, which include whether the legislation will improve Medicare -- such as by closing the coverage gap ("doughnut hole") in part D, improving preventive benefits, and attacking waste fraud and abuse – and whether the legislation will provide affordable health care options to those not yet eligible for Medicare, including strict limits on "age rating."

Question 2. ***"[A]ccording to AARP's most recent financial statements, 'Insurance premiums collected by the Plan [AARP Insurance Plan] are paid directly by participants' .... 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."

Medicare Advantage premiums are not paid to, or collected by, the AARP Insurance Plan (the "Trust"). Individuals enrolling in the Medicare Advantage plans send their enrollment forms and premium payments directly to United. In addition, for privacy reasons, United does not give us the names of the individual members who enroll in these plans. We only receive periodic reports from United giving us the total number of plan enrollees (which includes both AARP members and non-AARP members, because one does not need to be an AARP member to enroll in these plans). Once a year, United also gives us its estimated percentage of enrollees who are AARP members. As noted above, these numbers are confidential and proprietary to United, and we did not have permission to disclose them in our letter of October 1. As we noted, we have subsequently received permission, and the numbers are disclosed above.

Question 3. ***"If you are not an insurance company, as you claim, why are you collecting and holding premiums."***

As noted above, AARP does not collect or hold premiums for the United Medicare Advantage plans. These enrollees pay their premiums directly to United.

Premiums for some other AARP-branded plans (e.g., the Medicare Supplement plans from United), are collected initially by the Trust, as the group policy holder of those plans, and then remitted to the insurance company. United is the insurance company that issues these group policies to the Trust. Neither AARP nor the Trust is an insurance company.

Question 4: ***"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."***

The following table sets forth the total royalty income received by AARP from all providers in each of the years from 1999 to 2008:

Year	Total Royalties (in thousands)
1999	200,092
2000	178,279
2001	196,695

2002	240,049
2003	299,192
2004	350,053
2005	378,962
2006	403,028
2007	497,635
2008	652,701

In 2008, royalty payments from United accounted for approximately 63% of the total royalties received by AARP. The portion of the royalty attributable to United's use of AARP's intellectual property for the Medicare Advantage and Medicare Supplement programs is proprietary and confidential information to both AARP and United.

Question 5: ***"....David Sloane, AARP's Chief Lobbyist stated AARP "would gladly forego every dime of revenue to fix the healthcare 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?"***

As a nonprofit organization, our core mission is driven by supporting policies that will help people age 50+ lead healthy and financially secure lives—not by making a profit. Over two decades ago, AARP's then Executive Director, Cy Brickfield, made a similar statement in Congressional testimony. Through the years, we have continued to make this statement and we remain committed to fighting for access to affordable, quality healthcare for all Americans, regardless of its financial impact on AARP.

Question 6: ***"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?"***

AARP provides ongoing, quality control and oversight, through its subsidiary, of all provider products carrying the AARP name. This quality control work will continue with respect to all member benefits.

Question 7: ***"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 offer their beneficiaries—I would appreciate specific details."***

AARP was disappointed that a credible news organization like Bloomberg News chose to publish a story that is factually inaccurate and misleading in significant parts. CBS MoneyWatch read the Bloomberg story and contacted us to do a follow-up review of the health and financial products offered by AARP member benefit providers. While not without some misperceptions, CBS MoneyWatch came to a very different conclusion about the providers' offerings.

AARP does quality control oversight through its subsidiary, to help ensure that the providers offer people age 50+ a valuable benefit—particularly when it comes to products related to health and financial security. Consequently, providers have included features that help meet the needs of those over age 50, while keeping the cost of their plans competitive.

For example, while the benefit structure of all Medicare Supplement plans is set by law, the AARP-branded plans from United include important distinguishing features:

- Accessibility. The plans accept over 99% of applicants (with end stage renal disease being the only exception) while many other major Medicare Supplement plans deny coverage for a long list of conditions.

- Community Rating. The plans use community rating (with very few exceptions, as in the case of states, like Florida, that require Entry Age Rating) as opposed to attained age rating because community rating, where rates do not go up based on age, aligns more closely with AARP policy and helps keep rates more manageable for older individuals.

- Efficiency. The plans also provided the highest or second highest return in benefits for every $1 in premium among the top plans in 44 states, according to 2008 NAIC data.

- Service. United offers enrollees in these AARP-branded plans a high level of service. For example, more than 98% of claims are processed within 10 days and 99.8% of customer service calls are resolved within 24 hours.

- Transformative Health Initiatives. United has launched a Care Management pilot in five markets designed to increase care coordination for enrollees with significant health needs. This free pilot includes clinical programs to monitor individuals with heart disease, diabetes, and other high risk conditions, and also includes medication compliance monitoring and depression screening and management.

Even with these unique and socially responsible features, the AARP-branded plans from United are still among the most competitive in the majority of states.

Question 8: ***"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?"***

It is our understanding that today no national Part D plan sponsors offer brand-name drug coverage in the gap. United offers three Part D plan options that carry the AARP name. Of these three plans, which are available in all 50 states, the District of Columbia, and the US Territories, one plan provides coverage of Tier 1 drugs during the coverage gap.

Because of the importance of providing drug coverage in the part D coverage gap, and the difficulty of providing a sustainable product that covers brand name drugs in this so-called "doughnut hole", AARP continues to advocate strongly for legislation that fully closes the part D coverage gap. We would urge your support for such a legislative improvement.

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I hope that this information is helpful in addressing your questions. If you would like to discuss these issues further, we would be happy to meet with you or your staff. Thank you again for the opportunity to clarify AARP's role in the health care debate.

Sincerely,

Thomas C. Nelson
Chief Operating Officer