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Opponents of Medicare Bill Say AARP Has Conflictsm NYT

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By MILT FREUDENHEIM

Seeking to discredit the AARP's endorsement of the Medicare bill now before Congress, opponents of the bill are pointing to what they say are the group's financial stakes in the legislation.

John Rector, a senior vice president of the National Community Pharmacists Association, a trade group for

independent drugstores, said yesterday that AARP, the biggest advocacy group for the elderly, had "a well-documented, inherent conflict of interest based on income from health insurance products sold to AARP members."

AARP said its commercial interests were likely to be damaged, not helped, by the passage of the legislation, which would add a prescription drug benefit to Medicare in 2006 and promote competition with Medicare by private health plans.

Retail pharmacies object to many provisions of the bill. They say it would channel their older customers' drug purchases to mail-order pharmacies operated by pharmacy benefit management companies that strike rebate deals with drug manufacturers. The pharmacies also fear that the price

breaks from drug discount cards envisioned by the

legislation would come at the stores' expense.

About 24 percent of AARP's \$635.8 million in operating

revenue last year came from activities related to health

insurance, said Steve Hahn, an AARP spokesman. He said the

main source was royalties on Medicare supplement policies

and mail-order drug sales, both marketed under the AARP

banner by the UnitedHealth Group, the nation's largest

health insurance company.

AARP has said it may bid to offer the new discount card if

the Medicare bill becomes law. But Mr. Hahn said the

group's finances could be hurt if the legislation is

enacted.

"If there is a Medicare benefit, those Medicare

beneficiaries won't have to go to our mail-order pharmacies and buy our Medigap policies any more," he said. "More options could hurt those revenue streams."

Public Citizen, a Washington consumer advocacy group, disagreed. In a statement yesterday, it said: "AARP would stand to gain many millions of dollars in new income under the Republican Medicare bill. Maximizing corporate-related income and profits poses a significant conflict of interest for an organization trying to represent the best interest of its members."

Mr. Hahn said AARP's reputation was based on its "mission to improve the lives of Americans aged 50 and above."

One critic of the legislation, Ron Pollack, executive director of the advocacy group Families USA, said he had

spoken to AARP officials often as the Medicare bill was being developed and did not "feel that their decision was predicated on conflicts of interest or other improper factors."

Mr. Pollack said that AARP decided it would have to compromise its aims to win Congressional backing for a drug benefit and had improved the bill in the process.

"I believe those improvements are real, even if I believe they were wholly inadequate," Mr. Pollack said.

Backers of the legislation regard the AARP's endorsement on Monday as an important boost to the bill's prospects. But criticism of the group has been taken up by some of its members, in online forums and small street protests, and by Democrats in Congress.

In a letter Wednesday to William D. Novelli, chief executive of AARP, the Senate and House Democratic leaders, Tom Daschle and Nancy Pelosi, challenged the organization to "dispel any perception of a possible conflict of interest."

"Is AARP willing to make a commitment not to become a direct or indirect marketer of discount cards, pharmacy drug benefit plans, or any other managed care health plan offerings to Medicare beneficiaries called for in this bill?" Mr. Daschle and Ms. Pelosi asked.

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