



SECURITY BENEFIT

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# Maximizing Medicare for Physical and Fiscal Well-Being



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As you near or enter retirement, you have to make several financial decisions that will affect how far your retirement savings will stretch. One of the most critical considerations is how you'll pay for health care, even with Medicare coverage.

## How much does health care cost in retirement?

Retirees pay an average of \$6,500 annually out of pocket for Medicare premiums, co-pays, and deductibles.<sup>1</sup> A healthy 65-year-old couple can expect to spend about \$683,306 on health care costs in retirement (not including long-term care costs, which could be upwards of \$100,000 per year).<sup>2</sup> This figure doesn't include costs for things like eyeglasses and over-the-counter medications or any long-term care expenses.

Retirees pay an average of

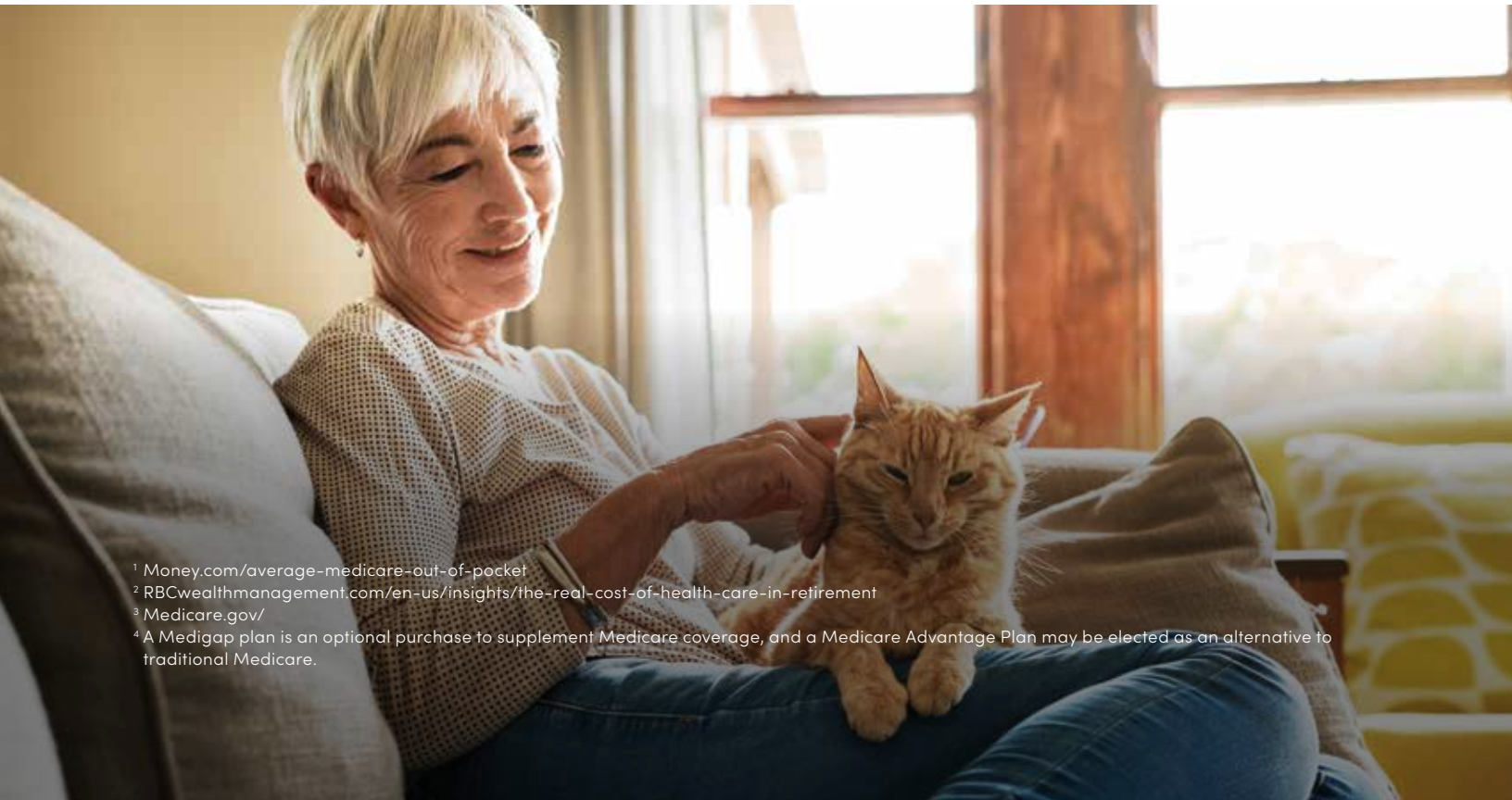
**\$6,500**

annually out of pocket for Medicare premiums, co-pays, and deductibles, about a third of the average Social Security benefit.

The projected lifetime cost of care for an average 65-year-old couple is

**\$683,306**

on health care costs in retirement (including Medicare Part A, Part B, and Part D premiums and deductibles.)



<sup>1</sup> Money.com/average-medicare-out-of-pocket

<sup>2</sup> RBCwealthmanagement.com/en-us/insights/the-real-cost-of-health-care-in-retirement

<sup>3</sup> Medicare.gov/

<sup>4</sup> A Medigap plan is an optional purchase to supplement Medicare coverage, and a Medicare Advantage Plan may be elected as an alternative to traditional Medicare.

## How does Medicare work?

### Medicare Basics<sup>3</sup>

**Eligibility: U.S. citizens or permanent residents 65 or older, U.S. citizens under 65 who have a disability, U.S. citizens under 65 who have permanent kidney failure**

Part A (Hospital Insurance) helps cover	Part B (Medical Insurance) helps cover	Part C and Part D (Drug Coverage) help pay for	Expenses Medicare doesn't cover
<ul style="list-style-type: none"> <li>Inpatient care in a hospital or skilled nursing facility</li> <li>Hospice care</li> <li>Home health care</li> </ul>	<ul style="list-style-type: none"> <li>Medically necessary physician services</li> <li>Outpatient care</li> <li>Home health services</li> <li>Durable medical equipment</li> <li>Mental health services</li> <li>Other medical services including many preventive services</li> </ul>	<ul style="list-style-type: none"> <li>Expenses not covered by Medicare for some services and prescription drugs:               <ul style="list-style-type: none"> <li>Part C: A Medicare Supplement policy (Medigap)<sup>4</sup></li> <li>Part C: A Medicare Advantage Plan</li> <li>Part D: Maximum out-of-pocket expense \$2,100 in 2026</li> </ul> </li> <li>Once you reach \$2,100, you'll qualify for catastrophic coverage and won't have to pay out-of-pocket for covered Part D drugs for the remainder of the year.</li> <li>Dental, vision, and hearing coverage available for additional expense<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>Most dental care</li> <li>Eye exams related to prescribing glasses</li> <li>Dentures</li> <li>Massage therapy</li> <li>Acupuncture</li> <li>Cosmetic surgery</li> <li>Routine physical exams</li> <li>Hearing aids</li> <li>Long-term care</li> </ul>

### How does Medicare Part C supplement my coverage?

Medicare Part C is a Medicare Supplement Policy. Medigap and Medicare Advantage Part C plans are offered by private companies approved by Medicare and can help you pay for some of the remaining health care costs and services that Medicare doesn't cover.

A Medicare Advantage plan is required to provide all Medicare Part A and Medicare Part B benefits. Most plans offer additional benefits like dental or vision coverage, health club memberships, medical transportation, or coverage for hearing aids and other things typically not covered by a Medigap plan.

The average maximum out-of-pocket expense is \$9,250 for a Medicare Advantage plan in 2026 for in-network expenses and \$13,900 for combined in-network and out-of-network expenses.<sup>5</sup>

<sup>5</sup> Goodrx.com/insurance/medicare/how-much-does-medicare-cost

Each company must follow rules set by Medicare but each plan can:

- Charge varying out-of-pocket costs
- Have different rules about how you get services (e.g., whether you need a referral to see a specialist or have to use certain doctors, facilities, or suppliers that belong to the plan for non-emergency or non-urgent care)

There are key differences between Medicare Advantage and Medigap plans:

- A Medigap policy only supplements your Original Medicare benefits. In addition to your Part B premium, you pay a monthly premium that helps cover copayments, coinsurance, and deductibles.
- A Medicare Advantage Plan is designed to provide additional benefits to supplement Original Medicare coverage.

## What about prescription drug expenses?

Securing additional coverage through Part D available from a standalone Medicare prescription drug plan or a Medicare Advantage prescription drug plan can help cover some of the costs that Medicare doesn't. The Part D national average premium for 2026 is \$38.99. You can have the premium deducted from your Social Security check, or you can pay your Medicare drug plan company directly. If your modified adjusted gross income is above a certain amount, you may also pay a Part D income-related monthly adjustment amount. Plans may require you to satisfy an annual deductible of up to \$615. Deductibles vary widely, so make sure you compare deductibles when choosing a plan.

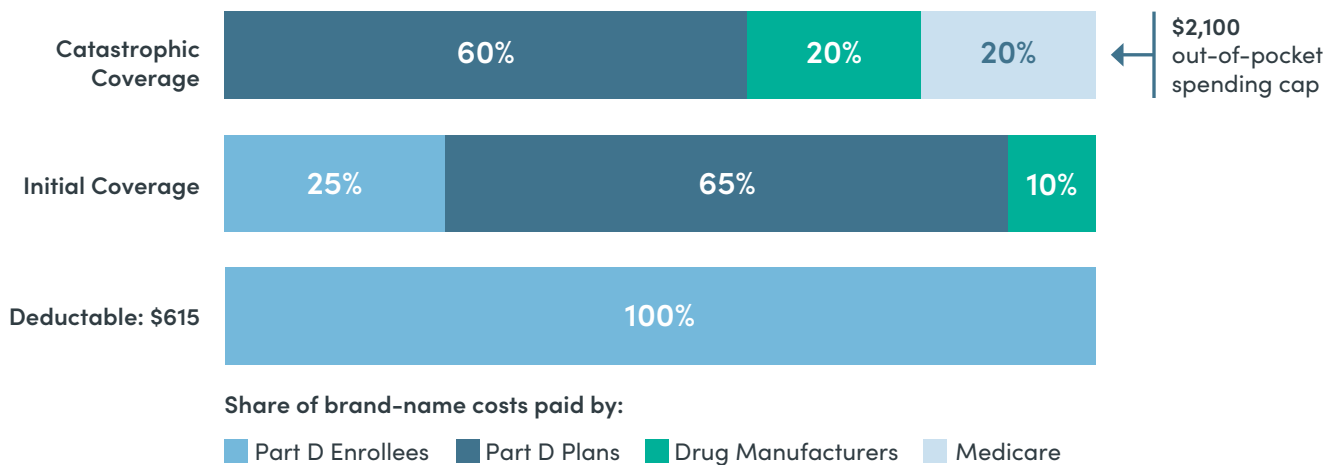
Through 2024, most Medicare drug plans had a coverage gap (also called the "donut hole"). This means there was a temporary limit on what the drug plan would cover for drugs. Because of the prescription drug law, the coverage gap ended on December 31, 2024.

### New for 2026: \$2,100 cap on covered Part D drugs

All Medicare plans will include a \$2,100 cap on what you pay out-of-pocket for prescription drugs covered by your plan. If your out-of-pocket spending on covered drugs reaches \$2,100 (including certain payments made on your behalf), you'll automatically get "catastrophic coverage." That means you won't have to pay out-of-pocket for covered Part D drugs for the rest of the calendar year. If you have a Medicare plan with drug coverage, compare plans during Medicare Open Enrollment (October 15 – December 7) to make sure your plan covers the drugs you take and meets your needs.

The benefit will have three phases, including a deductible, an initial coverage phase, and catastrophic coverage. For 2026, under the standard benefit, Part D enrollees will pay a deductible of \$615 (up from \$590 in 2025), and will then pay 25% of their drug costs in the initial coverage phase until their out-of-pocket spending totals \$2,100. At that point, they will qualify for catastrophic coverage and will pay no additional out-of-pocket costs.

### Changes to Medicare Part D Benefit<sup>6</sup>



<sup>6</sup> KFF.org

## How do I determine the best prescription plan for me?

- Make a list of all the prescription drugs you currently take and the price you pay.
- Compare plans at Medicare.gov and confirm the drugs you take are covered.
- Consider the premiums, deductibles, and copayments each plan requires.
- Look at the list of pharmacies included in each plan's network.

## How do I sign up for Medicare?

If you've been receiving Social Security or Railroad Retirement Board benefits for at least four months before you turn 65, you will be enrolled automatically in Original Medicare Parts A and B. The Social Security Administration will notify you that you've been enrolled, and you'll get your Medicare card in the mail three months before your 65th birthday. If you are not already receiving Social Security or Railroad Retirement Board benefits and want to sign up for Medicare, you'll need to apply online, by phone, or by visiting your local Social Security office.

Your initial enrollment period starts three months before the month you turn 65 and ends three months after the month you turn 65. The start date of your coverage depends on when you enroll. If you have been automatically enrolled but decide to decline coverage or do not enroll in Medicare Part B during the initial enrollment period, you can enroll later during the annual general enrollment period that runs from January 1 to March 31 each year, with coverage beginning on July 31. However, late-enrollment penalties may apply in some situations.

Individuals new to Medicare have seven months to enroll in a drug plan (three months before your birthday month, the month of, and three months after becoming eligible for Medicare). Current Medicare beneficiaries can generally enroll in a drug plan or change drug plans during the annual election period that occurs between October 15 and December 7 of each year, and their Medicare prescription drug coverage will become effective on January 1 of the following year.

If you qualify for special help, you can enroll in a drug plan at any time during the year. Other events may qualify you for a Special Enrollment Period outside of the annual election period when you can enroll in or switch plans such as a change in address or previous insurance coverage.

## I've signed up for Medicare. Now what?

If you already have Medicare drug coverage, remember to review your plan each fall to make sure it still meets your needs. Have your medication needs changed? Would a different plan serve you better?

Before the start of the annual election period, you should receive a notice from your current plan letting you know of any important plan modifications or additional plan options. Unless you decide to make a change, you'll automatically be re-enrolled in the same drug plan for the upcoming year.

Once you join a plan, you'll receive a prescription drug card and detailed information about the plan. You'll generally have to fill your prescriptions at a pharmacy within your drug plan's network or through a mail-order service in that network.

## Do I have to join a prescription drug plan?

No. The Medicare prescription drug benefit is voluntary. However, when deciding whether to enroll, keep in mind that if you don't join when you're first eligible, but decide to join in a future year, you'll pay a premium penalty that will permanently increase the cost of your coverage.

There's an exception to this premium penalty, though, if the reason you didn't join sooner was because you already had creditable prescription drug coverage, defined as coverage through another source (such as an employer health plan) that was at least as good as the coverage available through Medicare.

## If I'm still employed or my spouse is, do I still need to enroll for Medicare?

If you're 65 and already receiving Social Security benefits, you'll automatically be enrolled in Original Medicare Parts A and B.

Otherwise, you can generally wait to enroll in Medicare past age 65 if you have group health insurance through your employer or your spouse's employer. Most employers can't require employees or covered spouses to enroll in Medicare to retain eligibility for their group health benefits. However, some small employers can, so contact your plan's benefits administrator to find out whether you're required to sign up when you reach age 65 and how your group health coverage works with Medicare.

If you have Medicare and group health coverage, both insurers may cover your medical costs, based on coordination of benefit rules. The primary insurer pays your claim first, up to the limits of the policy. The secondary insurer pays your claim only if there are costs the primary insurer didn't cover, but all uncovered costs may not be paid.

Because Medicare Part A is free for most people, consider enrolling in Part A even if you have employer coverage to help fill any coverage gaps. Medicare Part B requires premium payments, so compare the costs and benefits to your employer's plan. If you didn't sign up for Medicare when you were first eligible because you had group health coverage through an employer, late-enrollment penalties generally do not apply.

Your circumstances might change so you can make coverage changes at certain times during the year. From October 15 through December 7, you can join, switch, or drop a Medicare health or drug plan for the following year.

You may also be able to make changes during special enrollment periods. For example, if you enrolled in a Medicare Advantage plan during your initial enrollment period, you could switch to an Original Medicare plan at any time during the 12-month period that begins on your effective date of coverage or make coverage changes every year from January 1 through March 31 during this Medicare Advantage open enrollment period.

## What if I'm still unsure about how to plan for my health care in retirement?

Ask for help. Personalized counseling is available through your State Health Insurance Assistance Program, or you can call a Medicare customer representative at 800.MEDICARE (800.633.4227) for assistance in selecting options for your circumstances.

## The Bottom Line

Reaching Medicare eligibility is a desirable milestone, but the barrage of provider advertisements and coverage options can be daunting, especially at a time when other financial and emotional changes may be in flux. Being proactive in assessing your health care considerations and asking questions can bring peace of mind. And each year you can change plans or providers to meet evolving needs.



# Your path *To and Through Retirement*<sup>®</sup> begins here.

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