
Despite reform, retirees face steep health care costs

By Editor Test Wed, Dec 1, 2010

Some prior estimates have been significantly revised downward as a result of changes to Medicare Part D (prescription drug) cost sharing that will be phased in by 2020 due to the recently enacted health reform law.

The new health reform law will reduce some health costs in retirement for many people, but retirees will still face substantial out-of-pocket health expenses, according to a new report from the Employee Benefit Research Institute (EBRI).

The full report is titled “Funding Savings Needed for Health Expenses for Persons Eligible for Medicare,” and is published in the December 2010 EBRI Issue Brief, online at www.ebri.org.

EBRI finds that men retiring in 2010 at age 65 will need \$65,000 to \$109,000 in savings to cover health insurance premiums and out-of-pocket expenses in retirement if they want a 50-50 chance of being able to have enough money. To improve the odds to 90 percent, they’ll need between \$124,000-\$211,000.

Women retiring this year at 65 will need even more: \$88,000 to \$146,000 if they want a 50% chance of having enough money, and \$143,000 to \$242,000 if they want a 90% chance.

Some prior estimates have been significantly revised downward as a result of changes to Medicare Part D (prescription drug) cost sharing that will be phased in by 2020 due to the recently enacted health reform law, the Patient Protection and Affordable Care Act of 2010 (PPACA). These estimates are for Medicare beneficiaries ages 65 and older. Those retiring earlier would need more.

The new EBRI analysis details how much savings an individual or couple will need to cover Medicare and out-of-pocket health care expenses in retirement, updating earlier EBRI simulation results from 2008.

“Because employers are continuing to scale back retiree health benefits, and policymakers may soon begin to address Medicare’s funding shortfall, more of the financial costs of health care will be shifted to Medicare beneficiaries in the future,” said Paul Fronstin, director of EBRI’s Health Research and Education Program, and a co-author of the report.

EBRI notes that in 2007 (the most recent data available), Medicare covered 64% of the cost of health care services for Medicare beneficiaries age 65 and older. Retirees covered 14% and private insurance and various other government programs covered the remaining 12% percent of costs.

Among the key findings of the EBRI analysis:

- **Single men.** Men retiring at age 65 in 2010 will need \$65,000 to \$109,000 in savings to cover health insurance premiums and out-of-pocket expenses, if they want an average (50-50) chance of having enough money. If they want a 90% chance, they’ll need \$124,000 to \$211,000.
- **Single women.** Women retiring at age 65 in 2010 will need \$88,000 to \$146,000 in savings to cover

health insurance premiums and out-of-pocket expenses for a 50% chance of having enough money, and \$143,000 to \$242,000 if they prefer a 90% chance.

- **The near-elderly.** Persons now age 55 will need even greater savings when they turn 65 in 2020. The needed savings for men retiring in 2020 range from \$111,000 to \$354,000, while needed savings for women range from \$147,000 to \$406,000 (in 2020 dollars), depending on individual factors.

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