CAPTRUST

Health Insurance in Retirement

Retirement and Your Evolving Health Insurance Needs

Turning 65 can ease some of the financial burden of health care, as you're likely to qualify for Medicare—a federal health insurance program available starting at that age. However, if you retire before reaching 65, you'll need to find a way to cover your medical expenses until Medicare becomes available.

While some employers provide substantial health insurance benefits for retirees, this is relatively uncommon. If your employer doesn't offer continued coverage, you may need to explore other options, such as purchasing a private insurance plan (which can be expensive), extending your existing coverage through COBRA, or enrolling in a policy through a state or federal Health Insurance Marketplace.

It's also important to note that Medicare doesn't cover long-term care services. If you ever need long-term support, you'll be responsible for those costs unless you have long-term care insurance (LTCI) or qualify for Medicaid due to limited income or assets.

Understanding Medicare Coverage Options

As previously stated, most Americans become eligible for Medicare at age 65. If you're already collecting Social Security benefits at that time, enrollment in Medicare is automatic. Once enrolled, you'll need to determine whether Part A coverage alone meets your needs or if you should also sign up for Part B.
Part A—typically offered at no premium for most retirees—covers inpatient care, hospice services, and certain types of home health care. Part B helps with expenses for outpatient services such as doctor visits, lab work, and physical therapy.

Additionally, some retirees choose to join a Medicare Advantage plan (Part C), which is a managed care or fee-for-service plan offered by private insurers approved by Medicare. These plans may reduce out-of-pocket costs and often include additional benefits. If you lack adequate drug coverage, enrolling in a Medicare Part D prescription plan through a private provider approved by Medicare is also worth considering.

Keep in mind, though, that Medicare doesn't cover every expense. You'll still be responsible for deductibles, co-pays, and certain services. For this reason, many retirees look into purchasing supplemental insurance—commonly called a Medigap policy—to help cover these gaps.

It's important to know, however, that insurers cannot sell you a Medigap policy that significantly overlaps with any coverage you already have. You are not eligible to buy Medigap if you're enrolled in a Medicare Advantage (Part C) plan, and you may not need one if you already have post-retirement health coverage through an employer or a spouse.

The Role of Medigap Policies

If you're concerned about out-of-pocket costs not covered by Original Medicare (Parts A and B)—such as deductibles, co-pays, and coinsurance—a Medigap policy may be a valuable addition to your coverage. Medigap policies are designed to help reduce financial strain by covering certain expenses that Medicare doesn't pay for.

When you sign up for Medicare Part B at age 65 or older, you're granted a six-month Medigap open enrollment window. During this period, you have guaranteed access to purchase any Medigap plan offered by a private insurer, regardless of your health status. Insurers are not allowed to deny you coverage or charge you higher premiums due to preexisting conditions during this time.

Key Features of Medigap Plans

Standardized Plans:

- In most states, there are eight standardized Medigap plans available to new enrollees (note: Massachusetts, Minnesota, and Wisconsin use different systems).

Core & Additional Benefits:

- All Medigap plans include a basic set of benefits.
- All plans except Plan A offer additional features that help pay for services not fully covered by Medicare.

State-by-State Availability:

- While offerings may vary, most people can find a plan that fits both their healthcare needs and budget

Long-Term Care Insurance and Medicaid

The thought of needing extended care in a nursing home is a major concern for many aging individuals and their families, especially given how expensive long-term care can be.

That's why a number of people in their 50s or 60s explore LTCI as a way to prepare. A solid LTCI policy can help cover care in a nursing facility, an assisted living center, or even at home. However, it's wise not to delay—these policies usually require you to be in relatively good health, and premiums tend to rise with age.

Another option may be Medicaid, which can cover long-term care costs if your income and assets fall within certain limits. Because Medicaid eligibility and planning can be complex and may impact your spouse or heirs, it's best to consult a financial advisor or an attorney who specializes in this area before making any decisions.

Resource by the CAPTRUST wealth planning team

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