

Health Care Expenses in Retirement Average \$67,000 — Even With Medicare Coverage

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When planning for retirement, health care costs can be one of those budget line items that takes a back seat to other cost-of-living expenses. But even with a Medicare insurance plan, American retirees will likely have to pay tens of thousands of dollars — with a handful of people hitting the six-figure mark — in out-of-pocket health care costs, new research finds.

In a brief published by the Center for Retirement Research at Boston College, research economist Karolos Arapakis breaks out categories of health care spending in retirement. Across the population of retirees, [Medicare](#) covers close to two-thirds of the cost of health care, with Medicaid covering an additional 11% and a patchwork of other government and private programs kicking in another 4%. That leaves close to 22% — not including the cost of premiums — that [retirees themselves have to come up with](#).

How much does the average retiree spend on health care?

Arapakis found that the average retiree household incurs \$21,400 in health care costs annually. This includes both covered and out-of-pocket care. (The research looked at households with two spouses as well as those with only one surviving spouse.) That average cost disguises the fact that many families wind up paying considerably more: 10% have annual health care costs of \$43,500 or higher.

Even with nearly 80% of those costs covered by insurance, that still adds to a significant financial burden on retirees, which many are unprepared to afford. Starting when members reach the age of 65, Arapakis estimated that the average household will spend \$67,000 on out-of-pocket health care

costs over the remainder of their lifetime, while 10% will be saddled with a whopping \$138,000 or more.

While a health catastrophe can strike at any point, Arapakis says people should be aware of the cumulative costs they bear over the years even in the absence of a serious one-time health event. “There is a risk for very significant medical spending,” he says.

One of the top expenses in retirement

Long-term care, like a nursing home stay, drives up these figures, especially as people age. Arapakis found. By the time people hit the age of 90, households incur an annual average of \$36,600 in health care costs, which adds up to \$24,000 in non-covered costs for their remaining lifespan.

These might sound like large numbers, but they fall roughly in line with other calculations of retiree health expenses. An average 65-year-old retired couple could need to [save as much as \\$315,000](#) in order to cover their costs of medical care in retirement, according to the Fidelity Retiree Health Care Cost Estimate. This figure has been climbing steadily and is roughly double the amount it was when Fidelity started tracking it roughly two decades ago.

What you can do about health care costs

Although these numbers might sound scary, it’s important to keep them in perspective, says Scott Cole, founder and president of Cole Financial Planning and Wealth Management. “Sometimes that number is so overwhelming that [people] just shut down... and take an almost fatalistic approach,” he says.

It’s better to be proactive with the savings you can manage than adopting a defeatist attitude. Here are some strategies that can help you manage the health care costs you may have to pay in retirement.

Learn about Medicare plans

Educate yourself about what Medicare does — and doesn’t — cover. Fidelity found that 40% of Americans think that Medicare will cover nursing home care, which it doesn’t. It also found that many people are unaware of the role that supplemental or Medigap policies can play in keeping health care expenses manageable.

Look into long-term care insurance

The [expense of assisted living or skilled nursing facilities](#) is a cost that can easily cause retirees to run through a lifetime of savings, including assets they might have wished to pass onto their heirs. “The best-case scenario is to have some sort of coverage for long-term care,” says **Peter Gallagher, managing director of Unified Retirement Planning Group**. Policies that combine a life insurance component and a long-term care component ensure that your beneficiary will receive a death benefit if you die without having to tap the [long-term care coverage](#). “Some policies have a residual death benefit... if they don’t use the policy [during their life],” he says.

Consider an HSA

Roughly half of American workers have access to a high-deductible health plan through their employers. If you’re one of them, a health savings account can be a good way to [sock away pre-tax dollars](#) that can grow over the years to help defray the cost of care once you hit retirement.

Prioritize your health

“There’s something to be said about how you treat your body. For a lot of people, the ability to control your health is largely in your hands. Otherwise, this is really a function of cash management,” says Douglas Boneparth, president of Bone Fide Wealth. If you have a chronic condition such as diabetes or high blood pressure, Boneparth recommends budgeting for the cost of managing it as recommended by your doctor when you calculate anticipated retirement expenses. “It’s a great intersection of financial health and personal health, and how the two things are intertwined,” he says.