

September 2011

## ANNOUNCEMENT

### Out-of-Pocket Limits for Medigap Plans K & L for Calendar Year 2012

**Summary:** The 2012 out-of-pocket (OOP) limits for Medigap plans K & L are \$4,660 and \$2,330, respectively. The increases in the limits are based on estimates of the United States Per Capita Costs (USPCC) of the Medicare program developed by the Centers for Medicare & Medicaid Services (CMS).

**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. For 2012, the calculation of the OOP limits is based on estimates of the United States Per Capita Costs (USPCC) of the Medicare program developed by CMS as published with the announcement of Calendar Year (CY) 2012 Medicare Advantage (MA) payment rates. Due to requirements of the Patient Protection and Affordable Care Act (ACA), the CY 2011 MA capitation rates were held constant with the CY 2010 MA capitation rates and the CY 2011 MA rate announcement does not include revised estimates of the USPCC. However, the methods used to determine the 2011 current year estimates of the USPCCs used in the calculation of the 2012 OOP limits are the same as those used in the 2012 MA rate announcement.

The 2012 OOP limits are calculated by applying the percentage increase from 2011 to 2012 of this year's current estimates of the USPCC for Medicare Part A and Part B, aged and disabled, to the 2011 OOP limits. 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 results in the 2011 OOP limits of \$4,660 for Plan K and \$2,330 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.gov/Medigap/Downloads/KLOOPLimits2007.pdf>.