Washington, D.C. - Today, three Members of Congress released, "Behind the Veil: The AARP America Doesn't Know," a new report exposing the conflict between AARP's drive for profits, the best interests of its members and the organization's tax exempt status. The report, which is the culmination of more than a year-long investigation, concludes that AARP stands to make upwards of one billion dollars over the next ten years as a result of the new health care law through the sale of their endorsed-Medicare insurance products.

Discussing the report's findings, the Congressmen highlighted three critical areas of concern:

1) the negative impact of AARP's advocacy efforts on its senior members, 2) profits gained by AARP as a result of its Medicare insurance-related business activities and advocacy efforts, and 3) whether AARP abused its tax-exempt status. The Members, who all serve on the Ways and Means Committee with jurisdiction over tax-exempt organizations and Medicare, turned the matter over to the IRS for further investigation.

Congressman Wally Herger (R-CA), Chairman of the Ways and Means Health Subcommittee, discussed the effect of AARP's business practices on its senior members. "Seniors are struggling, and we believe they ought to know what we've learned about AARP. The new health care law, which AARP strongly supported, means one-half trillion dollars in cuts to Medicare services for seniors, and that means seniors face the prospect of losing the care they have and like. But as seniors deal with these cuts, AARP's profits are likely to increase by more than $1 billion over the next 10 years. Why are seniors sacrificing while AARP rakes in enormous profits? That just doesn't make sense."

Congressman Reichert, a member of the Ways and Means Health Subcommittee, who has previously raised concerns that AARP advocates for policies that are not in the interest of its members, pointed out the organization's ever-increasing profits: "The information contained in this report uncovers and confirms a pattern of AARP putting profits before the interests of the older Americans they are supposed to represent. AARP stands to make upwards of a billion dollars over the next ten years as a result of the new health care overhaul law. In fact, by profit, they would be the 6th largest insurance company in America, and it will get even bigger as the health care takeover law is implemented. It's clear AARP appears to be operating much more like a big insurance company than a non-profit seniors' advocacy group. The evidence is there; my hope is that the Internal Revenue Service will take it from here."

Congressman Charles Boustany (R-LA), Chairman of the Ways and Means Oversight Subcommittee, voiced concerns about whether AARP's activities interfere with the organization's tax-exempt status. "The lack of strong walls between AARP's for-profit and non-profit side raises questions. AARP enjoys a privileged tax-exempt status, but in many cases AARP resembles a for-profit entity. Now that the information gathering phase has concluded, we are turning over this report to the IRS. The IRS is best equipped to handle further investigation, and if it is determined AARP has abused its tax-exempt status, it will be up to the IRS to determine whether or not that privileged status ought to be revoked."

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.