

K & L Out-of-Pocket Limits Announcements

September 2015 Announcement

Out-of-Pocket Limits for Medigap Plans K & L for Calendar Year 2016

Summary:

The 2016 out-of-pocket (OOP) limits for Medigap plans K & L are \$4,960 and \$2,480, respectively. These 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 2016 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) 2015 and CY 2016 Medicare Advantage (MA) payment rates.

The 2015 OOP limits were held at the 2014 level since the applicable increase was negative. Therefore, the inflation adjustment for 2016 is calculated by applying the percentage increase from 2014 to 2016 of the current estimates of the USPCC for Medicare Part A and Part B, aged and disabled, to the 2014 OOP limits. An adjustment is made to account for corrections to prior years' estimates.

For Further Information, Contact: Derrick Claggett at (410) 786-2113 for policy issues, or Elizabeth Hale at 410-786-7604 for actuarial issues.

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>.