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What You Can Expect in Medical Expenses After You Retire

From [Inside Personal Finance](#)

As you estimate the expenses you are likely to incur after you retire, pay attention to the costs of medical care, especially medical insurance. You are likely to spend \$3,500 to \$11,000 annually on medical insurance -- and that's *before* you visit a doctor or hospital, before you even fill a prescription, see a dentist, or visit an optician.

Your primary defense is Medicare. Sign up for it three months before your 65th birthday. Medicare consists of Part A and Part B. Sign up for both; if you delay signing up for Part B until after you lack coverage, the premium for Part B increases 10% for every year you defer. Note: If you are still employed and covered by health insurance at work, defer signing up for Part B until you are no longer covered at work.

Let's see what each part covers:

Part A is free -- thank you, Uncle Sam -- and it pays part of the expenses for inpatient hospital charges. It also pays for skilled nursing facility care. However, it pays nothing for the first 20 days, but for day 21 through 100, it pays up to \$114 per day. Part A also pays a very small amount of home health care costs.

Under Part A, you will pay the following for each benefit period. (Benefit periods start the first day the Medicare client is provided inpatient hospital, skilled nursing, or rehabilitation services and ends when the Medicare client has not been an inpatient of a hospital or other facility for 60 consecutive days.)

- > A deductible of up to \$912 for a hospital stay of 1-60 days.
- > \$228 per day for days 61-90 of a hospital stay.
- > \$456 per day for days 91-150 of a hospital stay.
- > After 150 days, you pay all costs.

Did I say Part A is free? Well, that's because you've been paying for it via Social Security payroll taxes. Oh, you didn't have an earned income or accumulate 40 quarters of Social Security coverage? Well, in that case, you will have to pay the Part A premium, and it's expensive (\$375 per month). So it's worth staying -- or getting -- employed so you can rack up those 40 quarters (that's 10 years) under the Social Security system.

Part B, by contrast, is not free. The monthly premium for one person is \$78.20. Thus, married couples will pay \$1,876.80 this year. Part B pays for some physician charges, outpatient hospital services, certain home health services, and durable medical equipment. There's a \$110 deductible this year, and you pay 20% of the Medicare-approved amount for services after that.

But even used together, Medicare Parts A and B don't cover everything. Unfortunately, there are lots of gaps between what care costs and what Medicare pays. For example, after 150 days in a hospital and 100 days in a skilled nursing facility, Medicare pays little to nothing. Because of these "gaps," the insurance industry offers a solution: So-called "Medigap" policies help cover what Medicare itself does not.

There are 10 versions of Medigap insurance, labeled A to J. Look at all 10 and decide which you like best -- A offers the least benefits and is the least expensive; J is the opposite -- and then shop around for the best price. You'll pay \$800 to \$10,000 or more a year per person. To learn more about the policies and the costs, go to www.medicare.gov and click on "Medicare Personal Plan Finder."

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