

## Healthcare in retirement: A comprehensive guide to your options

As you get older, healthcare becomes a more important consideration. Good preventive care can help you retain your ability to live independently, while emergency and critical care provide essential services for weathering major health crises.

Unfortunately, healthcare remains expensive even if you're on Medicare. You'll still be responsible for copays, deductibles, premiums, and other expenses. The Employee Benefits Research Institute estimates that a couple who retired in 2021 would need \$296,000 in savings to have a 90% chance of covering healthcare expenses in retirement.<sup>1</sup>

If you've recently retired or are preparing to, here are some of your options for healthcare after retirement.

## Medicare

**Medicare** is a federal health insurance program available to retirees who are 65 years of age and older. The program is comprised of four parts, each responsible for various costs and coverages.

**Part A** offers hospital insurance as well as skilled nursing facility care, hospice care, and home healthcare. It's usually premium free for people who have worked and paid Medicare taxes.<sup>2</sup> If you or your spouse are eligible to receive Social Security benefits, you'll qualify at no extra cost. People who aren't eligible for premium free Part A may participate by purchasing it.

### *Considerations:*

- Note that your eligibility and cost details may vary based on work history.
- Be mindful of coverage limitations, especially for long-term care not covered by Part A.

**Part B** covers the costs when you consult a doctor outside the hospital for activities such as outpatient care, doctor visits, preventive services, lab tests, medical equipment, and screenings. You'll pay a monthly premium for Part B. If you're receiving Social Security benefits, the premium will be deducted from your monthly payment.

### *Considerations:*

- Think about how premium costs compare to your estimated out-of-pocket expenses.
- Make sure you sign up during open enrollment to avoid late enrollment penalties.

**Part C, or Medicare Advantage**, is a private plan offered by private insurers and typically bundles Part A, Part B, and Part D benefits.

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<sup>1</sup> ["Spending in retirement,"](#) The Employee Benefits Research Institute

<sup>2</sup> [Eligibility for premium-free Part A if you are over 65 and Medicare-eligible - Medicare Interactive](#)

*Considerations:*

- Watch for plan costs and coverage that can vary significantly based on locations and providers.
- Make sure the network you choose covers your doctors and preferred facilities since some plans limit provider choices or require referrals.

**Part D** provides prescription drug coverage. Part D insurance can be purchased as a standalone plan or included in some Medicare Advantage plans.

*Considerations:*

- Compare plans for cost effectiveness and drug formulary.
- Be aware of the donut hole in drug coverage that can affect out-of-pocket costs.<sup>3</sup>

## Employer/self-funded

If you're not yet eligible for Medicare or prefer not to enroll, you may have options funded by your employer or that you can purchase yourself.

**Medigap (Medicare supplement insurance)** is a private policy that reimburses costs not covered by Medicare such as copayments and deductibles. You have to enroll in Medicare Parts A and B in order to buy a Medigap policy.

*Considerations:*

- Choose the right Medigap policy by understanding different plan benefits and costs.
- Consider enrollment timing since there are limited periods when you can enroll without underwriting. If you enroll soon after you turn 65, insurance companies must insure you at a standard cost; wait until later, and you may pay more or be rejected.

**Employer-sponsored retiree health insurance** can help supplement Medicare or serve as primary coverage. Ask the human resources team at your employer about whether they offer retiree health coverage and for details on eligibility, costs, and coverage.

*Considerations:*

- Check availability since not all employers offer retiree health insurance, and some provide it only to retirees who are not yet eligible for Medicare.
- Be sure to understand coverage and costs since plans vary significantly from employer to employer.
- Understand the details for who pays for what if you have both Medicare and employer coverage. Generally, one provider will be the primary payer, which pays first, and the other will be the secondary payer, which covers costs not paid by the primary payer. Ask your HR representative how your plan works with Medicare for details.

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<sup>3</sup> [“Costs in the coverage gap,”](#) Medicare.gov

**Retiree health savings accounts (HSAs)** from working years can be used for qualified medical expenses in retirement. These are tax-advantaged savings accounts that offer a tax deduction in the years you make contributions and tax-free growth afterward.

Although you can only make contributions in years when you are enrolled in a high-deductible health insurance policy, which means you can't continue to fund them once you're on Medicare, you can continue to use the money you've accumulated for health expenses as long as it lasts. Withdrawals for qualified health expenses are tax free.

If you're a few years away from retirement, consider contributing the maximum amount possible to build up assets for healthcare costs after you leave your job. In 2024, the [contribution ceiling](#) is \$ 4,150 for individuals and \$8,300 for couples who are both enrolled in HSA-compatible insurance.<sup>4</sup>

*Considerations:*

- Clarify what is permitted as not all health-related expenses are eligible for reimbursement. There can also be tax consequences for using HSA assets for non-qualified expenses.
- Use a well thought out strategy for withdrawals to carefully maximize tax advantages.

**The Affordable Care Act (ACA) Marketplace** can provide coverage if you retire before age 65 without retiree benefits. Although most people must select a plan during the open enrollment period (November 1 through December 15), retirement is considered a qualifying life event, meaning you don't have to wait for the next open enrollment.

Depending on your income, you may be eligible for federal subsidies to offset premium costs. The [healthcare.gov](https://www.healthcare.gov) website will walk you through the process of determining subsidies and selecting a plan.

*Considerations:*

- Watch for subsidies and plan choices that can vary based on income and location.
- Consider the timing of transition to Medicare when you reach eligibility age.

**Veterans Affairs (VA) Healthcare** is available to military veterans who may be eligible for healthcare services through the VA. Active-duty veterans who have served at least 24 months and received an honorable discharge are generally eligible.

*Considerations:*

- Understand eligibility and available services.
- Evaluate how VA benefits interact with other healthcare coverage like Medicare.

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<sup>4</sup> ["2023-2024 HSA Contribution Limits: Key numbers to know,"](#) Bankrate, May 2023

Managing costs for extended periods of care can help cover the expense of long-term care services such as nursing home care and home healthcare, which can run into the tens or even hundreds of thousands of dollars per year.

*Considerations:*

- Perform a thorough evaluation of policy costs versus potential long-term care needs in advance since these policies can be pricey.
- Consider inflation protection options to ensure coverage keeps pace with rising care costs.

## Some lesser-known healthcare coverage options

We've covered the basics, but there are a few other health programs that may be right for specific situations.

- **Direct primary care (DPC):** In these plans, patients pay a monthly, quarterly, or annual fee directly to a healthcare provider for a set of primary care services.
- **Community health programs:** These clinics can provide basic, low-cost care to retirees.
- **International health insurance:** If you're a dual citizen, you may qualify for health coverage outside the United States.
- **Concierge medicine:** You pay a retainer for personalized care.
- **Shared healthcare ministries:** These faith-based co-ops pool assets to provide health coverage to members.

## Protect your health by planning ahead

You'll need good health to enjoy a long, active retirement, and for that, you'll require reliable health insurance. Fortunately, you have a variety of options for ensuring affordable continuing coverage. Ask your financial professional to help you design a strategy that works for you.

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