

Medicare Beneficiaries Projected to Experience Increase in Out-of-Pocket Health Care Costs

Increase Follows Period of Decreased Expense; Some Older Couples Need to Save More Than \$360,000

WASHINGTON – January 13, 2022 – A new study from the Employee Benefit Research Institute finds that health savings targets for a retiring 65-year-old increased between three and eight percent in 2021 relative to the targets for a 65-year-old retiring in 2020. These are close to the biggest increases seen since 2012. Those with the biggest needs face the most dramatic increases. For example, a couple modeled in the study to have the highest level of drug expenses in retirement and also the greatest likelihood of covering their health care expenses need \$361,000 in 2021 by age 65, compared with \$325,000 in 2020.

“Projected Savings Medicare Beneficiaries Need for Health Expenses Spike in 2021” updates EBRI’s previous estimates on the savings needed to cover health insurance premiums and health care expenses in retirement going back to 2011. In addition, the study discusses trends in the availability of employment-based retiree health benefits, the model used to generate the savings targets, the findings, and reasons for the recent increase in savings targets.

Unlike the decline in savings targets that EBRI found in 2020, this analysis finds a substantial increase in expenses needed to be covered out-of-pocket. “Several reasons drive seniors’ need for more savings to cover health care expenses,” said Paul Fronstin, Director of EBRI’s Health Research and Education Program, and co-author of this report. “The Medicare Trustees increased projected costs for Medicare Part D out-of-pocket expenses is one cause for the growth in costs. At the same time, there was a substantial increase in the Medicare Part B premium.”

While the projected increases are sobering, many individuals are likely to need even more funds than the amounts cited in this report. “This 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 consider the fact that many individuals retire before becoming eligible for Medicare,” said Fronstin. “However, some workers will need to save less than what is reported if they choose to work past age 65, thereby postponing enrollment in Medicare Parts B and D if they receive health benefits as active workers.”

“Projected Savings Medicare Beneficiaries Need for Health Expenses Spike in 2021” is available at ebri.org/retiree-savings-targets.

About EBRI:

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