

August 2007

ANNOUNCEMENT

Out-of-Pocket Limits for Medigap Plans K & L for Calendar Year 2008

SUMMARY: The 2008 out-of-pocket (OOP) limits for Medigap plans K & L are \$4,440 and \$2,220, respectively. The increases in the limits are based on estimates of the United States Per Capita Costs (USPCC) of the Medicare program published by the Centers for Medicare & Medicaid Services (CMS). The OOP limits for Medigap plans K and L are updated each year after the announcement of Medicare Advantage payment rates, which includes revised estimates of the USPCC.

CALCULATION OF THE OOP ANNUAL LIMITS: The annual OOP limits are determined in accordance with section 1882(w)(2) of the Social Security Act. That provision prescribed an OOP limit for 2006 of \$4,000 for Plan K and \$2,000 for Plan L, and directed that these amounts increase each subsequent year by an appropriate inflation adjustment specified by the Secretary of the United States Department of Health & Human Services. The Secretary has determined that for 2008, the increases in the OOP limits are based on estimates of the United States Per Capita Costs (USPCC) of the Medicare program published by CMS. The 2007 OOP limits are increased by the percent increase from 2007 to 2008 of this year's current estimates of the USPCC for Medicare Part A and Part B, aged and disabled. An adjustment is made to account for corrections to prior years estimates. The resulting values are rounded to the nearest multiple of \$20 for Plan K and the nearest multiple of \$10 for Plan L, which brings the 2008 OOP limits to \$4,440 for Plan K and \$2,220 for Plan L.

BACKGROUND: For further background on Medigap plans K and L, refer to the 2007 Calendar Year Announcement posted in September 2006, posted on the CMS website at:

<http://www.cms.hhs.gov/Medigap/Downloads/KLOOPLimits2007.pdf>

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