



RETIREMENT RISK

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Your #1 Source for Retirement Risk Education

Risky Business: Medical and Medicare Costs

Medicare is more complex than many would think. And with it being the biggest source for retirees' health insurance, it is important to understand the ever-changing scope of benefits, what is available, and the risks that come with it.



The Medicare Program

Medicare is a federal health insurance program for people who are 65 years of age or older, as well as certain younger people with disabilities. Medicare is a vital part of retirement planning, but it is important to understand the financial risks associated with Medicare.

Medicare Costs

Medicare has two parts: Part A and Part B. Part A covers hospital stays, skilled nursing facility stays, home health care, and hospice care. Part B covers doctor visits, preventive care, and some prescription drugs.

Medicare Part A is premium-free for most people. However, there is a deductible of \$1,556 in 2023. Medicare Part B has a monthly premium of \$170.10 in 2023. There is also an annual deductible of \$233 in 2023, and copays for doctor visits and prescription drugs.

Medicare Advantage Program

In addition to Original Medicare, there are also Medicare Advantage plans. Medicare

Advantage plans are private health insurance plans that offer Medicare benefits. Medicare Advantage plans typically have lower premiums than Original Medicare, but they may also have higher out-of-pocket costs.

Medicare Part D

Medicare Part D covers prescription drugs. Part D is offered by private insurance companies, and there are a variety of plans to choose from. Medicare Part D premiums vary depending on the plan you choose. There is also an annual deductible, and copays for prescription drugs.

The Financial Risks of Medicare

There are a few financial risks associated with Medicare. These risks include:

1. The cost of Medicare premiums and out-of-

pocket expenses: The cost of Medicare can be a significant financial burden, especially for retirees on a fixed income.

2. The uncertainty of future healthcare costs: Healthcare costs are rising, and it is difficult to predict how much Medicare will cost in the future.

3. The risk of Medigap gaps: Medigap is private health insurance that can help pay for some of the out-of-pocket costs of Medicare. However, there are gaps in Medigap coverage, and retirees may still be responsible for significant out-of-pocket costs.

4. The risk of long-term care: Long-term care can be very expensive, and Medicare does not cover all the costs of long-term care. Retirees who need long-term care may have to pay for it out-of-pocket.



How to Manage the Financial Risks of Medicare

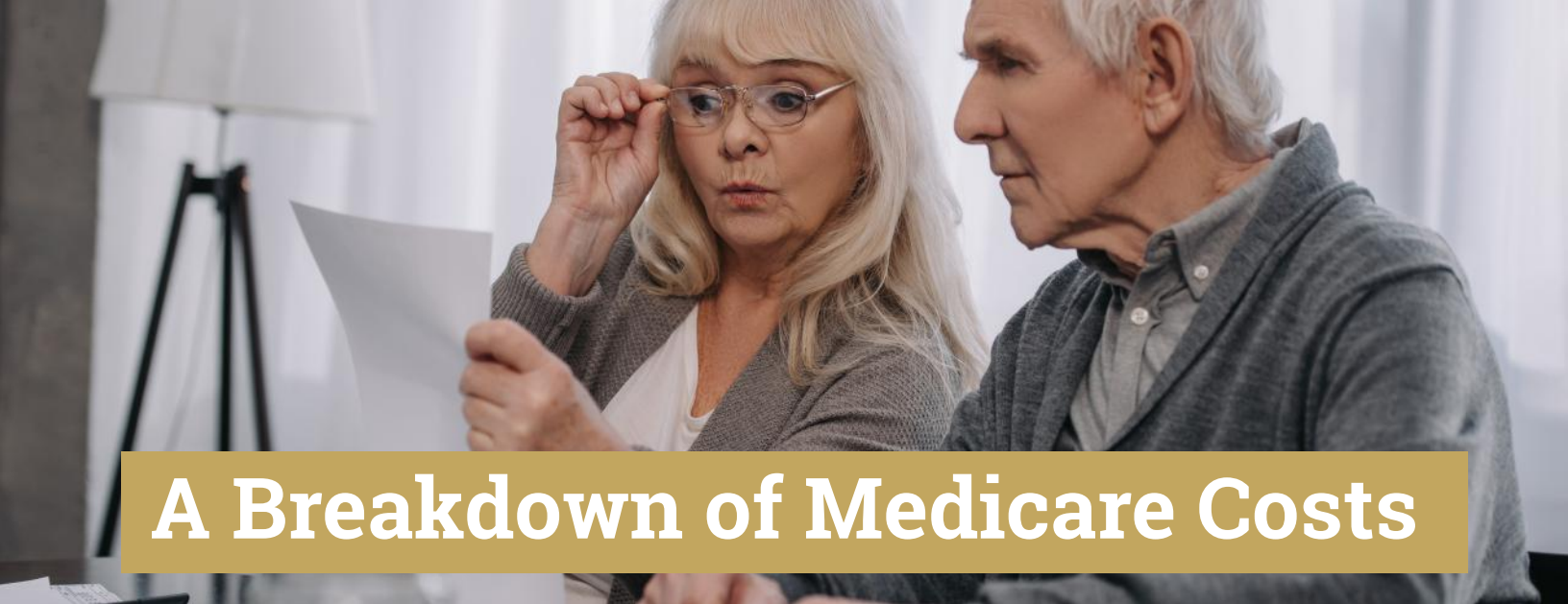
There are several things retirees can do to manage the financial risks of Medicare. These include:

Plan ahead: Retirees should start planning for Medicare costs well in advance of retirement. This will give them time to research their options and choose a plan that fits their needs and budget.

Get help from a financial advisor: A financial advisor can help retirees understand their Medicare options and choose a plan that meets their needs.

Consider long-term care insurance: Long-term care insurance can help protect retirees from the financial burden of long-term care.

Save for retirement: Retirees should save as much as they can for retirement so that they have money to cover the cost of Medicare and other expenses.



A Breakdown of Medicare Costs

The following chart provides a quick reference for the Parts of Medicare that will impact your retirement the most and breaks down any deductibles, coinsurance, or copayments each Part may have.

Part	Cost	Deductible	Coinsurance	Copayment	Important Notes
Part A	Premium	\$0	\$1,556	20% for most services	Skilled nursing facility copayment is \$25 per day; Hospice care copayment is \$5 per day
Part B	Premium	\$170.10	\$233	20% for most services	Doctor visit copayment is \$20; Hospital outpatient services copayment is \$57
Part D	Premium	Varies by plan	Varies by plan	Varies by plan	There is also a coverage gap known as the „doughnut hole“
Part C	Average	\$150 per month	\$400 per year	20% for most services	Also known as Medicare Advantage, Part C is a private health insurance plan that offers all of the benefits of Original Medicare (Parts A and B) plus some additional benefits. Premiums, deductibles, and coinsurance vary depending on the plan you choose

- If you have Medicare Parts A and B, you are automatically eligible for Medicare Part D.
- You can sign up for Medicare Part D during your initial enrollment period, which is the seven-month period that begins three months before your 65th birthday.
- If you miss your initial enrollment period, you may have to pay a late enrollment penalty.
- You can change your Medicare Part D plan once a year during the annual open enrollment period, which is from October 15 to December 7.

Medical Costs Alone Are A Financial Retirement Risk

Retirement can be a time to relax and enjoy the fruits of your labor. However, it can also be a time of financial risk, especially if you don't plan for the rising cost of medical care.

Medical care is a major expense for retirees, and it can quickly drain retirement savings. According to the Fidelity Retiree Health Care Cost Estimate, a single 65-year-old retiring in 2023 may need approximately \$157,500 saved to cover health care expenses in retirement. An average retired couple age 65 in 2023 may need approximately \$315,000 saved.

There are several reasons why medical costs are so high for retirees. First, as people age, they are more likely to have chronic health conditions that require ongoing care. Second, the cost of medical care has been rising steadily for many years, due to factors such as the increasing cost of prescription drugs, medical technology, and hospital services. Third, the US healthcare system is not very efficient, which contributes to higher costs.

There are a few things that retirees can do to plan for the rising cost of medical care. First, they should get an estimate of their future medical costs. There are several online calculators that can help with this. Second, retirees should make sure they have enough savings to cover their medical costs. They should also consider purchasing long-term care insurance, which can help pay for the cost of long-term care if they need it. Finally, retirees should take advantage

of Medicare and other government programs to help pay for their medical costs.

Medical care is a major financial risk in retirement planning. By taking steps to plan for the rising cost of medical care, retirees can increase their chances of having a comfortable and secure retirement.

Here are some additional tips for retirees who are planning for the cost of medical care:

Start planning early. The earlier you start planning for the cost of medical care, the more time you will have to save money and make other financial arrangements.

Get a comprehensive health assessment. This will help you identify any health conditions that you may need to plan for.

Review your health insurance options. Make sure you understand what your health insurance covers, and how much you will have to pay out of pocket for medical expenses.

Consider long-term care insurance. Long-term care insurance can help pay for the cost of long-term care, such as nursing home care or assisted living.

Talk to a Retirement Risk Advisor. We can help you develop a plan to save for medical expenses and protect your retirement savings.



Your Need to Know About Medicare Enrollment Periods

The program offers a range of benefits to help individuals manage their health care expenses, including hospital insurance (Part A), medical insurance (Part B), prescription drug coverage (Part D), and Medicare Advantage (Part C). However, to access these benefits, individuals must enroll in Medicare during specific enrollment periods.

There are various enrollment periods for Medicare, each with its own set of rules and eligibility criteria. Here is a breakdown of the different enrollment periods and what you need to know about each:

Initial Enrollment Period (IEP)

The Initial Enrollment Period is the first opportunity for eligible individuals to enroll in Medicare. The IEP lasts for seven months and begins three months before the month of an individual's 65th birthday and ends three months after their 65th birthday. If an individual is already receiving Social Security benefits, they will be automatically enrolled in Medicare Parts

A and B during their IEP.

General Enrollment Period (GEP)

The General Enrollment Period is for individuals who missed their IEP and did not sign up for Medicare during a Special Enrollment Period (SEP). The GEP runs from January 1st to March 31st every year, and coverage begins on July 1st. However, individuals who enroll during the GEP may be subject to late enrollment penalties.

Special Enrollment Period (SEP)

The Special Enrollment Period is for individuals who experience certain qualifying life events, such as moving to a new area or losing employer-sponsored health insurance. The SEP allows these individuals to enroll in Medicare outside of the standard enrollment periods. The length of the SEP and the eligibility criteria vary depending on the qualifying life event.

Annual Enrollment Period (AEP)

The Annual Enrollment Period, also known as the



Open Enrollment Period, is an opportunity for individuals to make changes to their Medicare coverage. The AEP runs from October 15th to December 7th every year, and changes made during this period take effect on January 1st of the following year. During the AEP, individuals can switch from Original Medicare to Medicare Advantage or make changes to their Medicare Advantage or Part D plan.

Medicare Advantage Open Enrollment Period (OEP)

The Medicare Advantage Open Enrollment Period allows individuals who are already enrolled in a Medicare Advantage plan to switch to a different Medicare Advantage plan or return to Original Medicare. The OEP runs from January 1st to March 31st every year.

Medicare Supplement Enrollment Period

Medicare Supplement plans, also known as Medigap plans, help individuals cover the out-of-pocket costs associated with Original Medicare.

The Medicare Supplement Enrollment Period is a six-month window that begins on the first day of the month in which an individual turns 65 and is enrolled in Medicare

Part B. During this period, individuals can enroll in a Medicare Supplement plan without undergoing medical underwriting.



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