

PREPARING FOR HEALTHCARE COSTS IN RETIREMENT



Preparing for Healthcare Costs in Retirement

For many Americans, navigating the maze of health insurance options—from employer-based plans to individual policies—can be dizzying. Much of that changes at 65. That’s when individuals generally are eligible for Medicare, which covers routine health care expenses such as visits to doctors and prescription drugs. But the program doesn’t cover everything. Here is a breakdown of how Medicare works—and your coverage options for filling in the gaps.

Inside Medicare

Medicare comprises four parts that cover different health care services and carry various financial obligations. People who are already receiving Social Security benefits before they turn 65 will be automatically enrolled in Medicare Parts A and B. Others can enroll online around their 65th birthday by visiting [medicare.gov](https://www.medicare.gov)

Medicare Parts A and B are known as traditional Medicare. Part A covers hospital services, including in-patient stays, care in a skilled nursing facility, and hospice care. You can sign up for Part A coverage at no cost as long as you or your spouse have paid Medicare payroll taxes for at least ten years.

Part B covers doctor’s office visits and other outpatient services. You’ll need to pay a premium for Part B (about \$144.60 a month in 2020). You’ll also need to meet an annual deductible (\$198 in 2020), after which Part B will cover 80 percent of approved costs

Parts A and B don't cover all expenses, such as the cost of prescription drugs. Individuals looking for more comprehensive coverage may want to consider adding Parts C and D to their Medicare plan.

Part D provides prescription drug coverage and is offered by private insurance companies. You will need to pay a premium for Part D coverage—about \$42 per month in 2020.

Also known as Medicare Advantage, Part C covers the same benefits as Parts A and B, but through a private health insurance company. Plans vary, but you may also get vision, hearing, and dental benefits in addition to prescription drug coverage. You may be able to reduce your monthly premiums if you're willing to take on a higher share of your health care costs and potentially have access to fewer providers.

Medicare supplemental insurance, also known as "Medigap," can help fill in other gaps left by the Medicare program.

Medicare eligibility and enrollment

The initial Medicare enrollment period is different for everyone. You have a seven-month window to enroll, starting three months before the month in which you turn 65 and ending three months after the month in which you turn 65.

If you don't sign up during this window, you could face late-enrollment penalties and pay higher premiums. But there are some exceptions: If you are still working when you turn 65, for instance, and you still get health care coverage from your employer, you can delay enrolling without facing penalties.

Long-term care insurance

Even if you have all parts of Medicare, you may lack certain health care coverage. Namely, Medicare and Medigap policies don't cover long-term care, including assistance with day-to-day tasks due to chronic illness, disability, or old age.

According to the U.S. Department of Health and Human Services, this type of care can be expensive—the average cost of a semiprivate room in a nursing home is \$6,844 a month. Long-term care insurance can help cover various costs, such as the cost of nurses and therapists you may need to assist you, the cost of nursing homes and assisted-living facilities, and some may even cover home modifications, such as wheelchair ramps.

How to buy long-term care insurance

Long-term care policies cost less when you're younger and in good health. Waiting until your health is less stable may hinder your ability to find a long-term care policy at all, and you could be turned down due to a preexisting condition.

You can buy these policies through an insurance agent or broker. If your employer offers long-term care plans, you may be able to buy one while you're still working and hold on to the policy after you retire.

Finding health care in retirement can seem like a daunting task, especially if you've had access to employer-based health care coverage for most of your life. But if you're mindful of your enrollment period for Medicare and know where to turn for additional coverage, you can find the right policies to meet your health care needs in your golden years.

Sources:

<https://www.medicare.gov/what-medicare-covers/your-medicare-coverage-choices/whats-medicare>

<https://www.medicare.gov/your-medicare-costs/part-b-costs>

<https://www.medicare.gov/your-medicare-costs/part-a-costs>

[https://www.kff.org/report-section/medicare-part-d-a-first-look-at-prescription-drug-plans-in-2020-issue-](https://www.kff.org/report-section/medicare-part-d-a-first-look-at-prescription-drug-plans-in-2020-issue-brief/#:~:text=The%20estimated%20average%20monthly%20PDP,premium%20of%20%2439.13%20in%202019.)

[brief/#:~:text=The%20estimated%20average%20monthly%20PDP,premium%20of%20%2439.13%20in%202019.](https://www.kff.org/report-section/medicare-part-d-a-first-look-at-prescription-drug-plans-in-2020-issue-brief/#:~:text=The%20estimated%20average%20monthly%20PDP,premium%20of%20%2439.13%20in%202019.)

<https://longtermcare.acl.gov/costs-how-to-pay/costs-of-care.html>

Disclosures:

This information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. This material was created by The Oechsli Institute, an independent third party that is not affiliated with Balance Wealth.

This Presentation was created for educational and informational purposes only and is not intended as ERISA, tax, legal or investment advice. If you are seeking investment advice specific to your needs, such advice services must be obtained on your own separate from this educational presentation.

Securities offered through LPL Financial, member FINRA/SIPC. Investment Advice offered through Independent Advisor Alliance, a registered investment advisor. Independent Advisor Alliance and Balance Wealth Partners are separate entities from LPL Financial.