

For Your Benefit

OCTOBER 2017

Retiree Health Care Costs Continue To Surge

RETIREE HEALTH CARE COSTS CONTINUE TO RISE.

- The estimate for retiree health care spending rises to an average of \$275,000 per couple, excluding long-term care expenses.
- This is an increase of \$15,000 from 2016.
- Health care continues to be one of the largest expenses in retirement.

If you're not factoring health care costs into your retirement savings strategy, you could be setting yourself up for major financial angina. 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 \$275,000 (in today's dollars) to cover medical expenses throughout retirement, up from \$260,000 in 2016.

And that applies only to retirees with traditional Medicare insurance coverage, and does not include costs associated with nursing home care.

"The sticker shock of this estimate hopefully reinforces for many people that they need to act now, regardless of their age," says Adam Stavisky, senior vice president of the Benefits Consulting business at Fidelity Investments. "Rising health care expenses are forcing people to rethink important financial and health decisions now more than ever, ranging from the services they use to the age they choose to retire."

SAVING FOR FUTURE HEALTH CARE NEEDS

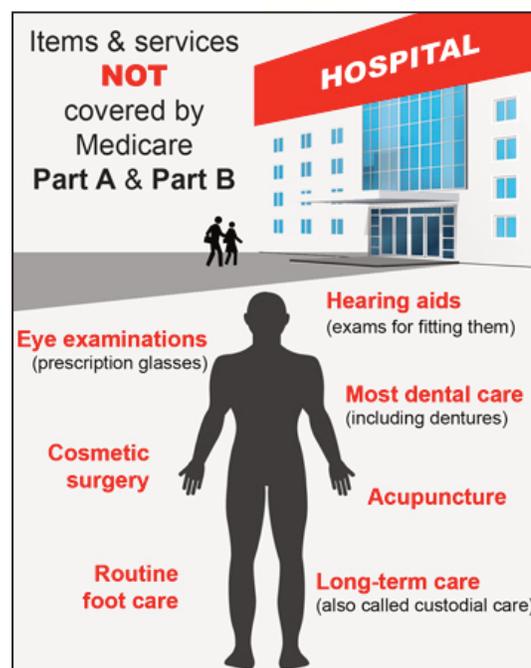
For people enrolled in high-deductible health plans paired with health savings accounts (HSAs), they may open an HSA to save for qualified health care expenses today and in retirement. HSAs are a convenient way to pay for current and future medical expenses through a tax-advantaged account. Contributions that are not spent each year may carry over and be invested to help pay for health care in retirement. In addition, the accounts are portable for individuals who change employers.

Tip: At age 65, you can use money from your HSA to pay for Medicare Parts A, B, and D and Medicare Advantage premiums, tax free and penalty free. You cannot use your HSA to pay for Medigap insurance premiums.

PLAN FOR LONG-TERM CARE

While Medicare is designed to cover many of your health-related expenses in retirement, it does not cover everything (see graphic). Of course, long-term care expenses are based on many factors, and the need for long-term care insurance (and level of coverage) is highly dependent on individual circumstances.

Long-term care is a key risk to your retirement plan, and you need to plan for it. It will affect you and your caregivers financially, physically, and emotionally. Having a plan to address these concerns is critical to easing the burden of this risk on yourself, your family, and your friends.



WHEN YOU RETIRE MATTERS

Your particular health care costs in retirement will vary, of course, depending on your health and your insurance and other medical costs. But another critical factor is when you retire. Medicare eligibility begins at age 65. Similar to the decision preretirees make about when to start claiming Social Security, health care costs should be factored into the retirement timing decision.

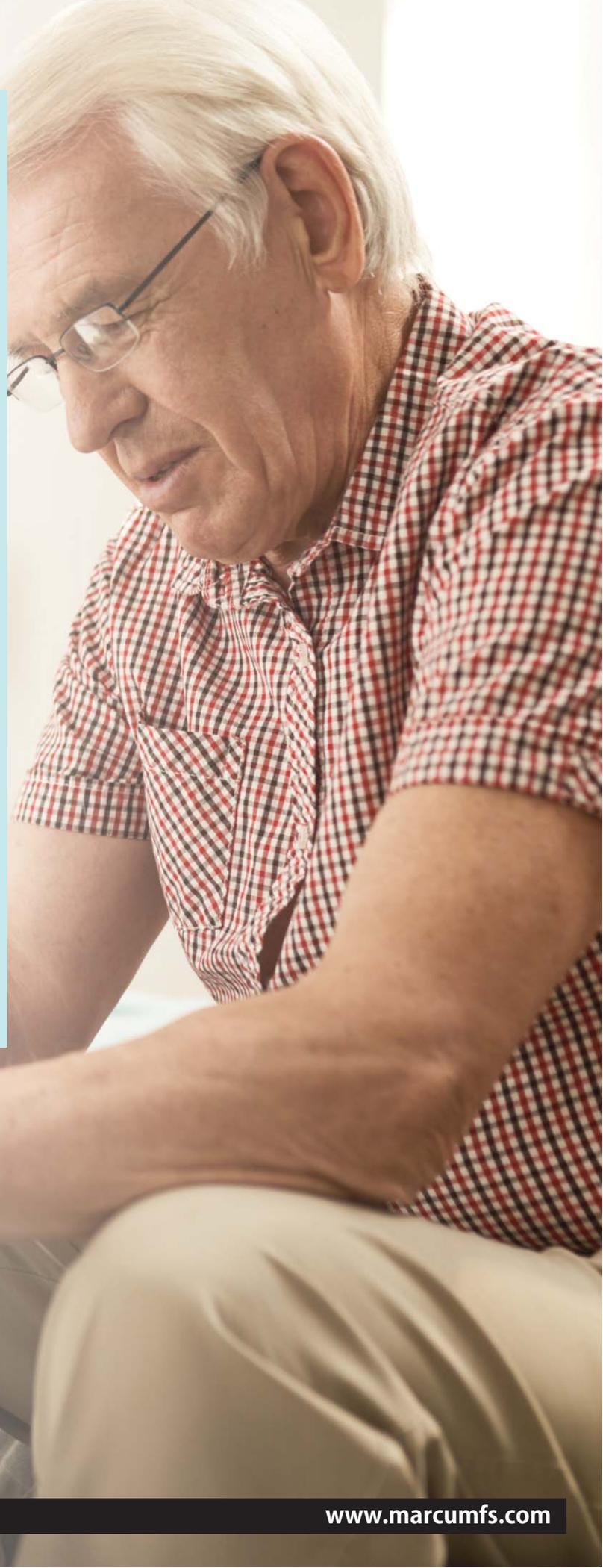
"Knowing exactly when you'll retire is tricky. Health issues, caregiving duties, or someone's occupation can play a role in your decision to retire," says Stavisky.

"Even if you are a very healthy person today, it's critical that you plan well in advance for the considerable cost of health care, by adding it into your overall retirement planning discussions."

As preretirees evaluate health insurance options for retirement, they may wish to consider, among other options, Medicare Advantage programs available in their area. Under typical Medicare Advantage plans, people pay monthly premiums to a private insurer and in many cases have a higher percentage of claims and prescriptions covered versus traditional Medicare. Over an extended time period like a couple's retirement, this option could reduce their overall costs. One warning: Certain plans come with a lot of restrictions that may constrain you to receiving service only in a specific geographic area, or from a limited network of health care providers.

Tip: You and your spouse should choose your insurance separately. Once the older spouse or partner reaches age 65, health insurance becomes an individual decision. Since there is no "joint" or "family" coverage under Medicare, it may be most cost-effective for you and your spouse to choose different coverage options from separate insurance companies.

There are lots of health care and financial decisions to make as you transition to retirement. In addition to needing a strategy to claim retirement income and Social Security, you may need to develop a strategy to help you bridge the gap until you are eligible for Medicare coverage at age 65. Once you are eligible to enroll in Medicare, be sure to get the health care part of the equation right.



Study Supports Annual Mammograms Starting At Age 40

HOW FREQUENTLY SHOULD WOMEN GET A MAMMOGRAM?

Guidelines differ, but a new study estimates thousands of U.S. lives could be saved if mammograms were done every year from age 40 to 84.

"Screening annually starting at age 40 is the best strategy to avert an early breast cancer death," said study co-author R. Edward Hendrick, a radiology professor at the University of Colorado School of Medicine.

In the United States, more than 40,600 women will die from breast cancer this year alone, according to the American Cancer Society. And about 252,700 new cases of invasive breast cancer will be diagnosed.

Hendrick and his colleagues used computer modeling to assess the three major mammogram recommendations: annual screening from age 40 to 84; annual screening at ages 45 to 54, then every other year from 55 to 79; or every other year from 50 to 74.

"We know that screening mammography saves lives," Hendrick said. "What's still a mystery is how many breast cancer deaths are averted by screening mammography and appropriate treatment."

The researchers estimated how many lives would be saved if every U.S. woman born in 1960 followed one of the three recommendations each year. Deaths from breast cancer would fall by an average of 40 percent with annual screenings from 40 to 84, the investigators reported. By comparison, breast cancer mortality would decline 31 percent with screening until age 79. And it would drop 23 percent with every-other-year mammography from 50 to 74, which is recommended by the U.S. Preventive Services Task Force.

The number of lives saved from breast cancer would be about 29,400 with annual screening from age 40 to 84; and about 22,800 and 17,200, respectively, for the other two recommendations, the researchers found.

Which approach women adopt "makes an enormous difference in terms of breast cancer deaths averted," Hendrick said.

Currently, only about half of women over 40 get mammogram screening at least once every two years, even though one in eight is expected to develop breast cancer in their lives, Hendrick said.

The study has limitations, however. For example, it doesn't examine costs, whether existing machines and staff members could handle an influx of mammogram patients, or whether the higher expense could be better spent elsewhere.

Study lead author Dr. Elizabeth Kagan Arleo said, "These important questions are beyond the scope of our research." She's an associate professor of radiology at New York-Presbyterian/Weill Cornell Medical Center in New York City.

Of course, false positive results that require additional and unnecessary screening remain a concern. But, according to Hendrick, "the average woman in her 40s getting annual screening can expect this to occur about once every 12 years."

In addition, "the second most common risk would be a woman who does not have breast cancer being asked to get a breast biopsy," Hendrick said. "The average woman in her 40s getting annual screening can expect this to occur about once every 150 years."

Other risks include a mammogram that misses breast cancer or a case of breast cancer caused by mammogram radiation, he said, but these are rare. "If a woman wants to maximize her chances of averting an untimely breast cancer death," Hendrick said, "she should start screening at age 40 and continue screening annually until her life expectancy is less than five to seven years."

Not every expert agrees. Dr. Otis Brawley, chief medical officer of the American Cancer Society, supports the mammography recommendations of his organization: starting at 45 instead of 40, unless 40 is preferred, and converting to every-other-year mammograms at age 55. "For a woman who is 40 years old of average risk, the chances that a mammogram is going to be important in her health over the next five or 10 years is really pretty small," Brawley wrote in a commentary accompanying the new study. "Mammography is an imperfect tool, and the chances that she will have a false positive or false alarm is really pretty high," he added.

