

October 4, 2012

President Barack Obama
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

During your debate with Governor Romney last night, you criticized Medicare premium support proposals as leaving seniors “at the mercy of insurance companies,” while trumpeting AARP’s endorsement of Obamacare. However, as I outlined in a recent report about AARP, entitled “Profits Before Principles,” the evidence is clear that Obamacare places seniors at the mercy of one organization – AARP itself. Because everyone is entitled to his own opinions, but no one is entitled to his own facts, I feel obligated to point out three undisputed facts:

- 1. AARP makes most of its money selling health insurance to seniors – and profits financially when premiums rise.** According to its own financial statements, AARP received nearly half a billion dollars in “royalty fees” – or what AARP members have called “kickbacks” – from United Healthcare just last year. Most of this money came from selling Medigap supplemental insurance to seniors. And the arrangement under which AARP receives royalties for selling Medigap plans is ethically questionable – AARP receives a percentage of every Medigap premium dollar paid by seniors, meaning AARP makes more in profits the higher premium costs climb.
- 2. AARP currently discriminates against seniors with pre-existing conditions.** AARP admits that it imposes waiting periods on individuals applying for its Medigap plans who have pre-existing conditions. These practices not only violate AARP’s supposed commitment to “ending health status discrimination” – they also violate your claim that insurance companies won’t be able to “jerk you around” now that Obamacare has passed.
- 3. Obamacare allows AARP and other sellers of Medigap insurance to continue discriminating against seniors with pre-existing conditions.** The Medigap insurance market – which AARP dominates – received a special exemption from the law’s ban on pre-existing condition discrimination, so AARP can continue its practice of restricting access to those with pre-existing conditions with your Administration’s blessing. Medigap insurance also received waivers from several other new requirements in the law: Section 1103 exempts plans from medical-loss ratio requirements; Section 9014 exempts plans from caps on industry executive compensation; and Section 10905(d) exempts plans from the tax applied to all other health insurers. Your Department of Health and Human Services (HHS) went even further, exempting Medigap insurance from premium rate review through regulations – even though AARP, the largest seller of Medigap plans, makes more in profit the higher premiums rise on seniors.

Documents recently released by House investigators also show a close nexus between your Administration and AARP during the rush to ram Obamacare through Congress. For instance, Jim Messina – then your Deputy Chief of Staff, now your re-election campaign manager – asked AARP for “immediate robo calls into Nebraska urging [Senator Ben] Nelson to vote for cloture” on the bill. And in December 2009, the White House Office of Public Engagement asked AARP to put out talking points rebutting a Republican amendment related to Medicare.

I am therefore concerned that your Administration may have negotiated a backroom deal, whereby AARP’s lucrative Medigap insurance was exempted from new regulations and enforcement, while AARP provided political cover to your campaign to enact Obamacare – and now your campaign for re-election. HHS Secretary Sebelius has been very quick to attack other insurers’ practices, but has not dared criticize AARP – even though AARP’s insurance business is more profitable than many other insurance companies.

If you want to ensure seniors are not at the mercy of insurance companies, I encourage you to stop defending AARP’s abusive insurance practices, and instead stand up to the organization when it takes advantage of seniors.

Sincerely,



Jim DeMint
US Senator