

Health care in retirement

The cost of health care can play a big role in how you spend your time in retirement. This guide will help you make more informed decisions about Medicare, holding down health care costs, and long-term care options.



Getting ready for Medicare

Here are some common Medicare questions.

I'm eligible to claim Social Security as early as age 62. Will Medicare kick in at the same time? The answer is generally no. For most of us, the age to qualify for Medicare is 65. There are a few exceptions—for example, people with disabilities or certain medical conditions such as end-stage renal disease or ALS can qualify at a younger age.

Will Medicare contact me directly before I become eligible? If you're already receiving Social Security benefits or railroad retirement benefits, Medicare will mail you a Medicare enrollment kit a few months before you become eligible. Otherwise, it's up to you to enroll. If you are within 3 months of turning age 65 (or 4 months if you were born on the first of the month), reside in the United States or one of its territories or commonwealths, and don't want to apply for monthly Social Security retirement benefits just yet but do want to apply for Medicare benefits, you can enroll in Medicare online.

Are there deadlines for Medicare signup? Yes. If you are already receiving Social Security benefits at age 65, you will be automatically enrolled in Medicare Parts A (hospital insurance) and B (medical insurance), with coverage generally starting the month you turn 65. However, if you haven't claimed Social Security by age 65, you will need to sign up for Medicare when you become eligible. You can first sign up for Medicare Parts A and B during the 7-month initial enrollment period that begins 3 months before the month you turn 65. If you enroll in Part A and/or Part B the month you turn 65, or during the last 3 months of your initial enrollment period, the start date for your Medicare coverage is the first day of the next month after you sign up.

If you were born on the first of the month, the 7-month initial enrollment period begins 4 months before the month you turn 65 and concludes 2 months after. If you enroll in the first 3 months of your initial enrollment period, coverage will begin on the first day of the month before your 65th birth month. If you enroll in Medicare the month before you turn 65 or later, Medicare coverage will begin the first day of the month after you enroll.

Regardless of how you get Parts A and B, you must sign up for Part D if you want prescription drug coverage. If you prefer, you can sign up for a Medicare Advantage Plan (sometimes referred to as Medicare Part C), which replaces Parts A, B, and often Part D. Medicare Advantage Plans are a private sector alternative to Original Medicare. If you do not obtain stand-alone prescription drug coverage via Part D or a Medicare Advantage Plan, you may be subject to penalties. Late enrollment penalties are usually charged for as long as you have that type of coverage (for most people, that's a lifetime penalty).

If you don't enroll in Medicare during the initial enrollment period around your 65th birthday, you can sign up between January 1 and March 31 thereafter for coverage that will begin the first day of the month after you sign up. However, you could be charged a late-enrollment penalty when your benefit starts. For example, if a penalty applies, monthly Part B premiums increase by 10% for each 12-month period you delay signing up for Medicare after becoming eligible for benefits.

How do I sign up for Medicare if I'm still working at age 65? If you retire after age 65 and have creditable employer-sponsored health coverage, you will generally have an 8-month special enrollment period to sign up for Part A and/or Part B. Generally, coverage begins the first month after you sign up. If you sign up for Part B while you (or your spouse) are still working, or within the first full month after employer coverage ends, you can ask to delay your Part B start date up to 3 months. There is usually no late-enrollment penalty if you sign up during a special enrollment period. Note that if your employer has fewer than 20 employees, you should sign up for Medicare during your initial enrollment period, as your job-based coverage may not pay for medical care and services if you don't have Medicare coverage.

Can I make changes every year? Yes. The Medicare Annual Enrollment Period runs from October 15 through December 7 annually. This gives you the opportunity to re-evaluate your coverage every year and make changes.





Ways to hold down health care costs

Here are some tips to help you stay healthy in retirement, and save money on health care along the way.

Live a healthy lifestyle. Although there are many ways to do this, you can start by knowing your key numbers (blood pressure, pulse, and cholesterol), understanding your key risk factors based on your family's medical history, and making an effort to control your weight.

Get regular checkups. Early detection of health issues can dramatically improve the chances of successful treatment. Long-term medical issues can also be quite expensive, so it makes sense to schedule regular visits with your physician.

Time your planned procedures carefully. As with any major expense, if you have a planned medical cost (scheduled surgery, for example) you should examine how that expense fits in with your other expenses at that time. Additionally, you could consult with your tax advisor on ways to maximize tax deductions (for example, buying 2 sets of prescription glasses, one for use now and one for backup) in a given year.

Shop around to find the best care at the lowest price. When you choose your health care plan, consider the trade-off between a higher premium with a lower deductible and a lower premium with a higher deductible, and make a choice that fits your needs. The variety of medical care available to you will likely keep on expanding, so monitor your options for potential ways to save money. You can also find savings in the cost of prescription medications by making your purchases at independent drugstores instead of chain drugstores, inquiring about lower prices, and asking your provider(s) for prescriptions that allow for generic substitutions and larger quantities for your long-term medications.

Know what's covered and what's not. Understanding the terms of your plan can help prevent unpleasant surprises and avoid unforeseen expenses. Make sure you know exactly which prescription medications and medical procedures are covered by your plan.

Evaluate your expenses for best-case and worst-case scenarios. Although we'd all like to think we'll remain healthy through most of our retirement years, it's important to plan for the possibility that you or a loved one will encounter serious health issues. By examining worst-case scenarios in terms of your ability to cover them, you can gain confidence by knowing that you've planned for most outcomes.



Factoring in long-term care

No one likes to think about needing long-term care services, but those who turn 65 today have approximately a 70% chance of needing some type of long-term care in their remaining years.[1] Long-term care can dramatically impact your retirement plan, so it's important to consider its effects. It can impact you and your loved ones financially, physically, and emotionally. Long-term care can be quite expensive, but planning ahead can make a critical difference in your quality of life—and your family's—as you age.

The cost of care

To decide whether you need long-term care insurance and how much to buy, you can start by getting a sense of how much your care could cost. For an estimate of potential long-term care costs in your state, check out the CareScout Cost of Care Survey for 2025.

If you're concerned about managing the cost of long-term care, there are several options that can help you pay for it.

Coverage options

Personal savings: You may have enough assets to cover your income and lifestyle needs and still be able to carve out enough to fund your potential long-term care expenses.

Government programs: Veterans and people with low incomes who can't afford to cover long-term care expenses might be eligible for long-term care assistance from the federal government. This assistance can come from Medicaid and the Veterans Administration or from state-run assistance programs. For Medicaid, benefits kick in only after you've depleted your savings, and the choices for where and how you receive care could be limited. Benefits and eligibility vary from state to state, and savings and income are frequently key factors.

It's important to note that Medicare provides limited benefits for long-term care and would not cover an extended stay in a nursing home.

1. Source: LongTermCare.gov, February 2020.

Traditional long-term care insurance policies: You can choose the amount of coverage, how long it lasts, and how long you have to wait before receiving benefits. Typically, you pay an annual premium for life, although your premium payment period could be shorter. It's important to note that many carriers no longer offer traditional policies, and those that do may raise the annual premium after purchase.

Hybrid long-term care insurance policies: You can choose the amount of benefits you want to receive, how many years' worth of long-term care you want to cover, and how long you have to wait before receiving benefits. Your premium payment options are dependent on your carrier, but some of the more common options are 10 annual payments or one single upfront payment. Unlike traditional long-term care policies, these are not "use-it-or-lose-it": If you do not require long-term care, these policies typically contain a life insurance component that pays a death benefit to your heirs.

When to buy

The older you are, the greater the chance that you'll have a medical event that requires long-term care or that you'll develop a health issue that will keep insurers from approving your application.

In addition to the risk of your health deteriorating as you age, you should consider the financial cost of waiting to purchase a policy. Depending on the type of long-term care insurance policy you want, it may become more expensive to purchase each year that you wait. You should also consider that insurers may not issue policies to applicants above a certain age. Be sure to look into long-term care insurance well before you need it to avoid this potential issue.

Making it personal

Your long-term care decision should fit your personal situation. If you're married, consider the effect on your spouse's financial situation if you need extended long-term care. It's also important to factor in your family medical history and know the risks you face. Certain hereditary diseases—like Alzheimer's or diabetes—could make it more likely that you'll have a long-term care event in the future.

A well-thought-out long-term care decision is all about balance—weighing what you can afford, the kind of care you expect, and the risks you might face.



Resource list

To help you get started, here's a list of interactive tools and resources.

Explore important Medicare information

Browse the official US government site for Medicare:
Medicare.gov

Preparing for retirement?

Use Fidelity's online tools to create a plan to help you get and stay on track:
NetBenefits.fidelity.com/planningcenter

Discover more workshops

Learn how to make confident financial decisions for your future:
NetBenefits.Fidelity.com/workshopregistration

Additional resources

A range of services are offered by your State Health Insurance Assistance Program, or SHIP.

Services, seminars, and publications are also available through your local Office of Elder Affairs or Council on Aging.

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