



Making \$ense of Health Insurance After Retirement

Don't forget to add health care expenses to your nest egg's sum total.

You've calculated how much income you'll need in retirement and are making plans to enjoy your next chapter. But have you accurately considered how much you'll likely spend for post-retirement medical costs? Seniors spend more on out-of-pocket health care than any other age group. Health care costs will likely be a large part of your budget and should be calculated into your financial plan. Take control of your retirement finances by researching your options now.

Plan now

Start by assessing your health care costs:

- Do you have significant health issues? What are your current costs? What will they likely be in 10, 15 or 20 years?
- Understand that Medicare covers about 51 percent of health care expenses in retirement but it's not free. You'll pay premiums for Medicare Parts B and D as well as co-pays and other out-of-pocket expenses depending on the treatment.
- Consider other expenses such as prescriptions, items like a wheelchair or even modifications to your home to help you age in place.

Early retirement: if you're under 65 years old

Under the Affordable Care Act (ACA), all Americans are required to have health insurance or face paying a penalty. After retirement, medical and health insurance from your prior job is typically available for up to 36 months through [COBRA](#). Some employers do allow retirees to retain group medical coverage in retirement but there's no guarantee that coverage will be available indefinitely.

If you're under 65 years old, you can search for and purchase health insurance from the [Marketplace](#). Check to see if you qualify for a subsidy by using calculators on the Marketplace. If retiring early, you may be eligible for [tax credits](#) if you purchase your health insurance through the Marketplace and your income meets the poverty level threshold.

The Marketplace

The variety of health coverage options on the Marketplace can be confusing so you should carefully consider your personal needs and finances. You may also qualify for a special enrollment period if you lose coverage from a job, meaning you won't have to wait for the open enrollment period.

Medicare, Medicare Supplement, Medicaid

Medicare is an insurance program managed by the federal government that provides health coverage to Americans 65 and older and some people with disabilities. Medicaid is an assistance program managed by states and federal government that provides health coverage for those with very low income. You can find more information on these two programs from the [Department of Health & Human Services](#).

Medicare

Medicare is a federally funded insurance program for eligible participants 65 and over and for some people with disabilities.

Medicare has four basic forms of coverage:

- **Part A:** Pays for hospitalization costs (this is the "free" portion of Medicare supported by a payroll tax you paid during your working years).
- **Part B:** Pays for physician services, lab and x-ray services, durable medical equipment and outpatient services.
- **Part C:** Medicare Advantage Plan (like an HMO or PPO) offered by private companies approved by Medicare. The cost of Part C depends on the plan you choose and may be cheaper than other options.
- **Part D:** Assists with prescription drug costs.
Parts B and D are not free. Premiums are income-based and do not begin until you qualify for Medicare. Medicare is valuable but will not pay for everything which is why Medicare Supplement Insurance should be considered.

Medicare Part C (Medicare Advantage plans)

Medicare Advantage Plans bundle parts A, B, and D coverages. These plans often cost less because they generally require you to use doctors and hospitals who participate in the plan's network. Check which plan best meets your financial needs. You can find plans in your area on [Medicare.gov](https://www.medicare.gov).

Medicare Part D (Prescription Drug Coverage)

Medicare Part D is a voluntary prescription drug program for Medicare beneficiaries. Prescription drug plans are sold by private companies and must be approved by Medicare. Before you purchase a prescription drug plan, make sure it is approved by Medicare. Drug plans have rules about what drugs are covered in different categories, so verify any medications you currently take.

You can find Medicare Drug Plan information on the [Prescription Drug Coverage](#) page.

Medicare Supplement Insurance (Medigap)

Because Medicare does not cover 100 percent of all costs, Medicare Supplement Insurance policies are available for purchase and used in concert with traditional Medicare to help offset costs. To purchase Medicare Supplement Insurance you must be enrolled in both Medicare Part A and Part B. Medicare Supplement Insurance (also known as Medigap) provides coverage for gaps in medical costs not covered by Medicare, such as coverage for medical care when you travel outside the U.S. [Medicare Supplement](#) plans are standardized and offer various benefits to help offset your health care cost.

The [Choosing a Medigap Policy Guide](#) can help you find information on Medicare Supplement Insurance, the names of companies authorized to sell policies and premium comparisons. Supplemental coverage may also be offered through your employer. And Medicaid will supplement Medicare for low-income individuals.

Medicare deadlines are extremely important. If you decide Medicare is right for you, it's better to [sign up at the right time](#) than be subject to late penalties, which can be significant. The initial enrollment period lasts seven months – from three months before the month of your 65th birthday to three months after that month.

Medicaid

Medicaid provides health care to more than 4.6 million low-income seniors and 3.7 million people with disabilities. Some people are enrolled in both Medicaid and Medicare. Medicaid is administered by the states and rules vary in each state. This [fact sheet](#) explains the differences between Medicare and Medicaid.

More information

If you have questions related to Medicare, contact [Medicare](#) or your local Senior Health Insurance Program (SHIP). [Medicare and You](#) is Medicare's official guide to the Medicare program. For information on Medicaid, visit the official [Medicaid website](#).