WID - Healthcare Considerations in Retirement

[00:00:00] Hello, and welcome back to the Well... It Depends! podcast. I'm your host, Derek Doyle, and this is Andrew Baron. Today's episode is being recorded on October 20th, 2026. The information in this episode is current as of the date recorded and is not intended as financial, tax, or legal advice. You should consult your tax, financial, and/or legal advisors before implementing any [00:00:30] transactions and/or strategies concerning your finances.

Today's episode, we're going to be covering healthcare considerations in retirement. Medicare's annual enrollment period opened last week, October 15th, and it runs through December 7th, with any changes to your medical coverage taking place on January 1st of next year. When entering retirement, healthcare costs are one of the biggest concerns most people plan for.

There are a few options to consider, and which one you [00:01:00] choose can depend on your age, your employment status, and whether you're trying to bridge that gap from maybe an early retirement to a full-year retirement Today's topics that we're gonna cover is going to start with Medicare and covering all its different parts.

So for the audience, Andrew, cover Medicare Parts A through D in a brief summary that kind of illustrates what each one does in a plan. Sure. So there's quite a [00:01:30] few different pieces of this. So let's start with traditional Medicare. Traditional Medicare covers Parts A and B. And so A is what has been deducted out of every paycheck you've ever had since you began working.

Um, this is the thing that we need, that we would qualify for. And then Part B is what you sign up for when you turn age 65. And together, Parts A and B make up traditional, and that's your hospital and doctor's coverage. [00:02:00] As you can imagine, there's actually some gaps in coverage under traditional Medicare that we would like to see filled, and you can do that a couple different ways.

So there's Medigap or supplemental coverage, which has a list of alphabetical- Mm-hmm ... named plans that offer different levels of coverage. These are standardized and can be offered by a different number of carriers. And then, confusingly, something called Medicare Part C [00:02:30] is not actually part of Medicare- Mm-hmm

and it is instead a private plan that likewise will cover some of the parts that are not filled by traditional Medicare plans. And then finally we have Part D, which under traditional Medicare is the drug prescription plans, that once in covers that piece. And like we've mentioned in previous podcast, just to touch on some few points of the different parts Part B and Part D come along with premiums.

And like we've [00:03:00] discussed in previous podcasts, there's IRMAA, and those premiums can be adjusted based off of income while in retirement. So those are the premiums that would go either up or you would receive the standard amount. Another key thing to remember when looking at all the different parts of Medicare is the idea of Part C coming with what is coined gatekeeping, meaning you are very limited outside of what- Mm

is inside of that network, and often that [00:03:30] comes with the lower premium advantage that comes with the C. And also C usually s- sometimes usually comes with D part of it, meaning s- sometimes Medicare C- Right ... Advantage plans will have D wrapped into it. So those are- They oftentimes have drug coverage, yes.

Yeah. So these are some, just some things to keep in mind as you are shopping and figuring out which part of Medicare coverage w- might work best for your plan. So- Now going into the next step is the enrollment piece. So [00:04:00] just some basic facts about Medicare enrollment. Your initial enrollment is a seven-month window, so that is three months before your 65th birthday and three months after your 65th birthday.

There's a lot of sometimes questions that come to me and Andrew in regards to what happens if someone is still working past age 65, which is the age that you are eligible for Medicare. How would you tackle that question if someone were to come in and say, "I'm [00:04:30] still planning on working past age 65.

So the first thing I would do would be to talk to either HR or whoever handles benefits. Some companies may encourage you to switch over to Medicare, and some corporations are going to be fine with you continuing on their plan.

That's going to be an employer-by-employer decision. Sometimes it'll be secondary, sometimes it won't. And as long as you are still working with valid coverage, there is no penalty, which is sometimes what people get concerned about when they're signing up for Medicare. [00:05:00] And to further expand upon that, the sign-up process is simple if you're already collecting Social Security, benefits.

So if you have been collecting Social Security since age 62, your enrollment in Medicare would be automatic upon age 65, and if you haven't applied yet, for Social Security benefits, you do need to go through the government website, ssa.gov, to actually enroll in Medicare. Shopping, however, so if you already are a Medicare [00:05:30] participant, shopping for Medigap and Advantage plans actually take place on the medicare.gov website, which is completely different than the enrollment process.

We talked a little bit about employment. Another piece of healthcare coverage in retirement could be COBRA. Now, COBRA is an acronym, and we're not gonna get into the details of what each letter is 'cause it's very confusing. But- Simply, what is COBRA, and how does this work with maybe [00:06:00] separation of service and entering retirement for people who are about to go into maybe Medicare eligibility ages?

So COBRA is really continuing employer coverage. where it plays a role would be if someone retires, let's say, late 50s, early 60s, and we're measuring in months- ... not years, to get to that 65 threshold. so COBRA lasts 18 months, so sometimes we'll see a combination of continuing employer coverage for 18 months, maybe a short [00:06:30] stint on a marketplace plan before qualifying for Medicare at age 65-

would be kind of how that would be layered out. The important thing to remember about COBRA, yes, you get to keep your plan, which is beneficial, especially if you have doctors you like, as- including specialists and things like that, but you are on the hook many times for the full premium, and they can actually charge you an initial surcharge on top of that.

So if it's strictly for financial reasons, you really need to [00:07:00] evaluate what the benefit versus the cost is. Yes. The marketplace, or ACA this is usually what early retirees, so people under age 65, a self-employed individual, or s- people without coverage from an employer are going to be using to find that healthcare coverage.

Health insurance if you look at any online article, is often one of the largest expenses between retirement and Medicare eligibility. So- Premiums keep rising, [00:07:30] often faster than the inflation rate is. Mm-hmm. And insurers are seeing healthcare costs going up faster than inflation and adjusting for those premiums.

So healthcare coverage is very expensive and is foreseeable, in the foreseeable future going to keep rising. What are some ways a couple that is possibly

looking to retire early, say, let's say both are age 60, plan properly to bridge that gap between eli- Medicare eligibility and maybe having to dip into some retirement [00:08:00] savings to fund healthcare costs before they become Medicare eligible?

It's really about, like, so healthcare, like you said, is such a big cost, especially if you have to go to a marketplace plan- Mm-hmm ... or you don't have employer access or something like that. That it can be cost prohibitive and really prevent you from retiring early.

So we have 60 months to age 65, I would really look at what's the cost versus benefit of buying a plan versus [00:08:30] working an extra year. Mm-hmm. Working an extra six months, where if, depending on how it affects the plan, how much money we have, what we're trying to do, it maybe makes sense to just kick the can, so to speak, a little bit.

Yeah. even if you don't make it all the way to age 65. Yeah. I think overall when it comes to healthcare considerations in retirement, it's one of the often most overlooked things when it comes to the couple that wants to retire early. Mm-hmm. They feel like they have enough retirement savings, but they haven't really taken into [00:09:00] account an extra gap in savings to a- account for the healthcare costs.

We'd mentioned the full premiums having to be paid under COBRA, meaning you're on the hook for 100% plus 2%, is the maximum threshold. that eats away at possibly some savings that you thought you were going to have for your actual retirement years. I think a lot of people want to retire early but then often overlook the healthcare cost aspect, and don't take into account that- Absolutely

in regards to [00:09:30] healthcare coverage, is there anything that you see that jumps out when a person comes to you and wants to retire early in terms of what are their expectations with using the open marketplace compared to through an employer? I think if you haven't looked at what actual costs of plans are, you can be, it can be jaw-dropping to see what the cost of a marketplace plan is-

especially for people, let's say, age 55 and older. Yeah. Where it's like age and, you know, some sickness, some [00:10:00] past medical things kind of catch up to you- and it's built into that cost. And it's, like, it's thousands of dollars, especially for a couple, a month. Yeah. And exactly, it takes away spending.

But once again, it's not an assumption you should just take lightly. Right. Yeah. So overall, I think that covers some things that all of you should consider when either entering retirement at age 65 and l- choosing to enroll in Medicare, or possibly looking to retire early and having to use one of the [00:10:30] other options that me and Andrew discussed before you become Medicare eligible.

So that'll do it for today's podcast episode. I'm your host, Derek Doyle. And I'm Andrew Baron. And we'll see you guys next time