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**The Retirement Cost Most People Get Wrong — Getting Older**

How Healthcare Costs Climb 189% In Four Years For One Healthy Individual

From The Senior Citizens League

**Alexandria, VA:** It’s possibly the biggest challenge for people planning retirement — budgeting for the cost of health changes as we age, warns The Senior Citizens League (TSCL). Careful planning is critical, because healthcare takes a significant chunk of most retirees’ Social Security benefits right from the start. “But that chunk grows bigger as people’s health declines with age,” says TSCL Chairman, Ed Cates.

TSCL cites the following example of how healthcare costs can balloon when a new health condition is discovered. “In one case that we know of, a healthy individual, who turned age 59 in 2010, spent $3,348 in health insurance premiums that year and $201 in annual out-of pocket costs,” says Cates. “Early the following year the patient’s doctor discovered a wheeze and referred the patient to a pulmonologist. In 2011, the patient’s premiums had jumped 18 percent to $3,948, and out - of - pocket costs were $1,004 — five times the out - of - pocket costs of 2010. But by 2014 the patient spent $4,164 on premiums, 24 percent more than 2010, and a total of $5,867 out - of - pocket, more than 28 times the amount spent in 2010,” Cates says.

“Bottom line? Premiums and out of pocket costs jumped 183% in just four years,” Cates notes. “And unfortunately there’s nothing unusual about this case — it’s all too typical,” he adds. “There is some good news. This individual should see significantly lower premium costs next year, once 65 and starting Medicare,” Cates observes. “But further changes in health could mean similar rounds of rising out – of - pocket costs,” he warns.

Growth in healthcare costs occurs two ways. In addition to healthcare cost growth due to age changes, healthcare costs also grow several times faster than overall inflation and annual Social Security cost-of-living adjustments. That takes a growing share of Social Security income over the course of retirement. According to the 2014 Medicare Trustee’s report, in 1970, shortly after the start of Medicare, average Part B benefits were only one-twelfth the amount of average Social Security benefits. [[1]](#endnote-1) But Medicare costs today often consume up to half a retiree’s Social Security benefit.

According to a recent annual survey by TSCL, 58 percent of respondents said that they spent 11 to 33 percent of their Social Security benefits on healthcare costs in 2013. Another 18 percent said they spent from 34 to 50 percent of their Social Security on healthcare. “With the average Social Security retirement benefit at $1,100 per month, that means about one in five Social Security recipients will spend between $375 - $550 per month for Medicare premiums and other out-of-pocket costs this year,” Cates says.

“That spells big problems ahead as more older Americans reach Medicare age without employer pensions, adequate retirement savings, and the increasing likelihood of Congressional changes,” Cates observes. TSCL lobbies to protect Medicare benefits, and is conducting a national [survey](http://tscl.org/2015survey) of Medicare beneficiaries to better understand their healthcare costs. To participate, visit [www.SeniorsLeague.org](http://www.SeniorsLeague.org).

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With about 1 million supporters, The Senior Citizens League is one of the nation's largest nonpartisan seniors groups. Located just outside Washington, D.C., its mission is to promote and assist members and supporters, to educate and alert senior citizens about their rights and freedoms as U.S. Citizens, and to protect and defend the benefits senior citizens have earned and paid for. The Senior Citizens League is a proud affiliate of TREA The Enlisted Association. Please visit www.SeniorsLeague.org or call 1-800-333-8725 for more information.

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1. 2014 Annual Report of the Medicare Trustees, July 28, 2014, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2014.pdf>. [↑](#endnote-ref-1)