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Healthcare Costs in Retirement: The Long-Term Impact of Short-Term Inflation

HealthView Services' New Data Report Brief Shows that High Inflation, Even for a Short Period, will Significantly Impact Healthcare Costs and Retirement Budgets

DANVERS, MA, March 16, 2022 – Even a short period of high inflation will significantly impact retirement healthcare costs and budgets, according to new research from HealthView Services - [The Long-Term Impact of Short-Term Inflation](#). The report details the higher costs retirees will have to pay for healthcare in retirement with inflation currently at a 40-year high.

Drawing upon the last 40 years of inflation data, 530 million medical cases, government and Medicare data, the report provides cost projections for retirement healthcare based on current inflation data. It assumes that healthcare inflation will continue at a historical average of 1.5 to two times the Consumer Price Index (CPI) over a one-to-two-year period, before returning to an average normalized inflation rate of around 5.9%.

For a healthy 65-year-old couple living to actuarial longevity, total lifetime retirement healthcare costs will increase by \$85,917 if healthcare inflation is 11.85% (1.5 times the current annual CPI of 7.9%) for two years. For an average 55-year-old couple retiring in 10 years, using the same inflation rate and period, costs will rise by \$160,712.

Total lifetime healthcare outlays for the 65-year-old couple - which include Medicare Part B and D premiums and supplemental insurance, as well as actuarially determined out-of-pocket expenses for hospitalization, doctor visits, tests, and prescriptions - using the same scenario, are projected to be \$683,306. And, for the 55-year-old couple, \$1,094,460.

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Retirees, and Americans planning for retirement, were initially pleased to see Social Security COLAs rise by 5.9% in 2022, but shocked to see Medicare premiums increase by 15%.

“Even when adjusted for higher Social Security COLAs, the portion of retirement budgets required to cover healthcare will be significantly higher than most expect: A 45-year-old couple will need to invest an additional \$27,000 today just to cover the increase in future expenses resulting from higher inflation,” said Ron Mastrogiovanni, founder & CEO of HealthView Services. “Unlike other consumer goods and services, such as gasoline, healthcare costs historically do not increase and decrease – they only go up.”

The report details key drivers of healthcare inflation also reflected in Medicare premium increases. These include healthcare service providers facing higher costs for goods and services, and higher wage bills for staff and traveling nurses. And, as we emerge from the pandemic, postponed treatment and surgery are leading to significant growth in the utilization of services. This will maintain upward pricing pressure.

To illustrate the full impact of healthcare cost inflation in the report, all expenses are shown in future values, which reflects the impact of inflation on the actual dollar amount retirees can reasonably expect to pay out of pocket.

“Healthcare inflation generally lags consumer price increases given the way contracts are negotiated. As a result, elevated expenses can be expected for at least a year, and may or may not continue for a longer period,” added Mastrogiovanni. “The bottom line for those planning for retirement is that health-related costs will continue to rise across the board, and they will need to save more to address these expenses. For retirees, budgets will continue to be squeezed.”

The report frames the impact of inflation on retirement budgets. HealthView’s Retirement Healthcare Cost Index® compares higher costs driven by inflation to projected COLA-adjusted Social Security benefits. For the average 65-year-old couple, projected total lifetime healthcare costs will require approximately 71% of future average Social Security benefits, based on two years of healthcare inflation at 11.85%. For a 55-year-old couple retiring in 10 years, the percentage of Social Security required to cover healthcare is 93%. These expenses do not take into account taxes, income-based surcharges or include costs for long-term care needs.

Consistent with HealthView Service's retirement healthcare cost data reports, the new brief underscores the importance of estimating projected healthcare expenses around individual needs and circumstances since retirement income, time to retirement, gender, location, and health condition all have a significant impact on actual expenses in retirement.

HealthView Services has developed a simple consumer-facing calculator enabling users to calculate the impact of inflation on their potential healthcare expenses. [Click here](#) to run a range of inflation scenarios and download the report.

HealthView Services (<http://www.hvsfinancial.com>) is a leading provider of retirement healthcare cost data, Social Security optimization, and long-term care retirement planning tools for the financial services industry. The firm provides an array of planning apps, from 401(k)-focused to advisor-facing, all with the goal of creating funding solutions today to cover future in-retirement health care expenses.

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