

September 2008

ANNOUNCEMENT

**Deductible Amount for Medigap High Deductible Options F & J
For Calendar Year 2009**

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, 2009, the annual deductible amount for those two plans is \$2,000. 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 \$1,500 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 2008, the deductible amount was \$1,900. For 2009, the deductible amount is increased by the percent increase in the CPI-U for the 12-month period ending August 2008. As reported by the Bureau of Labor Statistics, Department of Labor, the CPI-U index was 207.917 in August 2007 and 219.086 in August 2008, resulting in a 5.4 percent increase from the 2008 deductible amount of \$1,900. A 5.4 percent increase in \$1,900.00 is \$2,002.07; however, section 1882(p)(11)(C)(ii) of the Act stipulates that this amount be rounded to the nearest multiple of \$10. After rounding \$2,002.07 to the nearest \$10 multiple, the 2009 deductible for the Medigap high deductible options is \$2,000.

FOR FURTHER INFORMATION CONTACT: Jim Mayhew at (410) 786-9244 for policy issues or Elizabeth Hale at 410-786-7604 for actuarial issues.