

4 actions to help prepare for health care expenses in retirement

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Explore key considerations to help manage rising health care costs during your retirement.

Health care expenses in retirement can vary greatly, which is why developing a specific-to-you approach for these costs can be a key part of effective retirement planning. Estimating your expected health care costs and understanding your coverage options could give you a better chance of meeting those obligations throughout your retirement — so you can stay focused on the excitement of what comes next.

Here are some strategies to consider when planning for health care expenses in retirement.

Estimate your costs

Numbers vary widely, but here's what we know: Many older adults in the United States cannot afford their prescription medications and many of them are skipping doses altogether.¹ This can not only lead to worse health outcomes overall, but ultimately increased overall health care spending. So, how does one estimate the right number to get them through retirement? The answer might be counterintuitive. For example, your health care costs in retirement can be greater if you're healthier because you may need medical care over a longer life span. To help you develop an estimate, there are simple health care cost calculators, such as [this one from the Kaiser Family Foundation](#).

Determine your expected health care benefits

Few employers continue benefits into retirement, so you will need to explore your coverage options if you aren't yet 65 and eligible for Medicare. (The increasing prevalence of freelance and contract work, and the overall rise in the gig economy, may mean that you're self-insured and already have insight into that expense.)

Even if you are eligible for Medicare, you need to determine what the government will pay. Medicare might not cover what you expect, so be sure to research your options online.

Some examples:

- Medicare may pay only a portion of costs for people staying in a rehabilitation center or nursing facility, and there are restrictions on what is covered.
- Coverage is limited to certain skilled care procedures performed by a registered nurse or doctor, such as intravenous injections and physical therapy. It also doesn't cover the cost of procedures such as routine dental care and hearing exams.
- Procedures done to improve your appearance without a medical need are not covered.

Consider researching your medication coverage as well. Before you retire, ask your pharmacy for a Medicare Part D report. It will provide a rundown of what your medications will cost in retirement and how much is covered for the various Part D options. Speaking of pharmacies, consider doing some comparison shopping to see if you could save money getting your prescriptions filled elsewhere. Switching to a mail-order pharmacy for regularly scheduled medications might also be worth considering.

You can sign up for Medicare Part A anytime after you turn 65. Your Part A coverage starts six months back from when you sign up or when you apply for benefits from Social Security (or the Railroad Retirement Board). Coverage can't start earlier than the month you turn 65.

Also, be aware that if you are contributing to a Health Savings Account (HSA), you should stop those contributions six months before your Medicare coverage takes effect to avoid a tax penalty.

Factor in long-term care

Long-term care involves services people may need if they're chronically ill or have disabilities rendering them unable to perform daily activities such as bathing or dressing. The need to [prepare for those services](#) may be more important than you think: According to MedicareGuide.com, men who turn 65 in the next few years will spend an average of \$142,000 on long-term care, and that number rises to \$176,000 for women of the same age.²

In the case of Medicare, coverage kicks in only if long-term care is medically necessary — and then only for 100 days in a skilled or specialized nursing facility following a three-day inpatient hospital stay. The alternative — staying in a semiprivate nursing home — can prove costly. The monthly median cost of a semiprivate nursing home room is \$8,929 per month, or \$294 per day³

Research options to fill the gap

Whether you qualify for coverage under Medicare or not, you'll likely need an additional resource to help balance benefits and costs. Those who have Medicare may want to consider a supplemental health insurance policy such as [Medigap](#). Such a policy helps you pay for some of the medical costs Medicare doesn't cover.

Purchasing a long-term-care insurance policy may help you avoid, or at least reduce, the amount you might need to pull from your savings or that a family member might need to contribute to cover long-term-care costs. The average stay in a long-term-care facility is three years, which can add up if you don't opt for long-term-care insurance. If you stay in a semiprivate room in a nursing home for three years, you may expect to pay roughly \$321,000 or more, depending on your required level of care.³

The two main forms of long-term-care insurance are traditional and hybrid. The traditional variety typically involves paying an annual premium and lets you choose how much coverage you want. The coverage is only valid if you are paying premiums.

The hybrid variety is actually a life insurance policy that allows a portion of the policy's cash value to be used for long-term care. Beneficiaries can also receive a death benefit when you pass away. Death benefits will typically be reduced if long-term care benefits are used.

Retirement planning really boils down to understanding and mitigating the biggest risks. Then you can decide how to address the risks so that you feel comfortable about your future.

1. "Millions of seniors can't afford their prescription medications: Study," ABC News, 5 September 2024.
2. "How Much Long-Term Care Will You Need?" medicareguide.com, 29 August 2025.
3. "Nursing Home Costs in 2024," SeniorLiving.org

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