

September 2006

ANNOUNCEMENT

Deductible Amount for Medigap High Deductible Options F & J

For Calendar Year 2007

SUMMARY: There are two Medicare supplemental (Medigap) plans that can be sold with a high deductible option – Plans F and J. This notice announces that, effective January 1, 2007, the annual deductible amount for those two plans is \$1,860. The deductible amount for the high deductible version of plans F and J represents the annual out-of-pocket expenses (excluding premiums) that a beneficiary who chooses one of these policies must pay before the policy begins paying benefits. We update the annual deductible amount for Medigap plans F and J each year, after release of the August CPI-U figures by the Bureau of Labor Statistics, which generally occurs in mid-September.

CALCULATION OF THE DEDUCTIBLE: The deductible for plans F and J is determined in accordance with section 1882(p)(11)(C)(i) of the Act. That provision prescribed a deductible of \$1500 for 1998 and 1999, and directed that the amount increase each subsequent year by the percent increase in the Consumer Price Index for all urban consumers (CPI-U), all items, U.S. city average. For 2006, the deductible amount was \$1,790. For 2007, the deductible amount is increased by the percent increase in the CPI-U for the 12-month period ending August 2006. As reported by the Bureau of Labor Statistics, Department of Labor, the CPI-U index was 196.4 in August 2005 and 203.9 in August 2006, resulting in a 3.82 percent increase from the 2006 deductible amount of \$1,790. A 3.82 percent increase in \$1,790.00 is \$1,858.36. Section 1882(p)(11)(C)(ii) of the Act stipulates that this amount be rounded to the nearest multiple of \$10. After rounding \$1,858.36 to the nearest \$10 multiple, the 2007 deductible for the Medigap high deductible options is \$1,860.

FOR FURTHER INFORMATION CONTACT: Catherine Windfield-Jones, (410) 786-6674 for policy issues or Elizabeth Hale at 410-786-7604 for actuarial issues.