

November 21, 2003

OP-ED COLUMNIST

## AARP Gone Astray

By PAUL KRUGMAN

**"T**his is a good bill that will help every Medicare beneficiary," wrote Tom Scully, the Medicare administrator, in a letter to The New York Times defending the prescription drug bill. That's flatly untrue. (Are you surprised?) As the Center on Budget and Policy Priorities points out, the bill will force millions of beneficiaries to pay more for drugs, thanks to a provision that cuts off supplemental aid from Medicaid. Poorer recipients may find previously affordable drugs moving out of reach.

That's only one of a number of anti-retiree measures tucked away in the bill. It contains several Trojan horse provisions that are clearly intended to undermine Medicare over time — it will allow private insurers to cherry-pick healthy clients in selected cities, and it will heavily subsidize private plans competing with traditional Medicare. Meanwhile, the bill prohibits Medicare from using its bargaining power to cut drug prices; drug company stocks have soared since the bill's details became public.

Yet the bill has a good chance of passing, thanks to an endorsement from AARP, the retiree advocacy organization, which has already begun an expensive advertising campaign on the bill's behalf. What's going on?

Let's step back a minute. This is a bill with huge implications for the future of Medicare. It's also, at best, highly controversial. One might therefore have expected an advocacy group for retired Americans to take its time in responding — to make sure that major groups of retirees won't actually be hurt, and to poll its members to be sure that they are well informed about what the bill contains and don't object to it.

Instead, AARP has thrown its weight behind an effort to ram the bill through before Thanksgiving. And no, it's not urgent to get the bill passed so retirees can get immediate relief. The plan won't kick in until 2006 in any case, so no harm will be done if the nation takes some time to consider.

Many of AARP's members feel betrayed. The message boards at the organization's Web site have filled up with outraged posts. A number of those posts say something like this: "Now you're just an insurance company." Indeed, that may get to the heart of the matter.

Over the years AARP has become much more than an advocacy and service organization for older Americans. It receives more than \$150 million each year in commissions on insurance, mutual funds and prescription drugs sold to its members.

And this Medicare bill is very friendly to insurance and drug companies. Senator John Breaux, one of only two Democrats who participated in negotiations over the bill, takes the controversy as a good sign: "No one got everything they wanted." But as Jonathan Cohn points out in *The New Republic*, drug and

insurance companies got exactly what they wanted: no efforts to limit prices, generous subsidies and lots of additional business. For example, insurance companies that offer an alternative to Medicare will not only be able to pick and choose their customers, but will also get 30 percent more per client than the government spends on the average Medicare recipient.

So do AARP executives support this bill because they hope to share in the bounty? Maybe, but it probably runs deeper than that. Once an advocacy group becomes as much a business as a service organization, its executives are likely to start identifying more with industry interests than with the groups they are supposed to serve.

Thus it may seem odd on the surface that William Novelli, AARP's chief executive, wrote a glowing preface to Newt Gingrich's book on health care reform. After all, Mr. Gingrich has long advocated turning the administration of Medicare over to private companies — an unpopular idea, and also an expensive one (forget the clichés about inefficient government: private companies have much higher overhead than Medicare). But what looks like wasted money to taxpayers and retirees looks like opportunity to private providers. Enough said.

Am I being too cynical? How could I be? In case you haven't noticed, we live in a golden age of pork: the other big piece of legislation marching through Congress, the energy bill, makes the Smoot-Hawley tariff look like a classic of good government.

So it should come as no surprise that Medicare "reform" appears likely to be another triumph for the coalition of the bought-off — a coalition that, sadly, includes AARP.