

2 Health Care

Too many retirees with well-funded retirement plans convince themselves that they must wait until both spouses are 65 to retire for healthcare reasons. Capita believes that if you can understand the basic healthcare landscape, you will realize it shouldn't hold you back from transitioning into retirement. Don't wait too long to enjoy the best and healthiest years of your retirement.

Your Options

There are two healthcare paths based on your age: Pre-65 and 65+. Here are the options for both paths.

Pre-65 Health Care Options

- *COBRA*
- *Retiree Plan*
- *Exchange (Affordable Care Act Plans)*

COBRA

COBRA is the continuation of your current coverage through your employer. In most cases, you are allowed to continue your coverage for up to 18 months. COBRA is typically a more expensive option. While still working, your employer is often paying a sizable portion of the healthcare premiums for you. Once you leave and begin COBRA, your employer rarely continues paying those premiums and may even charge you a little extra to service your plan.

Why do some people still choose COBRA?

Imagine you have had a lot of medical expenses and you have met your out-of-pocket max (OOPM) in September. You could choose to use COBRA for the rest of the year to avoid starting over on your deductible and OOPM. Some employer plans offer rich benefits. Depending on your health situation, you may determine the extra cost is worth it.

Retiree Plan

Some employers offer a retiree healthcare plan if you have enough years of service. Explore the cost and benefits of this plan then compare it against your other options before making a choice. We have met retirees who had no idea their employer offered a retiree healthcare plan. Make sure you obtain any plan information as you explore your retirement transition.



Exchange

The Affordable Care Act (ACA) created a platform, called the exchange, where private health insurance options are available to the public. Depending on your age, covered persons, and income, you may be eligible for a subsidy to help make your premiums more affordable. Understanding the subsidy income limits and good tax planning with a financial advisor may provide an opportunity to reduce your taxable income for several years until you reach 65. These plans and subsidy income limits are available on [healthcare.gov](https://www.healthcare.gov). More pre-65 retirees qualify than you would expect.

Post-65 Health Care Options

Many retirees feel like they have crossed a health insurance finish line as they reach 65. The Medicare options can be confusing, but most retirees report feeling comfortable with their choice. There is an alphabet soup we will simplify. First, you sign up for Medicare Part A and B. Next you pick a supplemental plan or an advantage plan.

Here are the categories of plans to understand:

- *Medicare Part A and B*
- *Medicare Supplemental & Drug Plans*
- *Medicare Advantage Plans*



Medicare Part A & B

Most retirees qualify for Part A through payroll taxes which were withheld throughout your career. You may also qualify through your spouse's earnings record. If you qualify, which most do, Part A is free. We will oversimplify it by saying that Part A helps cover hospitalizations. Part B covers doctor visits and outpatient care and is paid for separately. If you are getting Social Security income, the Social Security Administration withholds Part B from your monthly benefits.

For most retirees, the standard Part B cost in 2022 is \$164.90 per month. High income earners often pay significantly more. Part A and B leave coverage gaps which can expose a retiree to significant out-of-pocket costs. To solve that risk and fill the gap, retirees choose between Supplemental and Advantage plans.

Supplemental Plans

Supplemental plans, often called Medigap plans, typically have higher monthly premiums and lower out-of-pocket costs. Retirees with significant health concerns or those just wanting more piece of mind will often pick a Supplemental plan.

Once you have picked a Supplemental plan, you will need to add a prescription drug plan (Part D).

Advantage Plans

Advantage plans wrap Medicare into one plan. The government pays Medicare insurance companies to assume the responsibility of servicing your Medicare needs. This includes Part A, B, prescription (Part D) and any additional coverage. In many cases, the monthly premium is minimal (sometimes zero) and you pay for services as you need them. Healthy individuals who are accustomed to high deductible plans often pick Advantage plans.

Summary

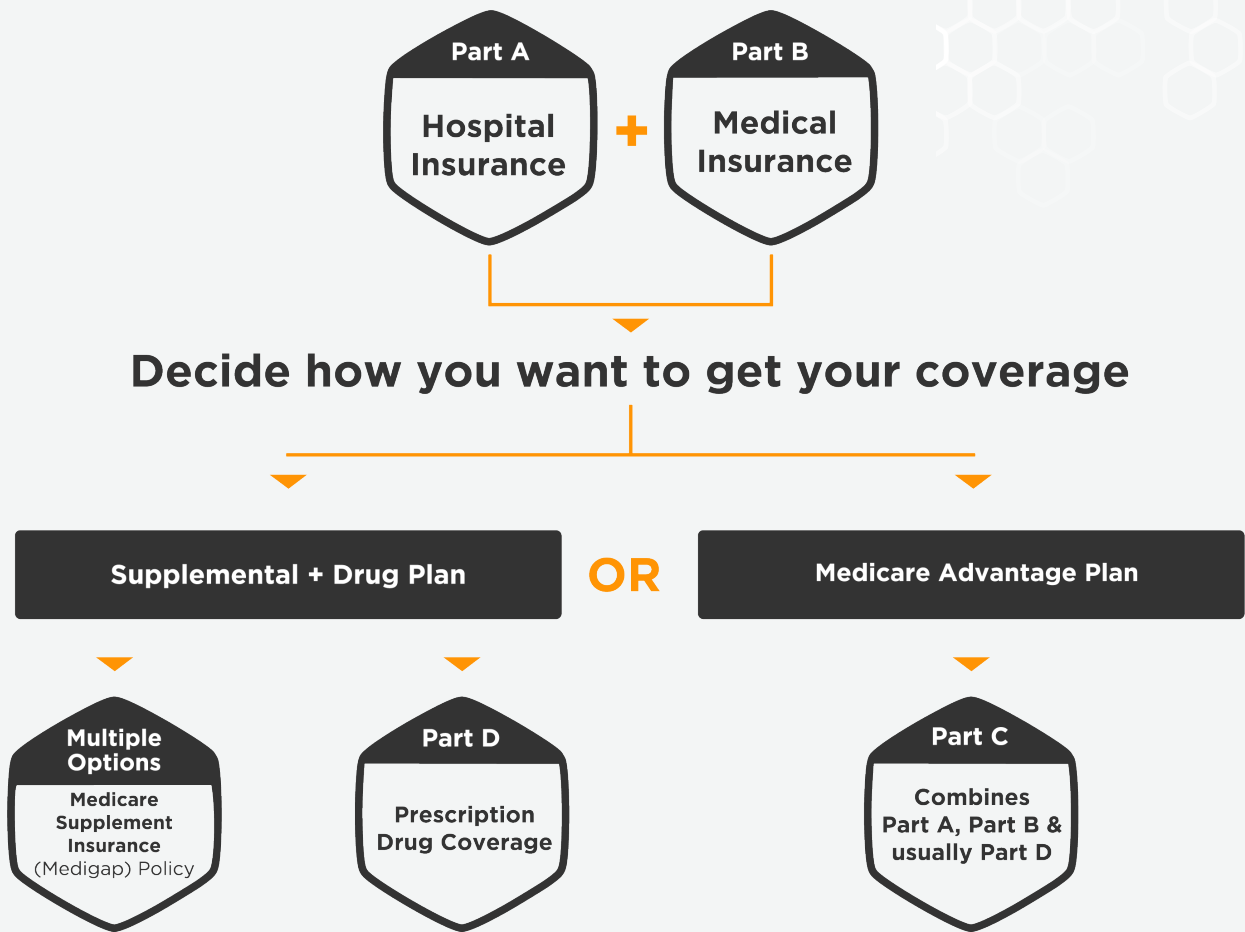
It's important that you don't get overwhelmed by a healthcare transition. The plan choices create an alphabet soup of letters. More than likely, you will want to consult with a health insurance expert. Remember these three things as you build your plan.

1. Health insurance plans should not dictate your retirement age.
2. There are options for any age.
3. Seek expert guidance as needed.



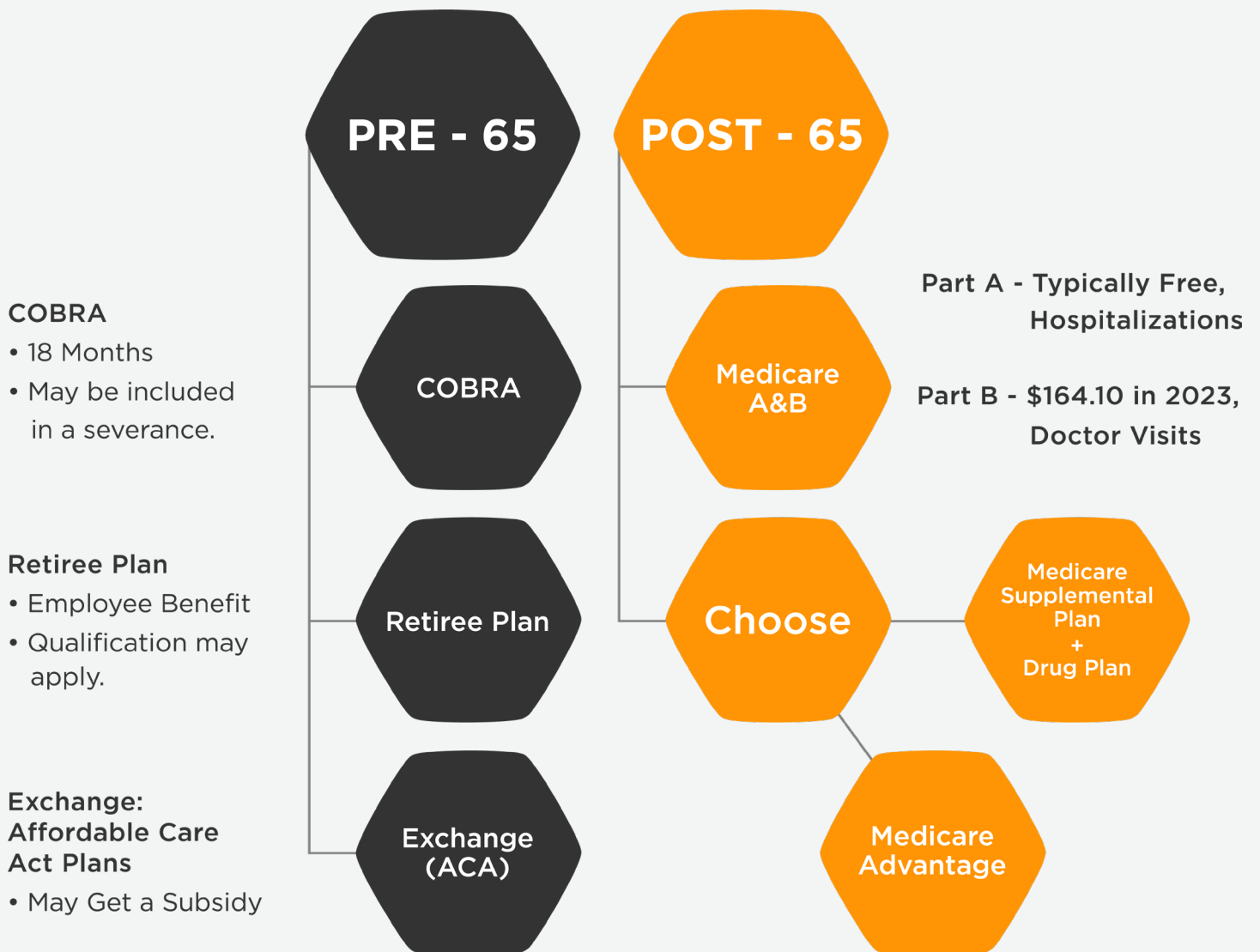
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