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AARP at risk of Medicare blowback

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America's elderly had high hopes for a new prescription-drug benefit this year. As Congress was getting down to work in June, a Kaiser Family Foundation poll found that 63 percent of seniors wanted a seamless benefit added to traditional Medicare, comparable to the best that retired workers get.

Eighty-nine percent wanted the federal government to negotiate lower drug prices with pharmaceutical companies -- and a majority continued to favor this even after researchers presented the counter-argument that it could hurt research and development.

The Republican-shaped prescription-drug legislation just pushed through Congress looks nothing like this. The new drug benefit has large gaps and is secured through private insurance. Remarkably, the law forbids the federal government from bargaining for lower drug prices, while channeling generous new subsidies to insurance companies, drug companies, doctors, hospitals and employers. The cost of senior medical care may soar as a result.

So why would AARP, which counts nearly half of Americans 50 and older as members, many of them older than 65, endorse this legislation, which is so far from what the elderly want? It's an important question, because the answer is connected not just to the future of AARP but to the political clout of elderly voters generally, now and in the future.

Critics allege that economic calculations drove AARP's endorsement, that the group hopes to cash in on the new legislation through the insurance and drug products sold under its name. But something more subtle is also going on. AARP's growing reliance on many kinds of commercial income means reduced dependence on membership dues and, in turn, reduced responsiveness to senior opinion.

In the 1990s, AARP's board under previous chief executive Horace Deets set a goal of receiving more than half its income from membership dues. But, since 1994, the share of income from dues has declined from 38 percent to 30 percent.

Furthermore, despite efforts since the 1980s to encourage grass-roots activities and local chapter meetings, only a tiny fraction of AARP members do more than sign up to receive discounts and mailings. AARP lacks an organizational structure that integrates local and national levels in a manner that canvasses rank-and-file opinion and funnels it to the top. This gives the national staff great freedom to maneuver and has them focused primarily on responding to insider opportunities in Washington.

One reason for embracing the Republican Medicare bill, surely, was to establish a cooperative working relationship with the party that now controls the White House and both houses of Congress. Another factor is the worsening federal budget crunch. AARP leaders no doubt thought they ought to take the \$400



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billion on the table, for fear that any sort of prescription-drug breakthrough would be hard to obtain in the future. But AARP has taken a large risk in the process. A look at history is instructive. In 1988, Congress passed the Medicare Catastrophic Coverage Act -- at that point the first expansion of the program since its inception in 1965. The Catastrophic Coverage Act capped out-of-pocket costs for acute care services and provided other benefits, including mammograms and prescription-drug coverage (with a high deductible). To make the program "deficit neutral," it was financed not by general tax revenues, but by an increase in Medicare premiums for all seniors, plus a supplemental premium for the most affluent 40 percent. AARP endorsed the bill.

But protests began immediately after the law passed in July 1988. High-income elderly objected to paying again for benefits they already had through former employers or private insurance. Low-income seniors, who would have benefited from the bill, opposed it as well, fearing that they, too, would be subject to the maximum \$800 surtax. Besides, since only a tiny fraction of seniors ever face the catastrophic acute care costs the program protected against, it seemed a lot to pay for little benefit. Faced with a senior revolt, Congress took the highly unusual step of repealing the law 17 months after its passage. For years afterward, AARP was a toothless player on Capitol Hill, because legislators were not sure they could trust the group to represent elderly opinion.

The current Medicare legislation is in some ways less vulnerable to an immediate backlash. Drug benefits begin early, with discount cards to be available for purchase before the 2004 presidential election. When the legislation is implemented in 2006, seniors will pay a flat premium and supposedly receive a universal benefit.

However, elderly at every income level have something to fear. Many low-income seniors will lose their more generous Medicaid drug coverage. High-income seniors will be charged higher premiums for "part B" Medicare benefits they already receive for doctor visits and outpatient care. Middle- and high-income seniors are among the millions with employer-sponsored coverage who may lose it. AARP insisted on subsidies to employers to prevent them from dropping retiree drug coverage, but many may still use the new federal program as an excuse to pull out or cut back on coverage. Finally, seniors will have to pay premiums and co-payments up to a certain level of coverage, and then pay out-of-pocket for drug costs between \$2,250 and \$3,600 per year. Many will receive little or no net benefit -- and this could come as a shock.

The early signs for AARP are not good. The group has been excoriated on editorial pages, with its commercial projects made much more visible and questions raised about how well it speaks for the elderly. AARP's own message boards are rife with backlash. At the very least, the association now faces considerable bitterness and division in the ranks of its adherents.

If enough members become angry, AARP could see its credibility in Washington diminish all over again. Earlier this year, AARP seemed to have re-emerged as a credible advocate with backbone, when it pledged not to endorse the drug legislation without significant changes. Some changes were secured, but the final legislation contains many nasty surprises.

Future political battles are bound to revisit many of the issues left hanging in this legislation: Will gaps in drug coverage be filled in? Will generous subsidies to for-profit interests continue as federal budgets tighten? Will the elderly really be

forced to pay higher and higher premiums? Business lobbies will have an enhanced role in the future battles, but the elderly also will matter. In the final analysis, the political influence of America's seniors does not rest primarily in the hands of AARP or any other organization. Elders are interested and attentive citizens, constituting 25 percent of the vote in presidential contests and 30 percent of the vote in off-year congressional elections. In recent decades, seniors have had unusual clout because low- and middle-income seniors vote at higher rates than younger fellow citizens, and because seniors have tended to be relatively united in defending Social Security and Medicare.

The political fallout from the Medicare restructuring of 2003 cannot yet be known. But we can be sure that a lot is at stake. Senior entitlements have been at the core of public social provision in the United States for many decades, and senior political influence has grown along with the entitlements. If entitlements are "privatized" and cut back, the political clout of seniors will dwindle, too.

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