

AARP: Retired People Never Had It So Good

By Timothy P. Carney

***Summary:** Once known as the American Association of Retired Persons, AARP is among the most influential political lobbies in Washington. It also takes in tens of millions of dollars in federal grants, hundreds of millions of dollars in member dues and hundreds of millions of dollars more in licensing its name to profit-making businesses—over one billion dollars each year. AARP enrolls anyone over age 50 as a member. Now you can see why the group changed its name.*

Few organizations have the footprint of AARP, formerly known as the American Association of Retired Persons. It is the largest membership organization in the country with more than 39 million members. The monthly AARP Bulletin (formerly Modern Maturity) is the largest-circulation magazine in America with 24 million readers. The organization's \$21 million-a-year lobbying operation makes it the biggest non-industry lobby group in the country.

Most seniors likely understand AARP primarily as a provider of discounts for a low membership fee of \$16—discounts on everything from health insurance to flowers. But membership is actually a loss leader for AARP, a billion-dollar-a-year operation that brings in most of its revenue through licensing out its good name to for-profit companies, such as health insurers.

That means AARP is a player in the health insurance industry—a fact that complicates its support last year for President Obama's health-care overhaul, which was a package of taxes, spending, regulations, and mandates that many critics said would harm AARP's membership.



Obama donor Barry Rand (pictured above at right) is the new CEO of AARP, formerly known as the American Association of Retired Persons.

History and Structure

AARP has three major component parts. It is a powerful lobbying organization with close ties to the Democrats in Congress and massive political influence in Washington, D.C. and state capitals. It is a nonprofit charity that accepts millions of dollars in federal grants. And it is a for-profit corporation that makes millions of dollars licensing the AARP brand name to other profit-making businesses.

AARP's founder is Dr. Helen Percy Andrus, the first female school principal in California, who, after retirement, became director of welfare for the California Retired Teachers Association. In that job in the 1940s, she once met with a school teacher who was living in

a chicken coop outside of Los Angeles on a \$40 monthly pension.

In response, and according to one AARP

April 2010

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pamphlet, “alarmed by the lack of financial security, health insurance, personal dignity and social usefulness of many Americans as the aged,” Andrus launched the National Retired Teachers Association in 1947. Eleven years later, Andrus founded AARP, with the NRTA as a division.

AARP is a 501(c)(4) non-profit organization, meaning it does not have to pay taxes, but donations to it are not tax-deductible. AARP’s national headquarters is a palatial brass and marble building in downtown Washington, D.C. There are also AARP offices in every state, as well as 2,500 local chapters.

The AARP Foundation, a 501(c)(3), operates out of AARP’s national headquarters. Because 501(c)(4)s are prohibited from receiving federal funds, the AARP Foundation carries out AARP’s partnerships with the federal government. Since 2001, the AARP Foundation has received nearly \$400 million in federal grants.

The Department of Labor, according to data from FedSpending.org, has paid the AARP Foundation more than \$350 million since 2003 as part of the Senior Community Service Employment Program. The Labor Department describes the program this way:

Editor: Matthew Vadum

Publisher: Terrence Scanlon

Organization Trends

is published by Capital Research Center, a non-partisan education and research organization, classified by the IRS as a 501(c)(3) public charity.

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Organization Trends welcomes letters to the editor.

Reprints are available for \$2.50 prepaid to Capital Research Center.

The Senior Community Service Employment Program (SCSEP) is a community service and work based training program for older workers. It was authorized by Congress in Title V of the Older Americans Act of 1965 to provide subsidized, part-time, community service work based training for low-income persons age 55 or older who have poor employment prospects.

The AARP Foundation has also received about \$20 million since 2001 to administer tax counseling for the elderly according to FedSpending.org.

AARP Services, Inc., is a wholly-owned subsidiary that administers AARP’s lucrative partnerships with private insurers and other businesses (see below).

In addition to the Bulletin, AARP publishes the bimonthly AARP Magazine, and the Spanish language Segunda Juventud (“Second Youth”)

Finances

AARP reported \$994 million in assets on its 2008 tax form, down about \$40 million from the year before.

AARP owns a massive and ornate building in downtown D.C. According to D.C. property records, the building’s 2010 assessed value is \$229 million.

According to AARP’s 2008 tax return, AARP’s highest-paid employee was CEO William Novelli (he has since left AARP), who received \$788,957 in pay and another \$216,423 in “other compensation from the organization and related organizations” — totaling more than \$1 million. Chief Operating Officer Thomas Nelson pocketed about \$625,000 in total compensation in 2008. In all, 18 AARP employees received more than \$250,000 in 2008 compensation. The organization reported spending \$6 million on executive compensation.

At the end of 2008, AARP held \$421 million in publicly traded securities such as stocks or bonds.

The Seniors Lobby

AARP spent \$49 million on lobbying in 2007 through 2009. This money, nearly \$1.4 mil-

lion per month, pays for lobbyists to petition Congress and federal agencies directly and it pays for advertising campaigns such as “Divided We Fail,” a 2008 call for healthcare reform co-sponsored by AARP, the Business Roundtable, the National Federation of Independent Business and the Service Employees International Union (SEIU).

AARP’s \$27.9 million lobbying tab in 2008 made it the third-most prolific lobbying entity in the country: only the U.S. Chamber of Commerce and Exxon Mobil spent more.

In 2009, AARP employed more than 60 in-house lobbyists according to data from the Center for Responsive Politics. Top lobbyist Nancy LeaMond was a Democratic congressional staffer and political appointee in the Clinton administration. LeaMond, whose official AARP title is “Executive Vice President of Social Impact,” previously served as senior advisor to Clinton Commerce Secretaries Mickey Kantor and William Daley. She was subsequently chief of staff to Clinton’s U. S. Trade Representative (USTR), Charlene Barshefsky, and handled congressional affairs at USTR. LeaMond began her career as an assistant to Rep. Mary Rose O’Rourke (D-Ohio).

Michael Naylor, AARP’s director of advocacy, was the legislative director for Sen. Chris Dodd (D-Conn.) back in the 1980s. Rhonda Sharon Richards, another AARP lobbyist, was the Democratic staff director on the Select Committee on Aging under Sen. Barbara Mikulski (D-Md.).

In addition to this formidable in-house lobbying army, AARP, as of the end of 2009, retained three outside lobbying firms.

At the beginning of 2008, AARP hired Peter Reinecke, a former chief of staff for Sen. Tom Harkin (D-Iowa). Reinecke had served as a top staffer on the Senate’s Health Education Labor and Pensions (HELP) committee and on the House committees on Health and on Aging. Harkin is currently chairman of HELP and of the Health and Human Services appropriations subcommittee.

Since leaving Capitol Hill, Reinecke has donated \$2,000 to Harkin and \$1,000 to the Democratic Senatorial Campaign Commit-

tee, according to data from the Center for Responsive Politics. In his lobbying disclosures, Reinecke has reported lobbying for more federal funding for nurse training.

In July 2009, AARP hired lobbyist Bonnie Hogue Duffy, at the K Street firm Quinn & Gillespie, to lobby on Medicare and health-care reform. Duffy served on the Senate's Select Committee on Aging and on the Senate Democratic Policy Committee.

AARP paid Quinn & Gillespie \$40,000 for Duffie's services in August through December according to lobbying reports. In the past two cycles, Duffie has donated more than \$12,000 to Democratic candidates and campaign committees.

In December 2009, AARP added the Madison Services Group as a third lobbying firm. The firm's fourth-quarter 2009 lobbying report states that lobbyist Ann Sullivan represented AARP on the issue of an "Automatic IRA"—a proposal, endorsed by President Obama in his State of the Union address, that would require employers to set up an IRA for all their employees and provide for automatic paycheck deductions (unless an employee deliberately opted out).

Sullivan, since 2000, has donated \$2,800 to Democratic candidates and \$3,750 to Republican candidates. For the current cycle, she has donated \$10,000 to the Democratic Senatorial Campaign Committee and \$1,000 to the National Republican Senatorial Committee.

AARP and Campaign Finance

Unlike most lobbying powerhouses, AARP does not have a political action committee. However, its Democratic tilt is clear.

In the 2006, 2008, and 2010 elections (as of January 2010) AARP employees and executives had donated \$96,000 to federal candidates or campaign committees. About \$90,000 of that money – more than 90% – went to Democratic candidates or committees.

Obama raised \$34,000 from AARP in the 2008 election while John McCain raised only \$550, according to FEC data from the Center for Responsive Politics.

Obama's AARP donors include national policy director Jill Finsen, senior health policy analyst Lynda Flowers, research director Linda Fisher, Chief Information Officer Matthew Mitchell, and lobbyist Casey Young.

AARP's new CEO is Barry Rand. A longtime (1968-1999) executive at Xerox, Rand was subsequently chairman and CEO of Avis (1999-2001) and Equitant (2003-2005), a global provider of "outsourced management services." Rand, who is also chairman of the board of trustees of Howard University, gave the maximum contribution to Obama in the general election in October 2008, before he was tapped to run AARP.

Lobbying for the Health Care Bill

In 2009 AARP lobbied heavily on health-care reform, and in November it endorsed the more radical measure favored by the Democratic leadership in the House of Representatives.

Rand touted the proposed new regulations on insurers:

Under the House plan... insurance companies will not be able to reject you or charge you an outrageous premium because you got sick once, you may get sick again, you lost your job, you're over 50 years old or because your employer dropped your coverage. Millions of Americans will start to regain control over their lives.

In 2003 AARP angered many Democrats when it endorsed the Bush administration's "Part D" prescription drug entitlement program. But the new endorsement thrilled Democrats. On the day AARP's endorsement was made public, President Obama made a surprise visit to the White House briefing room where he told the press:

They're endorsing this bill because they know it will strengthen Medicare, not jeopardize it. They know it will protect the benefits our seniors receive, not cut them. So I want everyone to remember that the next time you hear the same tired arguments to the contrary from insurance companies and their lobbyists and remember this endorsement the next

time you see a bunch of misleading ads on television.

In 2003 House Democrats said the Republican drug bill endangered Medicare. This time Medicare's defenders are the Republicans. "It's really puzzling why the AARP would endorse a bill that cuts \$500 billion from Medicare," said House Minority Whip Eric Cantor (R-Va.).

Cantor was referring to \$500 billion in cuts to Medicare over a decade that the bill proposed as a way to pay for subsidies included in the measure. The Senate bill included similar cuts. Republicans, who saw a political advantage in arguing that Medicare cuts hurt voters 65 and older, were aggravated by AARP's endorsement of the bill.

There were other provisions in the House and Senate bill which would hurt seniors:

Seniors would suffer from the bill's generous exclusivity period for a cutting-edge class of complex drugs known as biological drugs or biologics. One way to describe biologics is to call them "living" drugs. As of the end of 2009, there was no law that would allow the Food and Drug Administration to approve generic versions of biologics.

One of the questions in health care reform would be the length of the exclusivity period the FDA would grant biologic drugs—in other words, how long before a generic biologic could be sold. AARP teamed up with the generic industry to lobby for a biologic exclusivity on par with the 5 years that simple drugs get. Because biologics are extremely expensive to produce the name-brand industry asked for 15 years of exclusivity. During early deliberations in Congress, AARP tried to play hardball over the issue. An AARP lobbyist wrote to health care staffers for the late Sen. Ted Kennedy (D-Mass.), then-chairman of the Senate Committee on Health, Education, Labor, and Pensions:

Can you just confirm to me to that the bill you plan to report out will contain an exclusivity period that will be notably less than 12 years? If you cannot, I cannot recommend a letter of support or a major grassroots effort in support. Indeed, people will probably have to be critical,

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particularly about that provision. I hope you won't force us to do that on such an important bill that I know you all have worked so hard on.

Elsewhere in the email, the lobbyist got more specific:

A double digit exclusivity period is simply too long and therefore not acceptable. We would be explicitly negative if this is the bill the Committee reports out.

But in July, the HELP Committee reported out a bill with 12 years of exclusivity. The bill that passed the House, like the bill that passed the Senate, also had 12 years of exclusivity. Contrary to AARP's tough talk and contrary to its members' interest in greater access to generic drugs, AARP endorsed both chambers' bills.

On another crucial question—the reimportation of drugs—the health-care bill sides with the drug lobby over the seniors lobby. Name-brand drug companies sell their drugs for less in Canada than they do in the United States because of Canadian price-control laws. In order to preserve high prices in the U.S., the drug companies have successfully lobbied the federal government to ban the sale of drugs from Canada into the U.S.

During the campaign, Obama pledged to end the ban on reimportation, which was a prime agenda item for AARP. But, as media accounts over the summer and fall reported, Obama had cut a deal with former Rep. Billy Tauzin (R-La.), now CEO of the Pharmaceutical Research and Manufacturers of America (PhRMA), in which the White House promised not to pursue reimportation of drugs. In the end, neither the House nor Senate bill ends the ban on reimportation, keeping prescription drug prices in America high.

These provisions may be why opinion polls show that the Democrats' health care proposals are unpopular among seniors. A Kaiser Family Foundation Poll published in November 2009 asked “What do you think would be better for seniors on Medicare?”

If Congress passed the proposals they are currently considering; or if the current health care system were left in place with no changes?”

Only 20% of respondents over age 65 said seniors would benefit from passage of reform, while 60% said the status quo would be better.

Shortly after AARP endorsed the House bill, FOX News reported:

Officials with [AARP] said the organization lost 150,000 members since July 1 because of the group's support for health overhaul. But in that time, it also registered 2.7 million new members and renewals. Officials said they were confident their members would see the bill's benefits.

AARP Businesses

AARP's role in the health-care debate is complicated by the fact that it is an insurance broker. The organization is not itself an insurer, but it funnels its membership to for-profit insurance companies, and in exchange collects hundreds of millions of dollars annually in royalties.

In 2008, AARP brought in \$1.14 billion in revenue. Only \$249 million—less than a quarter of the group's total revenue—was from membership dues. The overwhelming majority of AARP's 2008 income—\$653 million—came from “Royalties” according to the organization's 2008 IRS Form 990.

AARP spokeswoman Elly Spinweber explained this revenue in an email:

AARP licenses its name to carefully-selected providers to make various products and services available to our members. In exchange for use of AARP's intellectual property, these providers pay AARP a royalty which we use to deliver on our mission to enhance the quality of life for all as we age—including funding advocacy efforts that fight for access to affordable health care and prevent the privatization of Social Security, as well as programs....

The \$653 million in royalties came from several different product lines. AARP-branded health related offerings brought in about \$425 million, while financial products and services generated about \$205 million.

For instance, through AARP, a senior can buy “Medicare Supplemental Insurance,” also known as “Medigap” insurance, to cover healthcare expenses not covered by Medicare. The product is really United Healthcare insurance, and United pays AARP for the right to sell its product under AARP's name.

For members younger than 65, and thus not eligible for Medicare, United sells the AARP Hospital Indemnity Insurance Plan, AARP Essential Health Insurance and AARP Essential Plus Health Insurance. Aetna, meanwhile, sells AARP Essential Premier Health Insurance.

The AARP MedicareRx Plan, also a United Healthcare product, is an insurance supplement for Medicare Part D, the prescription drug benefit. Through its subsidiary Secure-Horizons, United also sells AARP Medicare Complete, a Medicare Advantage plan. Royalty payments for these products generated \$425 million for AARP in 2008.

AARP created AARP Financial Inc., which licenses and endorses credit cards, insurance and financial services. AARP Financial sells five mutual funds, such as the AARP Income Fund (taxable bonds) (AANCX), the AARP Money Market Fund (AARXX), and the AARP Aggressive Fund (AAGSX). It also administers IRAs, sells CDs, and provides financial advisory services to AARP members.

New York Life sells AARP Life Insurance policies and annuities. The Hartford sells AARP-branded Auto and Home insurance to AARP members. Through other partners, AARP sells motorcycle and mobile-home insurance. Chase offers an AARP Visa credit card.

What's Wrong With This Picture?

AARP says its mission is “to enhance the quality of life for all as we age, leading positive social change and delivering value to members through information, advocacy

and service.” AARP officials argue that these business licensing arrangements are central to this purpose.

In the 1990s critics like former Sen. Alan Simpson (R-Wyo.) questioned how a non-profit could rake in millions of dollars from profit-making commercial businesses while remaining tax-exempt. Simpson was further “intrigued and perplexed” that AARP would lobby for increased federal programs and “flabbergasted” that it received millions of dollars in federal grants, as he wrote in the preface to a 1996 Capital Research Center monograph, *Frightening America’s Seniors: How the Age Lobby Holds Seniors Captive* by Thomas DiLorenzo.

Simpson held hearings on AARP activities where he heard for-profit businesses complain that a nonprofit like AARP was engaged in unfair competition. The adverse publicity forced AARP in 1994 to pay \$135 million in back taxes and penalties. It was fined by the U.S. Postal Service for misusing its nonprofit status. And it prompted an IRS investigation that led to a 1999 ruling requiring AARP to split off its wholly owned—and taxpaying—corporate subsidiaries which fund AARP’s tax-exempt programs.

In late 2007, Bloomberg News reported on AARP’s business undertakings. In an article headlined, “AARP’s Stealth Fees Often Sting Seniors With Costlier Insurance,” Bloomberg reporters told the story of Arthur Laupus who bought car insurance through AARP expecting to save money:

When Laupus, 71, compared his car insurance rate with a dozen other companies, he found he was paying twice the average. Why? One reason, he learned, was because AARP was taking a cut out of his premium before sending the money to Hartford Financial Services Group, the provider of the coverage.

The article explained how the arrangement often makes AARP products more expensive for seniors than non-AARP products:

The insurance companies build the cost of these so-called royalties and fees, which amounted to \$497.6 million in 2007, into

the premiums they charge AARP members, according to AARP’s consolidated financial statement for that year....

In addition, AARP holds clients’ insurance premiums for as long as a month and invests the money, which added \$40.4 million to its revenue in 2007.

For Seniors or Big Government?

AARP takes positions and joins or forms coalitions that are arguably unrelated to seniors.

With its public school teacher origins and a division dedicated to retired teachers, AARP maintains close ties to the teachers unions. In 2000, for instance, AARP opposed Proposition 38, a school choice ballot initiative in California. AARP California President Jacki Antee attacked the proposal, saying “It would exempt voucher schools from all state educational standards, including a high school exit exam. Teachers would not be required to have a teaching credential or even a college degree.”

In 2004 television host Bill O’Reilly reported on AARP’s policy stands:

We found a very liberal philosophy. For example, the organization favors strict gun control, entitlements for migrant workers and a progressive tax policy. It says, ‘tax revenue sources should distribute the tax burden according to people’s ability to pay.’...

AARP also strongly favors the death tax, even though most polls show seniors are opposed to it.

AARP did buck the Democrats by backing the Bush prescription drug plan, but it opposes personal retirement accounts that would seek to privatize Social Security, and it is supportive of proposals to raise the payroll tax.

Conservative Competitors

AARP’s liberal tilt has sparked the creation of at least two conservative seniors groups, The 60-Plus Association and the American Seniors Association.

60-Plus is a 501(c)(4) headed for many years by James L. Martin. It accuses AARP of “putting the wishes of Washington’s liberal politicians before the interests of their own members” in backing President Obama’s healthcare bill. (60-Plus bumper stickers mock AARP as the “Association *Against* Retired Persons.”) “They are big-government liberal activists eager to ensure that the grants and subsidies keep flowing, and eager to keep their Democrat pals in Washington happy,” Martin said in December. Total permanent repeal of the federal estate tax has been 60-Plus’s top policy priority.

The American Seniors Association also offers itself as a conservative alternative to AARP. ASA is a membership organization whose policy priorities are “Social Security Reform, Medicare Reform, Tax Reform by way of the Fair Tax, and keeping citizen benefits out of the hands of Illegal Immigrants.” The ASA has attacked AARP’s support for the House bill as a “sellout” to the Democratic establishment.

Timothy P. Carney is the lobbying editor for the Washington Examiner. His latest book is Obamanomics: How Barack Obama Is Bankrupting You and Enriching His Wall Street Friends, Corporate Lobbyists, and Union Bosses (Regnery, 2009).

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Many thanks.

Terrence Scanlon
President

Briefly Noted

The **Obama** administration secretly shut down an FBI investigation into **ACORN's** already exhaustively documented systematic voter registration fraud in March 2009, according to nearly 800 pages of papers **Judicial Watch** obtained through a Freedom of Information Act request. "It is a scandal that there has been no comprehensive criminal investigation and prosecution by the Justice Department into this evident criminal conduct," said Judicial Watch president **Tom Fitton**.

ACORN will probably run out of money and fold by year's end but a dozen ACORN state chapters reincorporated to seem like new, independent organizations will soon spring up, according to a leaked email from ACORN's online director **Nathan Henderson-James**. He outlined the subterfuge the group will use to lead Americans to believe ACORN is breaking apart: "These are not just simple name changes, but reimaginings of how best to organize low and moderate income constituencies [sic] without any of the legal problems and funding issues dogging ACORN, not to mention the brand damage."

Four state chapters and one major ACORN affiliate have rebranded so far. The state chapters are **Alliance of Californians for Community Empowerment**, **New York Communities for Change**, **New England United for Justice** (Massachusetts), and **Arkansas Community Organizations**. All four groups operate out of ACORN offices and are run by ACORN staffers. The new name of the heavily taxpayer-subsidized **ACORN Housing Corp.** is **Affordable Housing Centers of America Inc.**

BP America, **Conoco Phillips**, and **Caterpillar** have pulled out of the **U.S. Climate Action Partnership** (USCAP), which is more proof that the so-called consensus on global warming is melting away. "We hope that other major corporations will soon see the light and drop their support for cap-and-trade and other energy-rationing legislation," said **Myron Ebell** of the **Competitive Enterprise Institute**. **Timothy P. Carney** profiled USCAP in the June 2008 *Organization Trends*.

Self-described revolutionary communist **Van Jones** is trying to make a comeback. Jones has taken a position at **John Podesta's Center for American Progress**, plans to teach at Princeton University, and has received an award from the far-left **NAACP**, which has flirted with many other communists in the past. NAACP president **Benjamin Jealous** describes Jones as "an American treasure" for embracing the fanciful notion of heavily government-subsidized "green jobs."

Former Colorado state representative **Rob Witwer**, a Republican, and co-author **Adam Schrag** cite **Capital Research Center's** original research in *The Blueprint: How the Democrats Won Colorado (and Why Republicans Everywhere Should Care)*. A chapter in the book, to be published this month by Speaker's Corner, focuses on the efforts of the secretive **George Soros-led Democracy Alliance** to create left-wing political infrastructure across America by funding advocacy, media and activist groups.

Nicolas "Nick" Hanauer has joined the board of the Democracy Alliance. According to the group Hanauer is "a Seattle-based serial entrepreneur, venture capitalist, author and activist with a knack for identifying and building transformative business models." He's also co-founder of the **Washington State League of Education Voters**.