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April 5, 2019

The Honorable Elijah E. Cummings
Chairman
House Committee on Oversight and Reform
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Cummings:

Attached please find our answers to the questions submitted to Dr. Alicia Georges for the official record for the January 29, 2019 hearing, "Examining the Actions of Drug Companies in Raising Prescription Drug Prices."

If you have any additional questions, feel free to contact me or have your staff contact Amy Kelbick on our Government Affairs staff at akelbick@aarp.org or 202-434-2648.

Sincerely,

David Certner
Legislative Counsel & Legislative Policy Director
Government Affairs

**Questions for the Record from Congressman Chip Roy for the Hearing on
January 29, 2019, “Examining the Actions of Drug Companies in Raising Drug
Prices”**

1. Did Obamacare exempt Medigap insurance plans from its reforms, including pre-existing condition protections?

It is our understanding that the Affordable Care Act applies to group health plans and health insurance issuers offering group or individual health insurance coverage and does not apply to add-on or supplemental health plans. That said, for over six decades, AARP has been a forceful advocate for older Americans with pre-existing conditions, which is one reason why AARP strongly supported passage of the Affordable Care Act and its requirement to provide access to comprehensive health coverage to anyone irrespective of health status. It is also why we have previously endorsed legislation to ensure that people with preexisting conditions also have access to Medigap coverage. That continues to be AARP’s policy today.

2. Does AARP make a royalty percentage from United Healthcare which sells AARP-branded Medigap plans? Is it still the case that AARP receives 4.95% of revenue off Medigap plans as stated in a 2011 House Ways and Means Committee report?

AARP is a non-partisan, non-profit, social welfare organization that works on behalf of Americans 50-plus and their families. Like many other nonprofit organizations, AARP earns royalty revenue by licensing its intellectual property (“IP,” e.g., its brand) to carefully selected providers of products and services that are highly suited to the needs of the 50-plus. AARP’s development of public policy is in no way influenced by the organization’s branding of a particular product or service.

In the case of Medicare Supplement insurance, United HealthCare Insurance Company (“United”) licenses and uses AARP’s IP in marketing its Medicare Supplement plans. In exchange for this license, United pays AARP a royalty. While the specific details of the royalty calculation are proprietary and confidential, subject to a contractual agreement between the parties, in 2017, AARP received \$627 million in total royalty revenue from United.

3. It has been reported that in 2011, AARP’s \$458 million in health insurance revenue would rank the organization as the 6th most profitable health insurer. What did the revenue and ranking look like in 2018?

AARP is a social welfare organization under 501(c)(4) of the Internal Revenue Code, working on behalf of Americans 50-plus and their families. AARP is not an insurance company and it does not sell insurance. AARP’s revenue comes from many different

sources, including royalties. The revenue AARP earns funds its social welfare mission programs, such as its work to lower prescription drug prices, find treatments for dementia, combat fraud, fight age discrimination, support family caregivers, and more.

The \$458 million figure you reference is not health insurance revenue to AARP, but instead refers to royalty income. While similar data is not yet available for 2018, in 2017, AARP received \$627 million in royalty revenue from United.