

# Savings needed for a retiree's health costs may top \$1 million

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Many Americans at or near retirement age would require more than \$1 million to prefund medical costs over their remaining life, according to new research from the Employee Benefit Research Institute (EBRI).

The highest costs face the more than two-thirds who receive no health insurance from their former employer to supplement Medicare. Such employer-provided coverage for retirees is increasingly rare.

The new report concludes that a 65-year old retiree without employment-based insurance may require up to nearly \$1.5 million to prefund lifetime medical expenses (assuming death at age 100 and medical inflation of 14 percent annually). For those with employment-based insurance, the maximum figure exceeds \$500,000.

The study was written by Paul Fronstin, EBRI senior research associate, and EBRI President and CEO Dallas Salisbury.

A man who retired at 65 and died at 80 would need \$47,000 with employment-based insurance and \$116,000 without it (assuming 7 percent inflation). The disparity between the two figures in each case largely reflects reimbursement for prescription drug costs included in work-based plans.

Today the average 65-year-old male lives to age 80.8 and the average female to age 84.

In virtually every case, costs for those who retire prior to age 65 would be substantially higher. The estimates do not include potential long-term nursing home care, which now often costs more than \$50,000 per year.

Salisbury noted that there is little evidence working Americans are now saving for the medical bills they'll confront in retirement.

Currently, 37 percent of Americans who retire prior to 65 have employment-based insurance and 27 percent of those over 65 have similar coverage. □