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Harmony Wealth Strategies
BUILDING AND SAFEGUARDING YOUR FINANCIAL WORLD

Health Insurance in Retirement

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At any age, health care is a priority. When you retire, however, you will probably focus more on health care than ever before. Staying healthy is your goal, and this can mean more visits to the doctor for preventive tests and routine checkups. There's also a chance that your health will decline as you grow older, increasing your need for costly prescription drugs or medical treatments. That's why having health insurance is extremely important.

Retirement--your changing health insurance needs

If you are 65 or older when you retire, your worries may lessen when it comes to paying for health care--you are most likely eligible for certain health benefits from Medicare, a federal health insurance program, upon your 65th birthday. But if you retire before age 65, you'll need some way to pay for your health care until Medicare kicks in. Generous employers may offer extensive health insurance coverage to their retiring employees, but this is the exception rather than the rule. If your employer doesn't extend health benefits to you, you may need to buy a private health insurance policy (which may be costly), extend your employer-sponsored coverage through COBRA, or purchase an individual health insurance policy through either a state-based or federal health insurance Exchange Marketplace.

But remember, Medicare won't pay for long-term care if you ever need it. You'll need to pay for that out of pocket or rely on benefits from long-term care insurance (LTCI) or, if your assets and/or income are low enough to allow you to qualify, Medicaid.

More about Medicare

As mentioned, most Americans automatically become entitled to Medicare when they turn 65. In fact, if you're already receiving Social Security benefits, you won't even have to apply--you'll be automatically enrolled in Medicare. However, you will have to decide whether you need only Part A coverage (which is premium-free for most retirees) or if you want to also purchase Part B coverage. Part A, commonly referred to as the hospital insurance portion of Medicare, can help pay for your home health care, hospice care, and inpatient hospital care. Part B helps cover other medical care such as physician care, laboratory tests, and physical therapy. You may also choose to enroll in a managed care plan or private fee-for-service plan under Medicare Part C (Medicare Advantage) if you want to pay fewer out-of-pocket health-care costs. If you don't already have adequate prescription drug coverage, you should also consider joining a Medicare prescription drug plan offered in your area by a private company or insurer that has been approved by Medicare.

Unfortunately, Medicare won't cover all of your health-care expenses. For some types of care, you'll have to satisfy a deductible and make co-payments. That's why many retirees purchase a Medigap policy.

What is Medigap?

Unless you can afford to pay for the things that Medicare doesn't cover, including the annual co-payments and deductibles that apply to certain types of care, you may want to buy some type of Medigap policy when you sign up for Medicare Part B. There are 10 standard Medigap policies available. Each of these policies offers certain basic core benefits, and all but the most basic policy (Plan A) offer various combinations of additional benefits designed to cover what Medicare does not. Although not all Medigap plans are available in every state, you should be able to find a plan that best meets your needs and your budget.

When you first enroll in Medicare Part B at age 65 or older, you have a six-month Medigap open enrollment period. During that time, you have a right to buy the Medigap policy of your choice from a private insurance company, regardless of any health problems you may have. The company cannot refuse you a policy or charge you more than other open enrollment applicants.

Thinking about the future--long-term care insurance and Medicaid

The possibility of a prolonged stay in a nursing home weighs heavily on the minds of many older Americans and their families. That's hardly surprising, especially considering the high cost of long-term care.

Many people in their 50s and 60s look into purchasing LTCI. A good LTCI policy can cover the cost of care in a nursing home, an assisted-living facility, or even your own home. But if you're interested, don't wait too long to buy it--you'll need to be in good health. In addition, the older you are, the higher the premium you'll pay.

You may also be able to rely on Medicaid to pay for long-term care if your assets and/or income are low enough to allow you to qualify. But check first with a financial professional or an attorney experienced in Medicaid planning. The rules surrounding this issue are numerous and complicated and can affect you, your spouse, and your beneficiaries and/or heirs.

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