



## HealthView Services Insights

### Retirement Healthcare Planning: Putting Drug Price Caps in Context

As part of the Inflation Reduction Act of 2022, the Biden Administration announced its intention to reduce healthcare costs for retirees by decreasing the price of insulin and implementing price caps for an additional 25 commonly used drugs between 2026 and 2029. The unveiling of the first ten drugs earmarked for price controls highlights the importance of these potential savings in relation to overall retirement healthcare expenses.

It is important to understand that retirees have two primary medication expenses – Medicare Part D premiums and out-of-pocket costs (OOPs) from co-pays. Price controls will primarily impact retirees' out-of-pocket prescription drug expenses, which account for around 20% of total expected retirement healthcare costs, including Medicare Part B, Medicare Part D, supplemental insurance dental premiums, and all out-of-pocket costs. (Long-term care is not included in these calculations.)

The reduction in out-of-pocket costs for insulin and commonly prescribed drugs will benefit retirees who are dependent on these medications. Additionally, the administration's lowering of the maximum out-of-pocket payout to \$2,000 for catastrophic prescription drug expenses (beginning in 2025) will serve to moderate the impact of increasing retirement healthcare costs overall. However, since these price caps only address a portion of all medical expenditures, healthcare will continue to remain a significant expense that requires special consideration during the retirement planning process.

Drawing on 530 million medical cases, inflation, actuarial, government and other data, our cost projections provide a comprehensive breakdown of future retirement healthcare expenses.

An average 65-year-old couple will spend over \$158,000 (future value) on out-of-pocket prescription drug costs throughout their retirement (age 87, male and age 89, female). When combined with Medicare Part D premiums, their overall spend on prescription drugs will exceed \$228,000.

	Premiums	OOPs	Total
<b>Hospital/Doc/Test</b>	\$205,777	\$20,203	\$225,980
<b>Prescriptions</b>	\$70,772	\$158,086	\$228,858
<b>Supplemental</b>	\$222,990	N/A	\$222,990
<b>Dental</b>	\$48,276	\$29,655	\$77,931
<b>Hearing/Vision</b>	N/A	\$24,603	\$24,603
<b>All Categories</b>	\$547,815	\$232,547	\$780,362

When viewed as a share of overall healthcare spending, more than one-fifth of every healthcare dollar spent in retirement will be for out-of-pocket costs related to prescription drugs. Adding in Part D premiums brings the total to nearly 30%.



	Premiums	OOPs	Total
<b>Hospital/Doc/Test</b>	26.4%	2.6%	29.0%
<b>Prescriptions</b>	9.1%	20.2%	29.3%
<b>Supplemental</b>	28.5%	N/A	28.5%
<b>Dental</b>	6.2%	3.8%	10.0%
<b>Hearing/Vision</b>	N/A	3.2%	3.2%
<b>All Categories</b>	70.2%	29.8%	100.0%

For both current and prospective retirees, particularly those managing chronic health conditions that require substantial prescription needs, this legislation will reduce out-of-pocket expenses. As the complete list of drugs is announced over the coming years, the actual impact on prescription spending in retirement will become clearer, and HealthView will provide the most up-to-date data available.

### About HealthView Services

HealthView Services provides retirement healthcare, Social Security, long-term care, planning automation data, and decumulation tools to many leading institutions and advisors in the financial services industry. HealthView's [White Papers](#) provide context and perspective on key retirement-planning issues.

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