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Contact:
Betsy Jaffe
Director, Marketing and Public Relations
Employee Benefit Research Institute
press-media@ebri.org
202.775.6347

Savings Needed for Medicare Beneficiaries' Health Expenses Rise

New EBRI Study Finds Retired Couples May Need \$400,000 in Savings, Up 8 Percent Since 2017

Washington, D.C. – October 25, 2018 – Americans should be concerned about saving for health insurance premiums and out-of-pocket expenses in retirement. A new health study conducted by the Employee Benefit Research Institute (EBRI), a private, non-partisan, non-profit research group, finds that from 2011–2018, the savings Medicare beneficiaries will need to cover program premiums, deductibles, and other health expenses in retirement will have risen as much as 9 percent. For some couples, this amount could exceed \$400,000.

“Savings Medicare Beneficiaries Need for Health Expenses: Some Couples Could Need as Much as \$400,000, Up From \$370,000 in 2017” examines the savings needed to pay for premiums for Medicare Parts B and D, premiums for Medigap Plan F, and out-of-pocket spending for outpatient prescription drugs. Medicare generally covers only about two-thirds of the cost of health care services for Medicare beneficiaries ages 65 and older, while out-of-pocket spending accounts for 12 percent. Contributing to the rising expenses is the declining percentage of private-sector establishments offering retiree health benefits, the price of prescription drugs rising, and changes to Medicare.

“It’s important to note that many Americans will likely need more savings than cited in this report,” said Paul Fronstin, Ph.D., Director of the Health Research and Education Program at EBRI and co-author of the study. “Our analysis does not factor in the total savings needed to cover long-term care expenses and other health expenses not covered by Medicare, nor does it take into account the fact that many individuals retire before becoming eligible for Medicare. However, other workers will need less savings if they choose to work past age 65, by postponing enrollment in Medicare Parts B and D if they receive health benefits as active workers.”

The data used in EBRI’s analysis come from a variety of sources. EBRI employed a Monte Carlo simulation model for this evaluation that simulated 100,000 observations, allowing for the uncertainty related to individual mortality and rates of return on assets in retirement.

The report predicts issues surrounding retirement income security will pose an even greater challenge in the future, as policymakers begin to address financial issues in the Medicare program with solutions that may shift more responsibility for health care costs to Medicare beneficiaries.

About EBRI

The Employee Benefit Research Institute is a private, nonpartisan, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and financial security issues. EBRI does not lobby and does not take policy positions. The work of EBRI is made possible by funding from its members and sponsors, who include a broad range of public, private, for-profit, and nonprofit organizations. For more information visit www.ebri.org