

AARP's Conflict of Interest in the Medicare Drug Bill

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The AARP derives significant income from the sale of health and life insurance policies, and stands to make hundreds of millions more under the Medicare Prescription Drug bill now being debated before Congress. Yet the AARP's financial interests in the bill have received scant attention.

The AARP's current insurance-related revenues come in several streams.

- 1- They receive royalties from "AARP" insurance policies marketed to their members by UnitedHealthcare, MetLife and others. Last year these royalties amounted to \$123.283 million.
- 2- They receive list access fees from insurance firms that market to their membership. In 2002, such fees totaled \$10.794 million.
- 3- AARP receives "Quality Control fees" from insurers that amounted to \$893,000 last year.
- 4- AARP also earns investment income on the premiums received from members until such premiums are forwarded to UnitedHealthcare and MetLife. In 2002, AARP earned \$26.708 million in such investment income.

The table below summarizes the AARP's income for each of these categories over the past 4 years, as well as their total operating revenues, and the proportion of revenues accounted for by insurance-related items. All data are derived from the AARP's Consolidated Financial Statements. Dollar figures are given in millions.

	1999	2000	2001	2002
Insurance Royalties	\$111.3	\$111.8	\$115.5	\$123.3
List Access Fees	\$8.6	\$8.9	\$9.3	\$10.8
Quality Control Fee	\$0.7	\$0.8	\$0.7	\$0.9
Income from Premiums Invested	\$4.7	\$40.3	\$33.1	\$26.7
Insurance-Related Total	\$125.2	\$161.8	\$158.6	\$161.7
Total Operating Revenues	\$412.2	\$502.1	\$520.0	\$635.8

Insurance-Related as % Of Operating Revenues	30.4%	32.2%	30.5%	25.4%
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We believe the AARP's huge insurance business helps explain why it has endorsed a bill that threatens the future of Medicare and the health of America's seniors. Under the proposed Medicare legislation the AARP would almost surely reap hundreds of millions of dollars in additional insurance revenues over the next decade. The Medicare bill would pump \$400 billion in Federal Government money into new Medigap drug policies over the next decade. At present, the AARP's profit from its huge insurance sales amounts to 3.9% of the insurance premiums it collects. If AARP's partners were to capture even 10% of the new Medicare prescription drug coverage market, their premiums would amount \$40 billion, and the AARP's profits would be \$1.56 billion.

The Medicare prescription drug bill offers huge payoffs to the drug industry, private insurers, and some large employers. It would provide paltry benefits to Medicare recipients and take a giant step toward privatizing Medicare. In effect, the AARP leadership has shamefully agreed to sell out its members in exchange for the organization's financial gain.