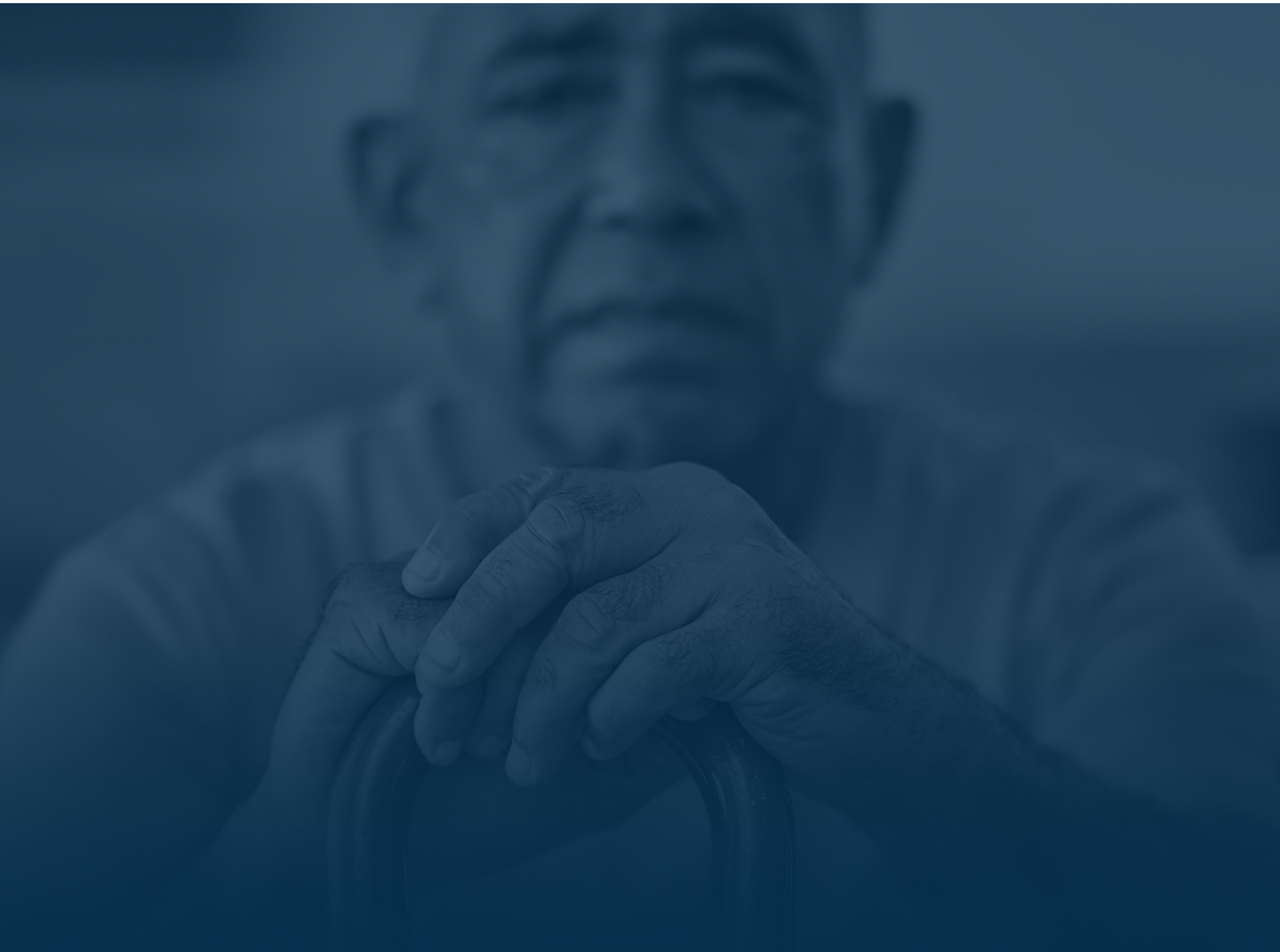
COMMITMENT to SENIORS



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AMERICAN COMMITMENT SPECIAL REPORT

Association *AGAINST* Retired Persons: How AARP Puts Its Bottom Line Ahead of Seniors

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Association AGAINST Retired Persons: How AARP Puts Its Bottom Line Ahead of Seniors

Its most recent merger is being challenged in court by the Justice Department for expanding its dominant market share in hospice and home health care services.[1] It remains under investigation by that same Justice Department for how its "sprawling network of doctor groups" is "potentially squeezing rival physicians out of certain types of attractive payment arrangements."[2] It has come in for further criticism about whether it improperly uses algorithms to deny Medicare patients care.[3] And last year, one of its affiliates suffered a ransomware attack that caused chaos throughout the health care system for months.[4]

The company in question, UnitedHealth, is the nation's largest health insurer and one of the nation's biggest companies overall. But the many recent controversies surrounding the massive conglomerate have also raised questions about one of its longtime partners. Specifically, why would an organization that claims to advocate on behalf of seniors wish to partner with an insurance company also under investigation for its Medicare billing practices?[5]

That organization—AARP, formerly known as the American Association of Retired Persons—has far outgrown its roots as a small organization founded by a retired teacher. Over the years, AARP has grown into a marketing behemoth with a public policy advocacy group on the side. And AARP's prime source of tax-free revenue from that marketing operation comes from its relationship with UnitedHealth.

As it has grown and become more reliant on marketing income, AARP has faced accusations regarding its questionable business practices from numerous quarters: Federal officials, who suggested a business arrangement AARP proposed but never implemented could violate federal criminal statutes, the editorial board of the New York Times, and former AARP employees themselves.[6] Even before the announcement of an antitrust investigation into UnitedHealth, AARP in 2021 began a marketing arrangement with a chain of medical clinics called Oak Street Health—weeks before the company revealed "it was the subject of a Justice Department civil investigation into its marketing tactics," including potential violations of the federal False Claims Act.[7]

But for decades, AARP's prime source of revenue has come through its relationship with UnitedHealth. The organization embeds "royalty fees" within the premiums of those who purchase Medicare supplemental policies, called Medigap insurance, effectively overcharging seniors to fund AARP's operations. AARP's revenue from royalty fees, primarily coming from UnitedHealth, which licenses AARP-branded Medigap and Medicare Advantage coverage, has grown every year for more than two decades straight. Since 2007, the organization has received an estimated $9.9 billion tax-free in revenue from UnitedHealth.

Those UnitedHealth billions compromise AARP's policy stances in many ways. In 2022, the organization endorsed Democratic legislation—the inaccurately named Inflation Reduction Act—that will redirect more than $250 billion from Medicare into green-energy pork and other progressive projects, including an expansion of Obamacare subsidies to big insurance companies like UnitedHealth.[8]

Taking money from Medicare to pay for other programs will harm seniors, but sadly such facts are inconvenient truths for an organization rife with financial conflicts of interest. In 2022, as with Obamacare in 2010, the Inflation Reduction Act used Medicare as a piggy bank to benefit the bottom line of AARP's insurance businesses, along with those of its partner, UnitedHealth.[9] In total, Congress has diverted close to $1 trillion from Medicare through both Obamacare and the IRA to fund spending not related to seniors—actions that AARP's leadership wholeheartedly supported, even though its members did not.

The record shows not just that AARP holds serious conflicts of interest, but that those financial conflicts have prompted the organization to abandon its principles on numerous occasions, pursuing financial gain for itself over the organization's stated mission—and its members. As an analyst at the Committee for a Responsible Federal Budget noted, "It's hard to know whether they're advocating for their business interests or for the seniors that they are supposed to represent."[10]

The fact that many of its own members are troubled by the organization's conduct should prompt Washington to investigate AARP further. Not just Congress, but the new Trump Administration, need to expose the unsavory alliance between AARP and UnitedHealth, and act to protect seniors from AARP's unscrupulous business practices.

Harm to Seniors...

In many ways, 2024 represented the year in which the harms of the AARP-endorsed Inflation Reduction Act became apparent to seniors, and the public as a whole. While the Biden Administration attempted to focus on the supposed "savings" derived from the law's price controls, other changes made the legislation's many flaws known.

Last summer, the Administration announced that, because of changes in the Medicare Part D benefit made by the IRA, the average bid for stand-alone prescription drug plans nearly tripled, from $64.28 in 2024 to $179.45 in 2025.[11] That increase came on top of a prior 21 percent premium increase in stand-alone Part D plans from 2023 to 2024, and after the number of Part D prescription drug plans declined by 25 percent over the four year period from 2020 to 2024.[12]

The projected spike in premiums for 2025, coming after prior premium increases and plan exits, illustrates the ways in which the Biden Administration and the AARP-endorsed IRA have harmed seniors' access to care. But rather than admit the error of their ways, the Biden Administration instead commandeered billions of taxpayer dollars to "solve" a problem they created.

...But (Illegal) Bailouts for Insurers Like UnitedHealth

On the same day the Biden Administration announced skyrocketing premium projections, it also revealed a "premium stabilization demonstration" for 2025 and potentially beyond.[13] Officials claimed that "the variation in [plan] bids and resulting premium changes could create disruptive enrollment shifts in the...market," and that "additional stability in the...market may improve the predictability of [plan] offerings."[14]

However, numerous observers criticized the demonstration program as little more than a politically motivated bailout, designed to prevent seniors from learning of massive premium spikes in the weeks immediately leading up to the November 2024 election.[15] In that sense, it mirrored a prior demonstration announced by the Obama Administration to prop up Medicare Advantage plans as Barack Obama ran for re-election in 2012.[16]

In March 2012, the Government Accountability Office (GAO) recommended that the Obama Administration cancel its Medicare Advantage demonstration program, stating that it was "unlikely that the demonstration will produce meaningful results."[17] Four months later, GAO reiterated that "we remain concerned about the agency's legal authority to undertake the demonstration."[18] While GAO has yet to opine formally on the legality of the Biden Administration's demonstration program, it contains several of the same characteristics of the Obama Administration demonstration that drew GAO's ire, including the lack of a comparison group from which Medicare can draw policy conclusions.

Despite the dubious legality of this program, taxpayers will foot the bill. The Congressional Budget Office (CBO) estimated that the demonstration program will increase federal Medicare spending by $5 billion in 2025 alone—along with an additional $2 billion in interest costs over the coming decade.[19] CBO estimates that the average insurer offering Part D prescription drug plans—including UnitedHealth—will receive approximately $100 million from the federal government as part of this bailout.[20]

Unfortunately, the added costs of the Inflation Reduction Act will go well beyond the impact of the temporary demonstration program the Biden Administration announced last summer. In October, CBO also disclosed that the costs of the changes to the prescription drug benefit will cost $10 billion to $20 billion more in 2025 than the budget office originally projected at the time of the law's passage.[21] Particularly if they persist in future years, these higher costs will affect all taxpayers, and will get passed on to seniors in the form of higher premiums—even as insurers like AARP's partner UnitedHealth benefit substantially.

Damaging Seniors' Health

The Inflation Reduction Act contains other policies that will harm seniors. By empowering the federal government to "negotiate" the prices of prescription drugs, the new law will reduce innovation and new drug discoveries. CBO estimated that the "negotiation" provisions—in which federal bureaucrats will effectively dictate drug prices and impose a tax of up to 1,900% on companies that do not comply—will result in numerous new drugs not becoming available over the coming decades.[22]

However, other experts believe that government price setting under the guise of "negotiation" will lead to a much greater reduction in the number of new therapies and cures than CBO estimates. A November 2021 analysis of an earlier version of the legislation found that its drug pricing provisions would lead to a substantial decline in research and development activity, leading to 135 fewer new drugs being created.[23]

These therapies represent potential cures for cancer, Alzheimer's, and other rare diseases not becoming available to seniors, because government bureaucrats interfered with the innovation process. In fact, the "negotiation" provisions could result in the loss of 331.5 million life-years—a much larger loss than that due to the COVID-19 pandemic—as the lack of new therapies means that patients die earlier than they would have done in a pro-innovation environment.[24]

These harmful effects began not long after President Biden signed the price control legislation into law.[25] In the time since, a steady stream of companies have announced changes to or reductions in their research and development projects. For instance, in the fall of 2023 the biotechnology company Seagen announced it had cancelled research into another application of its successful bladder cancer therapy because "there will be no economic return from doing it."[26]

A Health Affairs blog post analyzed some of the ways in which the "negotiation" provisions will hinder drug research and development.[27] For instance:

- Rather than seeking FDA approval for several indications (such as several different cancer types) sequentially, companies could wait to submit approval for multiple indications at once, to maximize their returns before government "negotiation" kicks in—resulting in delays for products getting on the market.
- Companies could decline to submit approval applications for additional indications of existing drugs, because such approvals could make it more likely that a pharmaceutical would get selected for "negotiation."[28]
- Companies will hesitate to engage in long-term studies of therapies, or studies that examine ultimate outcomes (e.g., long-run survival data, as opposed to shorter studies examining intermediate outcomes like tumor shrinkage), because doing so would not make financial sense.

As the Biden Administration implemented the law, several pharmaceutical companies sued to block the "negotiation" provisions from taking effect, claiming the law violates the First, Fifth, and Eighth Amendments. But apart from the sizable constitutional concerns regarding the measure, the Inflation Reduction Act also represents ill-advised policy—one that will result in fewer innovative therapies.

Raiding Medicare to Fund Other Programs

As much harm as the drug "negotiation" provisions will cause, the savings generated from these price controls pose an added injury to seniors. According to the Congressional Budget Office, the Inflation Reduction Act will reduce Medicare spending by a net of $254.8 billion—that is, more than a quarter-trillion dollars—over the coming decade.[29]

Where will those savings go? Not towards saving the Medicare program and making it solvent for future generations. And for that matter, the savings will not help pay for the higher-than-projected spending on the re-design of the Part D prescription drug benefit, or for the "premium stability demonstration" that provided an effective bailout to insurers prior to the 2024 elections.

Instead, lawmakers redirected the Medicare dollars from prescription drug "negotiation" toward myriad other leftist causes. For instance, the Medicare savings will fund additional spending on Internal Revenue Service operations—including the hiring of nearly 87,000 IRS employees, according to one Treasury Department document—along with spending on various other green energy projects.[30]

In using Medicare dollars to fund other programs, the Inflation Reduction Act resembles Obamacare. That legislation reduced Medicare spending by $716 billion over the law's first decade—again, not to make Medicare solvent, but to fund new entitlements for younger Americans and other spending within the federal government.[31]

Unfortunately, leftist politicians have a history of using Medicare as a slush fund to finance their big-spending proposals elsewhere within government.[32] That trend began with Obamacare and continued with the Inflation Reduction Act. Combined, Obamacare and the IRA siphoned off nearly $1 trillion from Medicare, channeling it away from seniors' health care and towards unrelated spending.

Just as unfortunate, AARP has a history of supporting these legislative proposals that raid Medicare. In 2010, the organization endorsed Obamacare, despite loud opposition from many of its senior citizen members.[33] Perhaps not coincidentally, Obamacare also happened to exempt Medigap supplemental insurance—a prime source of AARP's revenue, as explained below—from virtually all of the law's new insurance regulations.[34]

Likewise, AARP had ulterior motives when it endorsed the Inflation Reduction Act. The law's provisions lowering drug prices through price controls masquerading as "negotiation" will benefit both AARP and UnitedHealth Group, its insurer partner. Moreover, the approximately $64 billion cost of extending enhanced Obamacare subsidies for three years—paid for, as noted above, via the raid on Medicare—will benefit UnitedHealth's business selling coverage on insurance Exchanges.[35]

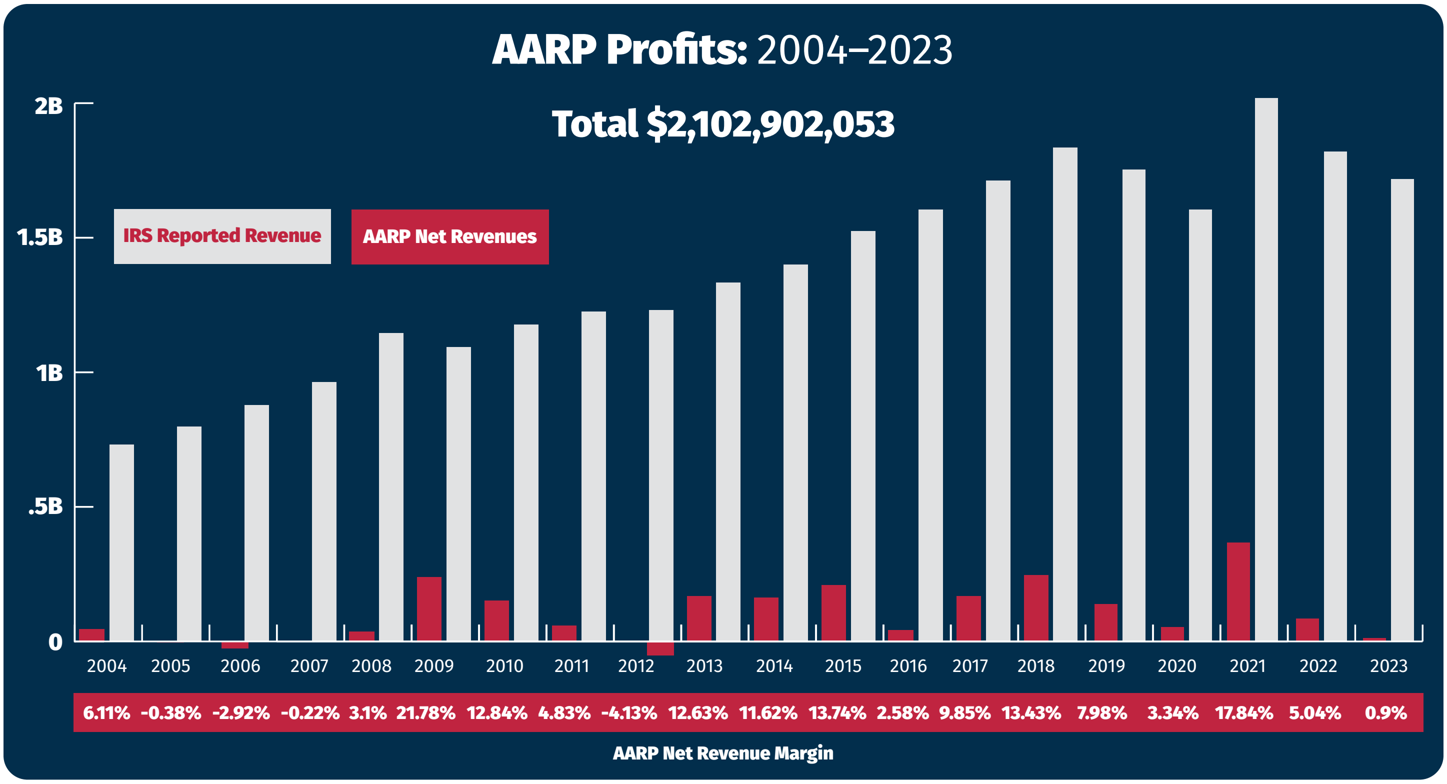
Seniors Disapprove of IRA's Effects

While some senior citizens may still think of AARP has an advocacy organization, they increasingly question why the organization takes policy positions at odds with the interests and beliefs of its members. A survey conducted for American Commitment revealed sizable unease with the policy positions included in the Inflation Reduction Act.

In the April 2023 survey of Americans aged 55 and over, large majorities of individuals expressed concern about Congress diverting Medicare funds to pay "for tax breaks for things like electric vehicles, solar panels, and subsidies paid to large insurance companies."[36] More than five in six older Americans (84.3%) said that Congress "should not divert Medicare revenues…to pay for spending programs unrelated to Medicare."[37]

In that same survey, large majorities (84.5%) expressed concern that reports of companies cutting research efforts could reduce access to breakthrough therapies and treatments.[38] And after hearing about the Inflation Reduction Act, a large majority (88.4%) of older Americans said that AARP should not have supported the measure.[39]

That AARP attempts to ignore its sizable policy disagreements with the majority of older Americans it purports to represent, and the conflicts of interest presented by its insurer partner and likely largest source of income, does not mean they do not exist. Instead, it should prompt Congress and the Administration to investigate and expose the financial conflicts that lie at the heart of this supposed seniors' advocacy organization.



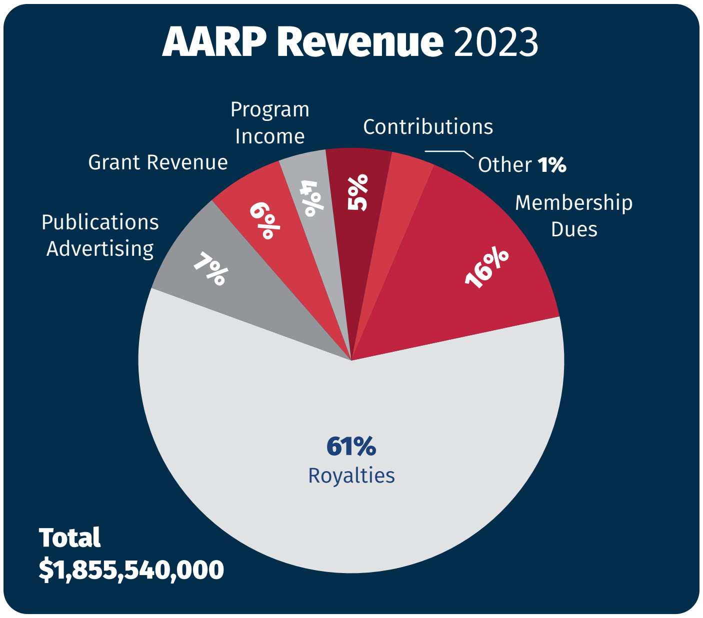
A Profitable "Non-Profit"

Despite the organization's status as a non-profit entity organized under Section 501(c)(4) of the Internal Revenue Code, AARP has found its business very enriching indeed. According to its most recent Form 990 filed with the Internal Revenue Service, in 2023 the organization reported net income—that is, revenues in excess of expenses—of $15,717,542, on total revenues of over $1.7 billion.[40]

This net income represents the continuation of a trend regarding AARP's fortunes. After hiring Barry Rand as CEO in early 2009, AARP converted a string of modest annual results into a series of large financial gains. Under Rand and Jo Ann Jenkins, who succeeded him in 2014, AARP has achieved a total of nearly $2.1 billion in net profits since 2009, notching financial gains in all but one of those 14 years.[41] Moreover, its net revenue margin since 2009 has averaged nearly 9%, far more than the average profit margin of some industries.[42] For instance, of six health insurers listed in the 2021 Fortune 500, none had a profit margin exceeding 5.99%.[43]

A Marketing Behemoth

For all the revenue AARP receives from membership dues—about $289 million in 2023, according to its most recent consolidated financial statements—the organization receives nearly four times that amount selling AARP-branded goods and services to its members.[44] In fact, the organization's "royalty fees"—which the organization claims constitute payments for the use of its logo, brand, and intellectual property—represent over 61% of AARP's total annual revenues.[45] In 2023, AARP received over $1.1 billion in such revenue from the sale and marketing of products to members, more than double the revenues generated by the next three largest income categories (membership dues, publications advertising, and grant revenue) **combined.**[46]

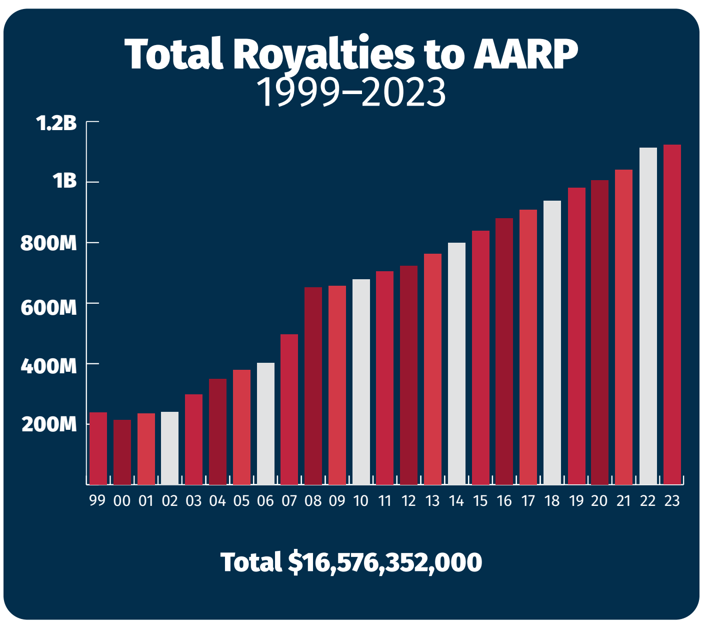


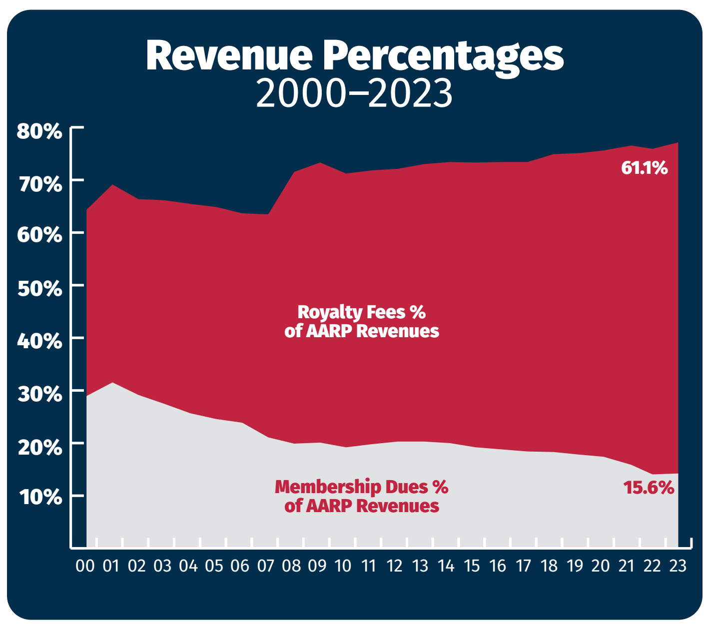
As AARP has expanded its marketing empire, fees from membership dues have grown at a much slower pace. While dues collections have risen over the past two decades, from $141.1 million in 1999 to $289 million in 2023, since 2014 they have remained largely flat.[49] In some years, revenue from membership dues has declined year-on-year—a contrast to the organization's marketing arm, where revenues have increased every single year since 2000.[50]

The most recent financial statements typify the general trend. In 2023, even as membership dues declined by over $2.5 million, royalty revenues grew by over $24 million, to yet another all-time record.[51]

While other organizations' revenues fluctuate from year to year, the revenue AARP has generated from selling products to its members has increased every single year for 24 years straight. Since 2000, the company's business proceeds have increased over sixfold, from $178.3 million in 2000 to over $1.1 billion in 2023.[47] In total, over the past 24 years, AARP has made nearly $16.6 billion selling products to its members.[48]

The result of the two trends—membership dues growing slowly if at all, and royalty fees growing exponentially—has made AARP much more reliant on marketing income as a share of its overall revenues. Since 2000, membership dues have nearly halved as a percentage of AARP's total operating revenues, from 28.9% to 15.6% in 2023.[52] Meanwhile, marketing income has grown from 35.6% of operating revenues to 61.1%, meaning AARP gets nearly four times more of its budget from selling other products to members than it does from membership dues themselves.[53]

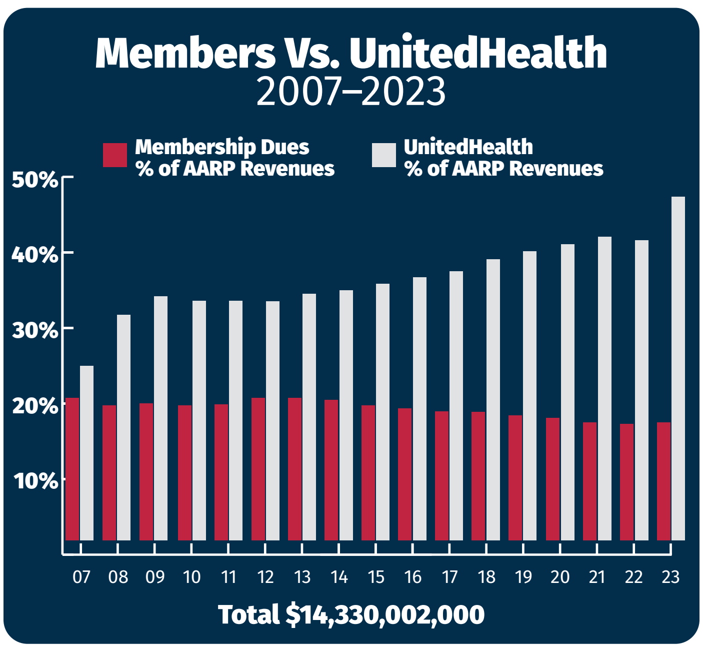




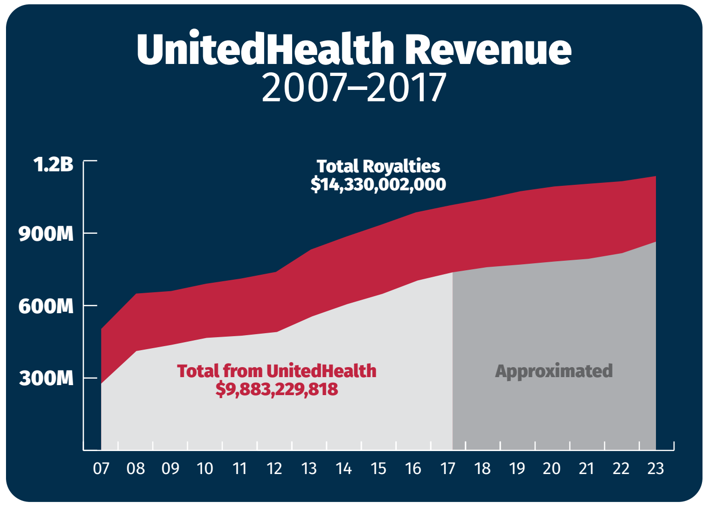
Health Insurance Business Dominates

As AARP's sales and marketing revenue has skyrocketed overall, the percentage of that revenue coming from UnitedHealth has also grown. In 2007, revenue from UnitedHealth represented 57% of AARP's marketing income, or $283.7 million.[54] By 2017, both numbers had grown substantially: Income from UnitedHealth comprised 69% of AARP's marketing revenue and had risen to a whopping $627.2 million—more than double the amount of just a decade previously.[55]

As income from UnitedHealth Group grew, so too did its share of AARP's operating revenues. As of 2017, income from the sale of insurance products through UnitedHealth exceeded income from membership dues by almost twofold.[56] While member dues comprised only 18.3% of the organization's total revenue in 2017, UnitedHealth revenue constituted 38.2% of AARP's revenues.[57]



AARP's relationship with UnitedHealth has drawn growing scrutiny from Congress and other policymakers. From 2008 through 2017, AARP's consolidated financial statements disclosed the percentage of marketing revenue coming from UnitedHealth. One could therefore easily calculate the exact amount of revenue AARP received from UnitedHealth, by multiplying total marketing revenues by the percentage of those revenues coming from UnitedHealth. In total, from 2007 through 2017, AARP received more than $5.3 billion tax free from UnitedHealth Group.[58]



However, beginning in 2018, AARP's consolidated financial statements failed to disclose the exact percentage of its marketing revenue coming from UnitedHealth.[59] Therefore, one can no longer calculate the precise amount of income AARP receives from UnitedHealth. We do know that AARP's marketing revenue has grown every single year since 2000, and that the percentage of overall marketing revenue coming from UnitedHealth stayed the same or increased every year from 2007 to 2017.[60]

Because AARP decided to stop disclosing the percentage of "royalty" revenue received from UnitedHealth Group to its members or the public—quite possibly due to increased public scrutiny over its relationship with UnitedHealth—we can no longer calculate the amount precisely.[61] However, AARP added a section to its financial statements regarding revenue recognition, which includes an additional discussion of royalties.[62] Because the 2018 statements include data for the prior year period, and because AARP did provide information on its revenue from UnitedHealth in its 2017 statements, we can approximate its UnitedHealth revenue for 2018 and subsequent years.

In its 2018 financial statements, AARP claimed that $649.2 million of royalty revenue in 2017 came from "health products and services."In its 2017 statements, AARP noted that a total of $627.2 million in royalty revenue—or 96.6% of the "health products and services"[63] royalties—came from UnitedHealth.[64] If UnitedHealth accounted for a similar 96.6% share of the $680.3 million in "health products and services" revenue in subsequent years, that would mean AARP received a total of about $657.2 million in revenue from UnitedHealth in 2018.[65] Likewise, if UnitedHealth accounted for a 96.6% share of the $905.7 million in "health products and services" revenue AARP reported in 2023, that would mean the organization received about $875 million from UnitedHealth.[66] Revenue in this range would mean AARP received an estimated $9.9 billion in "royalty" income from UnitedHealth since 2007.[67]

While these numbers serve as mere approximations, they do so only because AARP decided to stop disclosing to the public exactly how much money it received from UnitedHealth Group. AARP's actions reflect a lack of transparency on its part, and potentially a desire to mask its financial dependence on UnitedHealth.

In 2019, AARP issued a position statement calling on state governments to "enact laws that promote transparency" and "require pharmaceutical companies to justify high launch prices and price hikes."[68] Yet AARP continues to act in a non-transparent manner regarding the windfall "royalty" revenue it takes in from selling Medicare insurance policies, and specifically its relationship with UnitedHealth.

Making Money on Seniors' Money

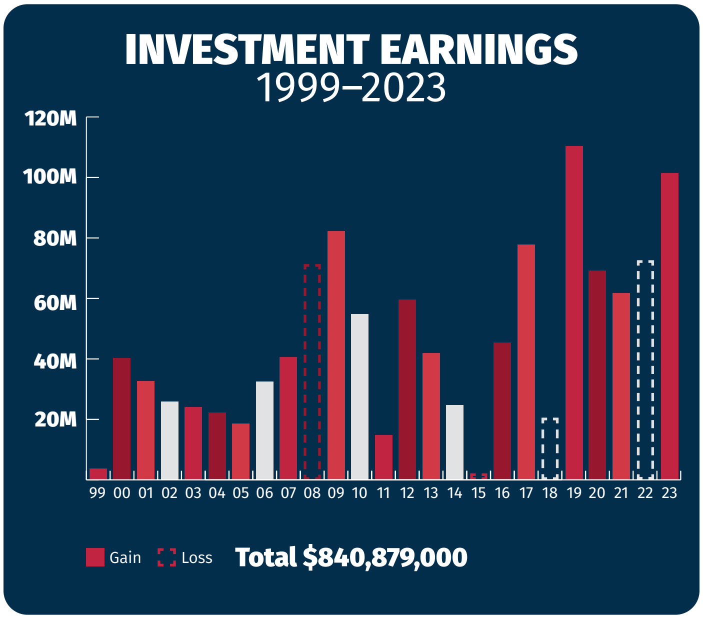
AARP not only makes money from UnitedHealth Group—and its members—directly, it also does so indirectly as well. The organization has established a grantor trust, through which it funnels payments for insurance policies issued by UnitedHealth and other insurers, including MetLife, Genworth, and Aetna. As its financial statements explain:

> ***The [AARP Insurance] Plan, a grantor trust, holds group policies, and maintains depository accounts to initially collect insurance premiums received from participating members. In accordance with the agreements referred to above, collections are remitted to third-party insurance carriers within contractually specified periods of time, net of the contractual royalty payments that are due to AARP, Inc., which are reported as royalties in the accompanying consolidated statements of activities.***[69]

In plain English, this language means that members pay premiums—including the "royalty fee" UnitedHealth pays to AARP—via the trust, and the AARP trust then pays the premium to UnitedHealth, after taking out its own "royalty fees."

But in the process, AARP invests the funds from the day they receive the payments from seniors until the "contractually specified" time during which they transfer the payments to UnitedHealth Group and other insurers. Investing seniors' premium payments for a short period might seem insignificant. However, given the massive sums involved—the grantor trust processed a total of $12.1 billion in payments from AARP members in 2023—the investment gains quickly add up.[70]

Over the past 25 years, AARP has made nearly $841 million investing seniors' premium payments via its grantor trust.[71] In only four years—during the market crash in 2008, in 2015, in 2018, and in 2022—did AARP lose money in its investments made via the grantor trust.[72] On average, however, the organization made $33.6 million per year via these investments—much, but not all, of which came from premium payments made by members for UnitedHealth Group insurance.[73]



Extravagant Compensation & Benefits

In 2023, AARP paid its CEO, Jo Ann Jenkins, over $2.5 million in salary, benefits, and other compensation.[74] The payout continued a long-standing tradition of the organization spending large sums on executive compensation. In 2006, AARP paid its then-CEO, Bill Novelli, over $2 million in compensation—this in a year when AARP suffered a nearly $26 million shortfall.[75] And when Novelli's successor, Barry Rand, retired on September 1, 2014, he received over $1.7 million in total compensation—after working for only eight months out of the year.[76]

But the high compensation levels do not stop with AARP's CEO. Of a total of 14 other AARP officers, key employees, and highly compensated staff listed on the organization's 2023 Form 990 filed with the Internal Revenue Service, all but one received more than $500,000 in total compensation.[77] These figures only include the salaries and compensation for key executives for which the IRS requires disclosure. By definition, it does not include other AARP executives, or executives of the AARP Foundation, a separate legal entity with its own salaried officers and staff.

According to its IRS filing, in 2023 roughly two-thirds (1,434) of AARP's total employees (2,153) received reportable compensation from the organization in excess of $100,000.[78] Dividing the organization's total spending on employee compensation in 2023 ($397,270,234) by its number of employees (2,153) reveals that AARP employees received an **average** of $184,519.38 in salaries, benefits and other compensation.[79]

By comparison, in 2023 the average senior citizen received $1,827 in monthly Social Security benefits.[80] That $21,924 total annual benefit represents only about one-tenth the total

compensation provided to the average AARP employee. To put it another way, in 2023 AARP paid over $108 million more in compensation to its employees than the organization itself received in dues from its members—thus illustrating how AARP employees are personally dependent on "royalty fees" from companies like UnitedHealth to fund their salaries.[81]

Furthermore, AARP officials have admitted that the organization's overall revenue totals—including "royalty fees" obtained by selling seniors AARP-branded products—impact the compensation decisions of its senior executives. As one anonymous staffer told the Washington Post, "Revenues are very important. You have to make your numbers."[82] AARP's own Form 990 admits as much, stating that "gross revenue of AARP and its affiliates"—of which "royalty fees" comprise the largest share—constitutes one of the metrics "considered in employee compensation."[83] With its executives receiving an average of over $197,000 in "bonus and incentive compensation" in 2023, AARP's top leaders have strong financial incentives to keep the "royalty fee" cash from UnitedHealth flowing, or otherwise their paychecks could take a sizable hit.[84]

Medigap: The AARP Cash Cow

As noted above, AARP has received a stunning amount of revenue—an estimated $9.9 billion—from UnitedHealth Group since 2007. However, the organization does not delineate how much of said revenue comes from each of the three types of plans UnitedHealth sells: Medicare Advantage plans, Medicare Part D prescription drug coverage, and Medigap supplemental coverage. A 2011 report by the House Ways and Means Committee found that AARP brands held dominant market shares in all three categories.[85]

However, among the three forms of coverage, AARP receives a flat annual "royalty fee" from UnitedHealth covering the sale of its AARP-branded Part D and Medicare Advantage plans, regardless of the plans' enrollment. Conversely, for Medigap coverage, AARP receives a "royalty fee" from UnitedHealth equal to 4.95% of premium revenues paid.[86]

This percentage-based "royalty fee" gives AARP a strong financial incentive to aggressively market, sell, and renew as many Medigap policies as possible—and the most expensive policies at that—because AARP receives nearly five cents for every additional premium dollar its members pay to UnitedHealth. Perhaps as a result, some of AARP's own members have considered these revenues not so much "royalty fees" as "kick-backs."[87]

That 4.95% "royalty fee" represents a sizable share of premium dollars paid. To put the figure into perspective, it exceeds the 2021 profit margins of five publicly held health insurers (Elevance Health, then known as Anthem, Centene, Humana, Molina, and Triple-S Management), and approaches the profit margin of the other (UnitedHealth Group).[88]

More to the point, AARP's "royalty" margins come even though the organization **bears no financial risk.** The organization often notes that it is "not an insurance company"—a very true statement.[89] Insurers like UnitedHealth and Humana must take on financial risk, and can lose money in down markets or under turbulent circumstances. For instance, insurers lost an estimated $2.7 billion selling individual insurance policies in 2014, the first year of Obamacare's Exchanges, and even more in the year following.[90] By contrast, however, AARP bears no risk, such that **it cannot lose**—all it has to do is sign up individuals and watch the cash roll in.

To give some sense of the questionable propriety of AARP's current arrangements with UnitedHealth, in 1997 the group abruptly abandoned its plans for a percentage-based "royalty fee" for selling Medicare managed care plans (the precursor to Medicare Advantage).[91] At the time, government officials believed the arrangement potentially violated the Anti-Kickback Statute, which imposes criminal penalties for anyone who gives a "thing of value" in exchange for referrals of individuals to federal health programs.[92] The then-head of the agency that runs Medicare, Bruce Vladeck, also reportedly thought the arrangement could cause AARP to "lose its credibility as an advocate for its members if it endorses HMOs [Health Maintenance Organizations] and receives a financial reward."[93]

Even though potential concerns that the arrangement violated a criminal statute led AARP to abandon its plans for percentage-based "royalties" to sell Medicare Advantage coverage, the organization has retained that approach when selling Medigap coverage—and has profited handsomely from it. Publicly available information suggests that much of AARP's revenue from UnitedHealth comes via the sale of Medigap plans.

According to UnitedHealth's annual filing with the Securities and Exchange Commission, in 2023 the insurer enrolled 4,355,000 individuals in AARP-branded Medicare supplemental (i.e., Medigap) plans.[94] Data analyzed by the Kaiser Family Foundation indicate that seniors purchasing Medigap policies for the 2023 plan year paid an average premium of $217 per month, or $2,604 per year.[95] Based on an average Medigap premium of $2,604 annually, UnitedHealth received about $11.3 billion in total Medigap premiums from its members in 2023. AARP's 4.95% share of that sum would total roughly $561 million.

Again, these numbers represent approximations, because AARP does not disclose the amount of money it receives from selling various health insurance policies—and since 2018, does not disclose the exact sum it receives from UnitedHealth at all. But it strongly suggests that the majority of the nearly $900 million it receives from UnitedHealth in "royalty fees" comes from the sale of Medigap plans. It also suggests that AARP made roughly twice as money selling Medigap insurance to its members than the $289 million it received last year in membership dues.[96]

AARP Members Oppose Its Conduct

The survey conducted for American Commitment in April 2023 sampled a subset of AARP members. Based on the responses to that survey, AARP members informed about the organization's controversial business practices appear none too pleased with its conduct.

While more than five in six (84.7%) of AARP members said they had a favorable view of the organization, a slightly higher percentage (85.2%) described themselves as concerned by the financial relationship between AARP and UnitedHealth.[97] More than three times as many AARP members (75.5%) said that the "royalty fee" arrangement "creates a conflict of interest that could impact AARP's ability to represent the interest of their members" than disagreed about the potential for a conflict (24.4%).[98]

A sizable majority of AARP members (63.2%) thought that AARP's 4.95% surcharge added to every Medigap premium dollar constituted "an unnecessary 'junk fee.'"[99] And, as with older Americans as a whole, overwhelming numbers of AARP members (87.6%) believe that the organization should have opposed diverting Medicare revenues to fund "unrelated spending and tax breaks."[100]

In short, a near-majority of AARP members (48.1%) said that learning the facts about the organization's position on the Inflation Reduction Act, and its relationship with UnitedHealth, made them "less likely to trust AARP acting in the best interest of older Americans."[101] This position may explain AARP's lack of full transparency with its members about its policy positions and its lucrative business relationships—but by no means does it excuse it.

A Compromised Organization

The sordid history of AARP's dealings in Washington—the legally questionable way it has conducted its business to obtain billions of dollars in profits, and its decades-long history of supporting legislation that raids the Medicare program to fund other leftist priorities—demonstrate how its revenue sources have compromised the integrity of its policy positions.

As one observer noted during the debate on Obamacare: "Either you're a voice for the elderly or you're an insurance company—choose one."[102] Sadly, AARP has largely chosen the latter course of action, becoming reliant on UnitedHealth for a significant share of its revenue, even as it tries to portray itself as the former.

As Bruce Vladeck, who reportedly expressed concerns about its business practices while running Medicare in the 1990s, noted in a 2022 article, AARP "is in the insurance business....There ought to be accountability and visibility about it."[103]

Congress has investigated AARP and its financial dealings on more than one occasion. For instance, the House Ways and Means Committee undertook a comprehensive investigation into the organization's finances just after Obamacare's passage. Lawmakers should do so again, and determine whether any legislative and/or regulatory actions can protect AARP's members from the organization's unholy alliance with UnitedHealth Group.

The new Trump Administration also has a role to play. In the past, the Biden and Obama Administrations did little to stop an organization whose leftist objectives synced with theirs, even if AARP's actions fall far short of its claim to be a "consumer advocate." But the Trump Administration should be under no such illusions about the AARP's goals, and should shine a spotlight on its corrupt practices. For instance, Administration officials could ask state insurance commissioners whether and why AARP does not publicly disclose its percentage-based royalty fees to Medigap customers in advance of their purchases. The Trump Administration also could re-examine whether this percentage-based compensation violates provisions of the Anti-Kickback Law, as the Clinton Administration alleged with regards to AARP's proposal for Medicare managed care plans.

The American people voted for change in the November 2024 election, and an end to the high costs that have plagued their families for years. If the new Congress and Trump Administration take action against AARP's alliance with UnitedHealth, and in so doing lower the high premiums seniors pay for insurance, they will have gone far to achieve voters' desires on both counts.

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