

With Insurance Policy Comes Membership

Unbeknown to Some, Those Signing Up With Firm Are Joining Conservative Group

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Writer

In 2001, Jennifer B. Chace heard an insurance broker's pitch for a new insurance company marketing tax-free medical savings accounts. She jumped at the offer, but first, the broker told her, she would have to sign an application – already filled out – that would entitle her to a low group rate.

With that signature, Chace, a Florida dentist in the market for health insurance, unwittingly joined one of Washington's most prominent conservative organizations, Citizens for a Sound Economy, she would later testify.

"Before I showed you this form today, did you even realize that you signed a form that was an application for membership in Citizens for a Sound Economy?" her lawyer would ask during a 2004 deposition.

"I don't know what Citizens for a Sound Economy is,"

she replied.

Chace's experience has brought to light an obscure arrangement between a prominent Republican businessman, J. Patrick Rooney, and a free-market interest group that has netted the grass-roots organization hundreds of thousands of dollars and thousands of new members. Citizens for a Sound Economy – now called FreedomWorks and headed by former House majority leader Richard K. Armey (R-Tex.) – has netted more than \$638,000 and about 16,000 members through the sale of insurance policies.

Officials from FreedomWorks say the insurance sales are just another way for grass-roots groups to garner members and are no different from the activities of such giants as AARP, the senior citizens lobby.

"This is one of several avenues through which non-profits do their job," said Kent Lassman, vice president for strategy at FreedomWorks.

Critics see the effort as a way for political groups to inflate their membership rosters – and their bottom lines – by taking dues from people with no interest in the groups' politics.

"We have clearly concluded these folks had no idea what Citizens for a Sound Economy was," said Louis M. Silber, a lawyer involved in a Florida class-action suit against Rooney's firm. "They had

no idea where their money was going."

Officials from Rooney's Medical Savings Insurance Co. did not respond to numerous telephone calls and e-mails.

Documents produced through the suit against Rooney's company show how FreedomWorks, a political group that made its name fighting for a flat income tax and questioning global warming, has joined the insurance business. Under the deal, proposed by Rooney in 2000, brokers for Medical Savings Insurance Co. sell high-deductible insurance policies and tax-free savings plans at a group discount to buyers who join the conservative political organization.

"We are pleased with your offer to benefit CSE and we are ready to go forward subject to alterations of the contract," Ann House Quinn, then vice president for development of Citizens for a Sound Economy, wrote to Rooney on Sept. 13, 2000.

That was the first of a series of letters that revealed that insurance policy holders' names would be rented out as CSE members, that the group's by-laws would be changed to accommodate Rooney and that CSE would control dues rates.

Lassman said emphatically that no one has been signed up for the organization unwittingly and no one who joined through an insurance policy has quit

upon learning of the group's political activities. An "MSA [Medical Savings Accounts] Association" membership form that CSE produced in 2000 to accompany application forms is emblazoned with the phrases "Flat Tax," "Across-the-Board Tax Cuts," "Limited Government" and "School Choice" among other political slogans.

"I have every confidence that new members to FreedomWorks know what we're about and what that relationship means to them," Lassman said. "There is no confusion about their relationship to us."

He did not deny that the \$638,040 that has flowed to the group over 5 1/2 years in monthly checks for "association fees" collected by Medical Savings Insurance Co. is a boost. But, he said, it is a small one for a group with a \$7 million budget. A database search of the group's 800,000 members indicated roughly 2 percent – or about 16,000 – joined by signing up for insurance, he said.

"If people want an account like this and are not aware of FreedomWorks, and they come to us this way, that's great," said FreedomWorks spokesman Adam Brandon.

But Jeffrey M. Liggio, a lead lawyer in the lawsuit, pointed to the insurance policies themselves, which never mention FreedomWorks or Citizens for a Sound Economy and label the group policyholder simply by a number: 1214.

Continued on page 19

With Insurance Policy Comes Membership

Continued from page 18

"The certificates of insurance issued to class members, despite the clear language contained therein, did not disclose the identity of the Group Policyholder of the group policy, despite the fact that each putative insured must 'join' and pay money to such group as a condition of obtaining the insurance," the suit's motion for class certification states. The motion was granted in December.

Larry Butcher, a plaintiff in the case, said in a deposition that he signed on to a policy simply because his insurance broker son thought it was a good deal.

FreedomWorks and its predecessor, CSE, were careful about the deal's financial aspects. In a Sept. 13, 2000, letter, CSE's Quinn said documents should overtly refer to dues, suggesting they be set at \$12 a year, to be raised at CSE's discretion upon notifying Medical Savings Insurance Co. She also noted: "I would assume that these people will become CSE members for all purposes and therefore will go on the CSE mailing list. Since the CSE mailing list is rented, as a matter of course, those names would be rented

as CSE members . . . without specific identification as MSIC insureds."

A Sept. 20, 2000, correspondence from Medical Savings President Randal E. Suttles to Rooney said the deal could not go through because the CSE charter states "the corporation shall not have members" and therefore does not comply with the law governing group insurance.

Fifteen days later, Quinn told Suttles the group had solved the problem, amending its charter to allow for voting members.

The money that Medical Savings collected on behalf of CSE and FreedomWorks trickled in at first, canceled checks show. The first, in December 2000, was for \$28. In April 2001, it was \$738. But according to financial documents, the program gathered steam quickly. By March 19, 2003, the monthly "association fees" totaled \$10,060. By 2004, they were topping \$15,000, peaking that August at \$15,309. They have since ebbed, to \$10,687 last month.

Last month, Lassman said, about four times as many FreedomWorks members dropped out of the organization as joined by purchasing a policy.

But the total raised so far, \$638,040, is not insignificant, Lassman said.

"In the nonprofit world, every dollar is precious," he said, "but to put it in context, hundreds of thousands of dollars over five years does not strike me as out of the realm of normal."



Former House Majority Leader, Dick Arney (R—TX) Chairs FreedomWorks.