

[Jim Billimoria](#), [Michelle Dimarob](#), or [Sarah Swinehart](#) (202) 226-4774

Expert Witness: Congress, IRS and GAO Should Investigate AARP

Findings of Herger-Reichert Report Go Unchallenged

Friday, April 01, 2011

Washington, DC - Today, at a joint hearing of the Ways and Means Health and Oversight Subcommittees to examine AARP and its affiliates, revenue, charitable giving, Boards of Directors, and lobbying expenditures, an expert on not-for-profit entities called for additional investigation of AARP.

William "Bill" Josephson, who was appointed as the Assistant Attorney General-in-Charge of the New York State Law Department's Charities Bureau in April 1999 under then Attorney General Elliot Spitzer, said, "...further investigation is warranted by (a) the Committee, (b) the Internal Revenue Service which has in the past had concerns about AARP as set forth in the Investigative Report and (c) the Government Accountability Office."

Mr. Josephson also serves as a member of the Expert Advisory Group to the Independent Sector's Panel on the Nonprofit Sector.

Immediately following the hearing, Ways and Means Health Subcommittee Chairman Wally Herger (R-CA) and Ways and Means Oversight Subcommittee Chairman Charles Boustany (R-LA) confirmed they would formally request an IRS investigation.

"Today, AARP had the opportunity to refute the findings of our report. They did not do so. However, what we did learn is AARP is making even more money than we originally thought by selling insurance – potentially as much as 90 million dollars more a year. This only adds to our concerns that insurance profits may be driving policy decisions at AARP, rather than the best interest of seniors. As such, we will be formally requesting the IRS review AARP's operations."

KEY FINDINGS

- AARP is in fact a large, complex and sophisticated organization with over \$2.2 billion in total assets and had revenues in excess of \$1.4 billion in 2009 alone.
- AARP has four primary revenue sources: royalty payments (primarily from insurance companies), membership dues, publication advertising and grants (governmental and non-governmental). In 2009, AARP revenues from royalties were two and half times higher than its membership dues.
- Since 2002, income generated from AARP membership dues has increased 32%, or \$60 million. However, during this same period, income derived from AARP's business relationships, primarily with insurance companies, has nearly tripled, increasing by \$417 million. Royalty payments from for-profit companies comprised nearly 46% of AARP's revenue in 2009, while membership dues totaled just 17% of total revenues.
- As a result of the new health care law, the Obama Administration estimates more than 7 million seniors will lose their current Medicare Advantage plans, resulting in a massive migration of seniors to Medigap plans. AARP is the nation's leading provider of Medigap plans and has a contract in which AARP financially gains for every additional Medigap enrollee.

- Based on low, mid and high-range estimates, AARP stands to financially gain, over and above the millions of dollars they currently receive from United, between \$55 million and \$166 million in 2014 alone as a result of new Medigap enrollees stemming from the health care law's cuts to MA, which AARP strongly endorsed.
- Under the midrange estimate and under their current contract, AARP's financial gain from the health care law could exceed \$1 billion during the next 10 years. This is because AARP will see their royalty payments increase as seniors are forced out of MA plans and buy AARP Medigap plans instead.
- Despite a massive increase in revenues, AARP's cash and in-kind contributions to the AARP Foundation only increased 11% (\$3.1 million) while cash and in-kind contributions to AARP's Legal Counsel for the Elderly actually decreased 9% (\$300,000) from 2004 to 2008 (the only years for which AARP provided data). Meanwhile, the AARP Foundation recently committed an estimated \$14 million in each of the next three years to become the primary sponsor of NASCAR driver Jeff Gordon.
- The AARP Foundation received government grants totaling over \$97 million which comprised 81.9% of the Foundation's total revenue in 2009.

Hearing Testimony:

<http://waysandmeans.house.gov/Calendar/EventSingle.aspx?EventID=230729>