

Health Care and Retirement

The Employee Benefit Research Institute recently projected the amount that people who retire in 2018 will need to accumulate by age 65 to cover health care costs. EBRI projects that:

- A male currently age 55 will need to accumulate \$132,000 by 2018 to pay for the average Medigap policy.
- A female age 55 will need to accumulate \$181,000 by 2018 to pay for the average Medigap policy.
- For a couple, both age 65 in 2018 and living to life expectancy, the needed figure is \$325,000.

More importantly, many persons assume that costs will decrease as they get into their 80s and 90s. They also project that their spending will lessen later in retirement. But in reality health costs will rise and won't easily be contained. In fact, a recent Mercer survey projects that health care costs will rise at 5.9% in 2009 — a pace greater than the overall inflation rate.

Leverage COBRA Coverage

COBRA, the Consolidated Omnibus Reconciliation Act, is a federal law that requires most employers to offer former employees group health insurance for 18 months after termination of employment. Although group health coverage may be continued at group rates, continuing coverage under COBRA may be expensive. COBRA premiums can be up to 102% of the cost of coverage (102% of the employee cost plus employer cost) under the group health plan.

If you elect to continue group health coverage under COBRA, it is important that you obtain other coverage as soon as possible after COBRA coverage ends so that you will avoid a gap in coverage that could affect your future rights under federal law to obtain health insurance.

Medicare

Medicare is the primary health insurance provider for most Americans 65 and older. It's best to visit your local Social Security office three months before your 65th birthday to enroll in Medicare. Medicare Part A helps cover inpatient care in hospitals. Most people do not have to pay premiums for Medicare Part A.

When enrolling in Part A, you should also enroll in Part B, unless you or your spouse work beyond age 65 and you have health insurance from your employer. Do not wait to enroll in Part B for any other reason, as you would be penalized for a late enrollment. Part B covers doctors' visits. Keep in mind that you will have to pay monthly premiums and copayments.

Prescription drug coverage is available under Medicare Part D. However, you must pay a monthly premium (which varies by plan) and a yearly deductible for this coverage. You must also pay a part of the cost of your prescriptions, including a copayment or coinsurance. Costs will vary depending on which drug plan you choose.

Since Medicare will not pay for all of your medical costs, you may wish to buy supplemental coverage. Consider purchasing a Medigap policy, which pays deductibles, co-payments and some other out-of-pocket costs associated with Part A and Part B.

There are 12 different Medigap policies named "A" through "L," and they are standardized across the insurance industry. This means the same policy can be compared across insurance providers based on premiums. Be sure to sign up for Medigap insurance within six months of enrolling in Medicare Part B, to help ensure that your application is accepted.

Don't Overlook Long-Term Care Coverage

No part of Medicare covers long-term care, not even Medicare Advantage (Part C). Medicaid, another government program, does cover long-term care. But Medicaid only helps persons with few financial resources. Moreover, Medigap insurance does not cover long-term care either.

If you want insurance that helps pay for this expense, you need to buy a separate long-term care policy from an insurance company.

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