Can You Reduce Your Lifetime Health Care Costs by Staying Healthy?

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–Elaine Floyd, CFP®

An apple a day keeps the doctor away – and spares you the bill for medical services. Does this logic carry over into lifetime health care planning? Can you reduce your lifetime health care costs by staying healthy?

Apparently not. The Center for Retirement Research at Boston College has revealed the counterintuitive finding that married couples who are the healthiest at age 65 – that is, those with no chronic conditions such as diabetes, cancer, or heart disease – end up spending more on health care over their lifetime than their unhealthy counterparts.

The brief, "Does Staying Healthy Reduce Your Lifetime Health Care Costs?," shows that although the current health care costs of healthy retirees are lower than those of the unhealthy, the healthy actually face higher total health care costs over their remaining lifetime.

A 65-year-old couple in which one or both spouses have at least one chronic condition can be expected to pay about $220,000 in lifetime health care expenses. These include Medicare premiums, supplemental insurance, copayments for covered doctor visits and medications, and payments for services not covered by Medicare, such as dental care, vision care, and long-term care. The comparable cost for a couple free of chronic disease is substantially higher at $260,000.

These are average numbers. Some couples will pay far more. In fact, researchers found that there is a 5 percent chance that unhealthy couples will pay $460,000, while healthy couples will pay as much as $570,000.

Why is this? The researchers cite three reasons: First, people in good health can expect to live significantly longer, so they are at risk of incurring health care costs over more years. Second, many of those currently free of any chronic disease will succumb to one or more such diseases at some point before they die. And third, people in healthy households face an even higher lifetime risk of requiring nursing home care than those who are not healthy, reflecting their greater risk of surviving to advanced old age, when the risk of requiring such care is highest.

The Center's conclusion: "When deciding how much to save for retirement, and how rapidly to draw down their wealth during retirement, households need to consider what risk they are prepared to accept of having their assets substantially depleted by health care costs, whether they are above or below the average risk of incurring exceptionally high costs, and whether they should insure against health care costs by purchasing long-term care insurance."

That said, staying healthy is never a bad idea. Here are some wellness tips to consider as you grow older:

Get your free Medicare screenings. Once you go onto Medicare you can get free screenings, such as mammograms, prostate cancer screenings, colorectal cancer screenings, bone density scans, and more. If you've been putting off going to the doctor because your prior insurance had a high deductible, take advantage of your free "welcome to Medicare" exam and save future costs by getting preventive care now. Most medical conditions are more easily treated if they're caught early.

Eat right, exercise, etc. You know the drill. Exercise is especially beneficial as you grow older. According to the U.S. Surgeon General's Report on Physical Activity and Health, inactive people are nearly twice as likely to develop heart disease as those who are more active. Lack of physical activity also can lead to more visits to the doctor, more hospitalizations, and more use of medicines for a variety of illnesses.

Reduce stress. Chronic stress can lead to heart disease, sleep problems, digestive problems, depression, obesity, and memory impairment. One way to reduce stress in retirement is to have a financial plan in place so you can relax and feel confident that money will not be a problem.

Consult your doctor for specific advice on staying healthy in retirement. And, of course, talk to your financial advisor for help budgeting for future healthcare costs.

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