

New Research Finds That Projected Savings Medicare Beneficiaries Need for Health Expenses in Retirement Remain High

- Some Couples Could Need as Much as \$383,000 in Savings for Health Care Costs During Their Retirement Years -

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(Washington, D.C.) – A new research report released by the Employee Benefit Research Institute (EBRI) found that projected savings that Medicare beneficiaries needed for health expenses remained high in 2022. In the future, despite the introduction of the cap on Part D out-of-pocket spending, individuals may have to pay greater shares of their overall health costs in retirement because of the financial condition of the Medicare program and cutbacks to employment-based retiree health programs.

Key findings in the report include:

- The predicted savings target for Medicare beneficiaries to cover premiums, deductibles and prescription drugs in retirement remains high, and is sensitive to assumptions about premiums, prescription drug expenses and usage of health care services.
- A 65-year-old man enrolled in a Medigap plan with average premiums will need to save \$96,000 in order to have a 50% chance of having enough to cover premiums and median prescription drug expenditures, and a woman will need to have saved \$116,000.
- To have a 90% chance of meeting their health care spending needs in retirement, a man will need to have saved \$166,000, and a woman will need to have saved \$197,000.
- Couples enrolled in a Medigap plan with average premiums will need save \$212,000 to have a 50% chance of covering their medical expenditures in retirement and \$318,000 to have a 90% chance. Couples with particularly high prescription drug expenditures will need to save \$383,000 to have a 90% chance of having enough money to cover their health care costs in retirement.
- Enrollees in Medicare Advantage plans generally have lower savings targets. There are other factors to consider when it comes to choosing a Medicare Advantage plan over traditional Medicare. Medicare Advantage plans often have limited networks or may require approval before certain medications or services are covered, and some Medicare Advantage plans require a premium.

“Medicare was not intended to cover all the health care expenses beneficiaries might face. To help make these costs more salient, EBRI developed this projection model for estimating the savings Medicare beneficiaries may need to have a reasonable chance of meeting their health care spending needs,” explained Paul Fronstin, director, Health Benefits Research, EBRI.

“The results from EBRI’s projection model indicate that health care costs incurred by Medicare beneficiaries are high. Among Medigap enrollees, the projected savings targets are sensitive to assumptions about prescription drug expenditures and Medigap premiums. Among Medicare Advantage enrollees, the projected savings targets are affected by prescription drug costs as well as the enrollee’s usage of health care services,” said Jake Spiegel, research associate, Health and Wealth Benefits, EBRI.

To view a summary of the Issue Brief, “Projected Savings Medicare Beneficiaries Need for Health Expenses Remained High in 2022,” visit www.ebri.org/savings-targets-2022.

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