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## 'Yours Sincerely, Wasting Away'

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By Kerry Pechter      Thu, Jan 5, 2017

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*Ultimately, I'm fatalistic about the high cost of getting old. No matter how expensive health care gets, the elderly and their families will pay no more than they are willing and able to pay, and no amount of money or insurance can stop the inevitable.*

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Sky-high projections of retirees' out-of-pocket medical costs have forced me to consider several preventative options: Vegetarianism, specialized hip-joint exercises, severely restricted sugar and alcohol intake, and even—when Churchill's "black dog" is on me—assisted suicide. If I stay healthy, or if I'm not alive, maybe I can beat the high cost of health care in retirement.

Those projections—you've probably seen them—suggest that my wife and I are going to need to save an extra half-million dollars, on top of our current eke-by savings, just to cover medical costs after we retire. And if the incoming Republican administration decides to apply a free-market remedy to rising Medicare costs—perhaps by putting managed care companies entirely in charge—then private medical costs could be higher (while taxes on the wealthy might be lower).

My research for today's *RIJ* cover story on Medicare (see "When You're 64") supplemental insurance led me to believe that a middle-class couple over age 65 might be able to cap their household's ongoing retirement medical expenses at roughly the cost of premia, about \$7,200 per year in current dollars, plus costs for sporadic dental, vision and hearing care.

That estimate comes from adding monthly Medicare Part B costs (\$109 per person), "Medigap" insurance costs (\$150 per person), and prescription drug plan costs (\$50 per person). I have no idea what the incidental costs might be—periodontal care, for instance, might cost a bundle—because I don't currently pay them out of pocket. I'm also not counting potential costs associated with assisted living expenses or long-term care, perhaps because neither my late parents nor my in-laws ever incurred them. (I'm also ignoring the costs of organic foods, which we now buy as a hedge against senescence.)

From what I read, however, my estimates are wishfully low. On the other hand, an advisor and actuary told me that there's not much reason to worry any more than usual.

Credible sources—[Fidelity](#), the [Employee Benefits Research Institute](#), Ron Mastrogiovanni's [Healthview Services](#)—that many retirees will need much more money in retirement than they expected because of the risk of extreme longevity, Alzheimer's disease, and the ever-growing costs of medical care. Here are examples of what they've said on the subject:

- "For a married couple both with drug expenses at the 90th percentile throughout retirement who want a 90% chance of having enough money saved for health care expenses in retirement by age 65, targeted savings increased from \$326,000 in 2014 to \$392,000 in 2015," according to EBRI.
- "If you're not factoring health care costs into your retirement savings strategy, you could be setting yourself up for a nasty financial shock. According to the latest retiree health care cost estimate from Fidelity Benefits Consulting, a 65-year-old couple retiring this year will need an average of \$260,000 (in today's dollars) to cover medical expenses throughout retirement, up from \$245,000 in 2015... That applies only to retirees with traditional Medicare insurance coverage, and does not include costs associated with nursing home care. Fidelity estimates that a 65-year-old couple would need an additional \$130,000 to insure against long-term care expenses."
- "HealthView's data shows the magnitude of the financial challenges women will face during retirement. Average expected health care costs (for Medicare B, D, and a supplemental insurance policy) for a healthy 65-year-old women retiring this year (living to age 89) are projected to be \$235,526 (\$153,079 in today's dollars). A man of the same age (living to age 87) will need \$199,946 (\$135,321). Adding all out-of-pockets, dental, and vision increases a woman's health care outlays to \$306,426 (\$199,951) compared to \$260,422 (\$176,769) for men."

I'm in denial about all this, probably because of my personal experiences. My mother died suddenly of a pulmonary embolism. My father and father-in-law died at home in their respective bathrooms—probably while looking for an emergency aspirin tablet. My mother-in-law was ill for nine months before she died, but was cared for at home by her daughter, a niece and a part-time nurse.

To get objective opinions about health care costs in retirement, I asked a couple of retirement experts what they've seen. Their answers were somewhat reassuring.

"I work with retirees. None have experienced the catastrophic costs I see referenced everywhere," said Dana Anspach, a financial advisor and CEO at Sensible Money LLC in Scottsdale, Arizona. "Often I frame it this way to them: Right now most of us are paying \$10,000 a year in total medical when you add up premiums, out-of-pocket costs, dental, etc. Just extend that existing cost into retirement over 25 years with a mild inflation rate and

you have over a \$300,000 “bill”. But to me framing it that way is a scare tactic. It’s an extension of what you’re already paying.

“I’d love to see a study of real retirees from age 65 to 85, broken into income sectors—low, medium and high—and what they are actually paying,” she added. “Much like the work that [Morningstar’s David] Blanchett has done on how inflation impacts retirees of different income levels in different ways, it would be interesting to see how health care costs impact different sectors, and how much “cost” is alternative care that the higher-income retirees choose to spend on, versus basics that the lower-income retirees will pay.”

Anna Rappaport, an actuarial consultant and chair of the Society of Actuary’s Committee on Post-Retirement Needs and Risks, agreed with Anspach. “Most people [I’ve known] with Medicare and supplements paid premiums but did not face large, acute, uncovered medical bills,” she said. “They did face unexpected dental bills and some had uncovered items. While insurance covered acute medical costs, long-term care was very different, and a few people had huge long term care costs.”

So, sure, bad stuff happens. It’s not uncommon to hear medico-financial horror stories from friends and relatives. For instance, both parents of one of my friends required long-term care for Alzheimer’s disease simultaneously. Another friend had to deplete his liquid assets in a hurry to allow his dementia-suffering spouse to qualify for Medicaid-paid nursing home care.

In another case, an 88-year-old woman chose hospice, and died two days later, rather than allow the ongoing costs of dialysis to consume all her remaining assets and deprive her children of an inheritance. Experiences vary widely, as they always do. Averages are always misleading. Ultimately, I’m fatalistic about the high cost of getting old. The elderly and their families will pay no more than they are willing and able to pay, and no amount of money or insurance can stop the inevitable.

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