



Action Plan: Cover My Health Care Costs

Directions

Determine strategies to cover medical and long-term care expenditures while minimizing out-of-pocket financial obligations during retirement. Use this guide to establish your personal criteria for covering costs, estimating costs, determining gaps between costs of medical care and retirement income streams, and creating a preretirement game-plan to prepare for these costs.

(✓)	Readiness Tasks																																		
	1. I tentatively have decided my target retirement age as _____ and retirement year as _____.																																		
	2. I have estimated my life expectancy as age _____. Online calculator resources: - https://www.socialsecurity.gov/oact/population/longevity.html - https://www.livingto100.com																																		
	3. I have estimated my health care costs through retirement. <table border="1" style="margin-left: 20px; width: 100%;"> <thead> <tr> <th style="text-align: center;">Type</th> <th style="text-align: center;">Amount</th> </tr> </thead> <tbody> <tr> <td colspan="2">Medical Care Costs</td> </tr> <tr> <td>Medicare or Medicare Advantage premiums (per year)</td> <td></td> </tr> <tr> <td>Medigap supplement premiums if applicable (per year)</td> <td></td> </tr> <tr> <td>Anticipated medical out-of-pocket costs – Years 0-5</td> <td></td> </tr> <tr> <td>Anticipated medical out-of-pocket costs – Years 6-10</td> <td></td> </tr> <tr> <td>Anticipated medical out-of-pocket costs – Years 11-15</td> <td></td> </tr> <tr> <td>Anticipated medical out-of-pocket costs – Years 16-20</td> <td></td> </tr> <tr> <td>Anticipated medical out-of-pocket costs – Years 21-25</td> <td></td> </tr> <tr> <td>Anticipated medical out-of-pocket costs – Years 26-30</td> <td></td> </tr> <tr> <td>Anticipated medical out-of-pocket costs – Years 31-35</td> <td></td> </tr> <tr> <td>Anticipated medical out-of-pocket costs – Years 36-40</td> <td></td> </tr> <tr> <td colspan="2">Long-Term Care Costs</td> </tr> <tr> <td>Long-term care insurance premiums (per year)</td> <td></td> </tr> <tr> <td>Possible long-term care costs (per year)</td> <td></td> </tr> <tr> <td>Long-term care costs during elimination period</td> <td></td> </tr> <tr> <td>Anticipated out-of-pocket long-term care costs</td> <td></td> </tr> </tbody> </table> Online calculator resource: - www.aarp.org/work/retirement-planning/the-aarp-healthcare-costs-calculator	Type	Amount	Medical Care Costs		Medicare or Medicare Advantage premiums (per year)		Medigap supplement premiums if applicable (per year)		Anticipated medical out-of-pocket costs – Years 0-5		Anticipated medical out-of-pocket costs – Years 6-10		Anticipated medical out-of-pocket costs – Years 11-15		Anticipated medical out-of-pocket costs – Years 16-20		Anticipated medical out-of-pocket costs – Years 21-25		Anticipated medical out-of-pocket costs – Years 26-30		Anticipated medical out-of-pocket costs – Years 31-35		Anticipated medical out-of-pocket costs – Years 36-40		Long-Term Care Costs		Long-term care insurance premiums (per year)		Possible long-term care costs (per year)		Long-term care costs during elimination period		Anticipated out-of-pocket long-term care costs	
Type	Amount																																		
Medical Care Costs																																			
Medicare or Medicare Advantage premiums (per year)																																			
Medigap supplement premiums if applicable (per year)																																			
Anticipated medical out-of-pocket costs – Years 0-5																																			
Anticipated medical out-of-pocket costs – Years 6-10																																			
Anticipated medical out-of-pocket costs – Years 11-15																																			
Anticipated medical out-of-pocket costs – Years 16-20																																			
Anticipated medical out-of-pocket costs – Years 21-25																																			
Anticipated medical out-of-pocket costs – Years 26-30																																			
Anticipated medical out-of-pocket costs – Years 31-35																																			
Anticipated medical out-of-pocket costs – Years 36-40																																			
Long-Term Care Costs																																			
Long-term care insurance premiums (per year)																																			
Possible long-term care costs (per year)																																			
Long-term care costs during elimination period																																			
Anticipated out-of-pocket long-term care costs																																			



(✓)	Readiness Tasks
	<p>4. I have identified the personal values and lifestyle preference criteria to consider when making decisions about my medical and long-term care in retirement:</p> <p style="text-align: center;"><u>Critical</u> <u>Nice-to-Have</u></p>
	<p>5. I have calculated my known income stream and identified gaps between it and my estimated medical and long-term care costs.</p> <p>+ \$ _____ /year Known income stream</p> <p>- \$ _____ /year Possible out-of-pocket medical costs</p> <p>- \$ _____ /year Possible out-of-pocket long-term care costs</p> <p>= \$ _____ /year Possible gap in covering health care costs</p>
	<p>6. I have identified at least one optimal long-term strategy to match predictable, steady-stream income sources with particular types of medical and long-term care expenses.</p> <p>Does my strategy include options to bridge funding gaps? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>7. I have identified at least one fallback plan in case my health care costs exceed my expectations or my insurance coverage is reduced.</p>

Resources

- MyRetirementPaycheck.org
- Insurance Information Institute, www.iii.org
- Official U.S. Government Site for Medicare, <https://www.medicare.gov/>
- Publication: *Medicare & You 2016*, <https://www.medicare.gov/pubs/pdf/10050.pdf>
- U.S. Department of Health and Human Services, Administration on Aging (AOA), www.longtermcare.gov
- U.S. Social Security Administration, www.socialsecurity.gov/medicareonly



Info Sheet: Medical Costs Covered by Medicare

Medicare Basics

Online Resource. Go to the official government site for Medicare to find current, accurate information about Medicare eligibility, enrollment and coverage: <https://www.medicare.gov>.

Medicare Eligibility. People age 65 or older who are citizens or permanent residents of the United States are eligible for Medicare insurance. Coverage is available for an individual or spouse of an individual who receives or is eligible to receive Social Security benefits or Railroad Retirement benefits, or who has worked long enough in a government job through which Medicare taxes were paid.

Medicare Enrollment. Eligible individuals who are receiving benefits from Social Security or the Railroad Retirement Board are automatically enrolled in Medicare Part A and Part B at age 65. Persons might be automatically enrolled if they have a disability or ALS (Amyotrophic Lateral Sclerosis).

You need to sign up and select Medicare coverage before you turn 65 if you have not been enrolled automatically. The initial enrollment period to sign up for Part A or Part B extends seven months — three months before the month you turn 65 until three months after your birthday.

Sign up online, in person, or by phone.

- Apply online at Social Security: www.socialsecurity.gov/medicareonly.
- Apply in person by visiting your local Social Security office.
- Apply by calling Social Security: 800-772-1213.

Medicare Coverage. There are four basic types of Medicare coverage:

- Part A (Hospital Insurance) covers your inpatient care in hospitals and skilled nursing facilities, hospice, and home health care.
- Part B (Medical Insurance) covers your doctors' services, hospital outpatient care, home health care, and some preventive services.
- Part C (Medicare Advantage Plans) works like a health maintenance organization (HMO) or a preferred provider organization (PPO). Part C includes Part A and Part B coverage, and often Part D, through private insurance companies approved by Medicare.
- Part D (Medicare Prescription Drug Coverage) is a prescription drug program administered by Medicare-approved private insurance companies. Part D is designed to help cover the cost of your prescription drugs.



Medicare Costs. Medicare is NOT free. Your costs include deductibles, coinsurance and copayments for typical medical services. In some cases, individuals might be required to pay a monthly premium. Costs for 2016 are shown below.

- Part A: Typically, there is no premium charge for Part A. In 2016 the annual deductible is \$1,288. For those who do purchase Part A, the monthly premium can be up to \$411. In addition to the annual deductible of \$411, Part A charges for hospital inpatient care are determined by length of stay.
 - Days 1-60: \$0 coinsurance for each benefit period
 - Days 61-90: \$322 coinsurance per day of each benefit period
 - Days 91 and beyond: \$644 coinsurance per each "lifetime reserve day" after day 90 for each benefit period (up to 60 days over your lifetime)
 - Beyond lifetime reserve days: all costs
- Part B: The premium varies by income and can range from \$104.90 to \$335.70 per month. The annual deductible is \$166, and typically there is a 20 percent copay on Medicare-approved costs.
- Part C: The Medicare Advantage plans charge additional premiums and copays vary.
- Part D: The Prescription Drug Coverage plans charge additional premiums based on your income and chosen plan, and copays vary.

Medigap Insurance

Medigap, which is more formally known as "Medicare Supplement Insurance," covers coinsurance amounts, copayments and/or deductibles for the costs of Medicare-provided services (such as Parts A and B). You usually should buy a policy at the same time you enroll in Medicare Part B. If you wait until a later date to purchase a Medigap policy, the policy might be denied due to poor health conditions. Buying a policy when enrolling in Part B also avoids any late enrollment penalty.

Learn more about Medigap supplemental insurance at medicare.gov/supplement-other-insurance.

Long-Term Care Insurance

Long-term care insurance is available to help cover costs beyond what Medicare will cover. Insurance policies vary widely and offer different benefits. The benefits help to supplement out-of-pocket costs not covered by Medicare. These policies also may have an inflation rider. With an inflation rider, your daily benefit increases by a fixed percentage each year for a specified period. The cost of long-term care insurance varies widely depending on your age, physical health and the types of benefits selected.

Visit www.longtermcare.gov/ to learn more about long-term care insurance and determine whether it is something to include as part of your retirement planning.



Activity: Medicare Scenarios

Directions

Read each scenario and calculate which costs are covered by the individual and which costs are covered by Medicare for the medical care only. (Do not include any applicable Medicare premium costs.) Reference the *Medical Costs Covered by Medicare* info sheet if needed to perform the calculations.

Scenario 1: Olivia

Eighty-year-old Olivia fell and broke her hip. She was hospitalized for 100 days due to a variety of issues. She previously signed up for Medicare Part A benefits. What is the maximum amount that she will be responsible for, based on Medicare Part A coverage?

Category	Amount
Annual Deductible	
Days 1-60	
Days 61-90	
Days 91-100	
Total amount	

Scenario 2: Jackson

Jackson, age 69, has Type 2 diabetes and requires medication on a daily basis. He also requires daily medication for his hypertension. In addition to two annual doctor checkups that each cost \$150 per visit, he is required to have laboratory tests, which cost \$500 each visit, all of which are Medicare-approved fees. What costs will Medicare Part B cover for Jackson’s checkups and tests?

	Amount
Annual Medical Costs	
Deductible (Jackson)	
20 percent co-payment (Jackson)	
Total amount: Jackson’s responsibility	
Total amount: Paid through Medicare	



Activity: Options to Bridge the Gaps

Directions

Read each scenario and the options at the bottom of the page. For each scenario, select the option that you believe is the most appropriate for the circumstance.

Scenario 1: Hannah and Gabriel**Option:** _____

Hannah and Gabriel, both 65, each receive Social Security benefits. Gabriel also receives \$3,500 per month through his employer-sponsored pension plan. If he were to die first, the pension would end. They own a home which has a mortgage balance of \$200,000.

Scenario 2: Samuel and Sophie**Option:** _____

Samuel and Sophie are both 55. During retirement, they both will collect Social Security, and each will receive a pension of approximately \$750 per month. Their home is paid off. Samuel and Sophie each have HSA accounts with their current employers. They are in good health and have set aside \$100,000 in savings. The couple has a large extended family and many close friends, the majority of whom are employed in medical and social work fields. Their family has been very open about wanting to care for them during their aging process.

Scenario 3: Elizabeth**Option:** _____

Elizabeth, 65, receives Social Security benefits and a pension that will pay out \$3,000 per month for 15 years guaranteed. She does not have any close friends or family living near her. She suffers from osteoporosis and is very concerned about falling and breaking bones as she ages.

Options

- A. Probably buy an annuity
- B. Probably buy a life insurance policy
- C. Probably max out HSA contributions and discuss long-term care preferences with family and friends



Activity: Medicare Scenarios – ANSWER KEY

Directions

Read each scenario and calculate which costs are covered by the individual and which costs are covered by Medicare for the medical care only. (Do not include any applicable Medicare premium costs.) Reference the *Medical Costs Covered by Medicare* info sheet if needed to perform the calculations.

Scenario 1: Olivia

Eighty-year-old Olivia fell and broke her hip. She was hospitalized for 100 days due to a variety of issues. She previously signed up for Medicare Part A benefits. What is the maximum amount that she will be responsible for, based on Medicare Part A coverage?

Answer: Olivia will be responsible for paying \$17,388 based on 2016 information.

[Note: Verify current Medicare coverage and costs at www.medicare.gov.]

Category	Amount	Calculation
Annual Deductible	\$1,288	Medicare Part A annual deductible
Days 1-60	\$ 0	Coinsurance does not apply
Days 61-90	\$9,660	30 days x \$322 coinsurance per day
Days 91-100	\$6,440	10 days x \$644 coinsurance per day
Total amount	\$17,388	

Scenario 2: Jackson

Jackson, age 69, has Type 2 diabetes and requires medication on a daily basis. He also requires daily medication for his hypertension. In addition to two annual doctor checkups that each cost \$150 per visit, he is required to have laboratory tests, which cost \$500 each visit, all of which are Medicare-approved fees. What costs will Medicare Part B cover for Jackson’s checkups and tests?

Answer: Jackson will be responsible for paying \$392.80, and Medicare will cover \$907.20, based on 2016 information.

	Amount	Calculation
Annual Medical Costs	\$1,300.00	(2 x \$150) + (2 x \$500)
Deductible (Jackson)	\$ 166.00	Medicare Part B annual deductible
20 percent co-payment (Jackson)	\$ 226.80	(\$1,300 - \$166) x 0.2
Total amount: Jackson’s responsibility*	\$ 392.80	\$166 + \$226.80
Total amount: Paid through Medicare	\$ 907.20	\$1,300 - \$392.80

*Remember, Jackson also is responsible for paying monthly premiums for Medicare Part B coverage.



Activity: Options to Bridge the Gaps – ANSWER KEY

Directions

Read each scenario and the options at the bottom of the page. For each scenario, select the option that you believe is the most appropriate for the circumstance.

Scenario 1: Hannah and GabrielOption: B

Hannah and Gabriel, both 65, each receive Social Security benefits. Gabriel also receives \$3,500 per month through his employer-sponsored pension plan. If he were to die first, the pension would end. They own a home which has a mortgage balance of \$200,000.

Scenario 2: Samuel and SophieOption: C

Samuel and Sophie are both 55. During retirement, they both will collect Social Security, and each will receive a pension of approximately \$750 per month. Their home is paid off. Samuel and Sophie each have HSA accounts with their current employers. They are in good health and have set aside \$100,000 in savings. The couple has a large extended family and many close friends, the majority of whom are employed in medical and social work fields. Their family has been very open about wanting to care for them during their aging process.

Scenario 3: ElizabethOption: A

Elizabeth, 65, receives Social Security benefits and a pension that will pay out \$3,000 per month for 15 years guaranteed. She does not have any close friends or family living near her. She suffers from osteoporosis and is very concerned about falling and breaking bones as she ages.

Options

- A. Probably buy an annuity
- B. Probably buy a life insurance policy
- C. Probably max out HSA contributions and discuss long-term care preferences with family and friends