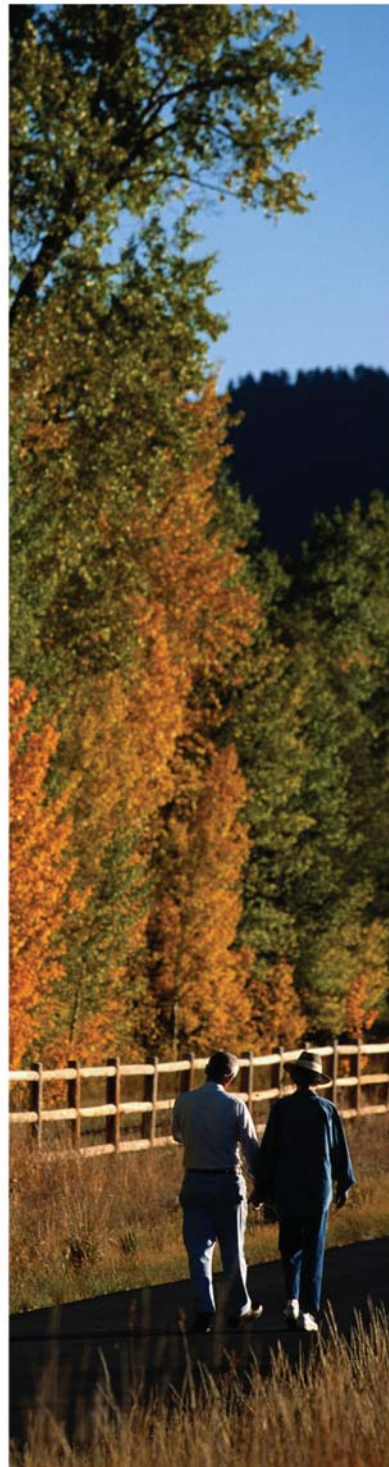


Paying for Health Care in Retirement

A Modern Guide to Health Care Planning



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For many Americans, retirement is a time of re-arranging priorities and new beginnings. After working for many years, people hope to reap the reward and participate in activities revolving around family and friends, travel, and other interests.

But retirement carries two main risks. A primary risk is outliving one's retirement savings or income due to longevity. The second risk is incurring catastrophic health care costs or long term care costs which might seriously deteriorate standard of living or exhaust retirement resources.

The environment which a retiree faces today has changed since the turn of the 21st century. The following issues loom on the horizon and therefore should be considered in planning:

- Retiree health care benefits offered by an employer are being reduced year after year, and even eliminated in some firms. Pensions from employers have also followed suit; more of the risk is or will be placed with the employee.

- Health care inflation has hovered in or near the double-digits since the 1980s.¹
- Increasing numbers of beneficiaries in Medicare, with Baby Boomers starting to retire in 2010, will place pressure on federal budgets which will likely impact future benefits.
- Entitlement programs such as Medicare and Social Security will become unsustainable unless reforms—benefits reductions of some type—are implemented. There are fewer working-age persons to support a growing retiree population. These equations cannot balance unless we choose an increased debt burden for current and future generations of workers.
- Greater responsibility to plan for health care liabilities will shift to the family or individuals.

This Guide seeks to provide as much information as possible to inform retirees about some of the choices in planning for health care after retirement.

¹Health, United States, 2004, National Center for Health Statistics.