



Aging in the workplace: Helping employees plan for health care in retirement

Blue Cross Master Class Webinar Series
November 8, 2018



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This program is valid for 1 PDCs for the SHRM-CPSM or SHRM-SCPSM.



What you'll learn from today's session

Topics



Reasons why employees are opting to stay in the workforce longer



Why health care costs dominate concerns about retirement



Understand common scenarios you and your employees may face



What you can do to help employees understand and plan for health care in retirement

Today's speakers

Expertise from Blue Cross Senior Health Leaders



Krischa Winright

Senior Vice President Business
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Senior Health Services



Pritpal S. Virdee

Senior Vice President and Chief
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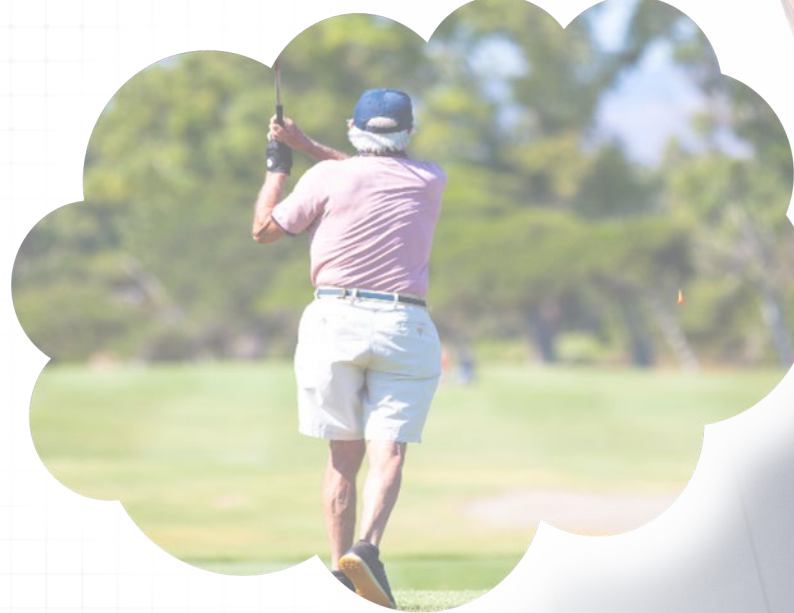
Liz Ziegler

Manager, Group Sales
Senior Health Services

Changing landscape of retirement

What it looks like today

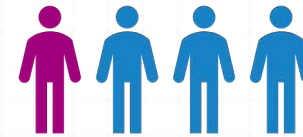
Retirement has changed since the "golden years" concept became popular in the 50s. As a result, more older workers remain in the workforce.



Why are older workers staying employed?

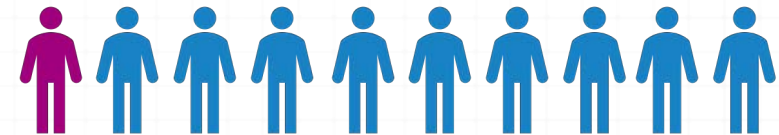
Financial motivations are a significant driver...

- No longer work for same company over 30+ years, building up comfortable pension.
- Companies eliminating pensions outright, putting more financial pressure on employees
- We're all living longer, which means more needed for retirement
- Market pressures work against the need to save for a longer retirement
 - Longer waits encouraged by Social Security for full benefits
 - Declining incomes leading up to retirement
 - More out of pocket spending on health care while still employed.



1 of 4 65-year-olds today will live past the age of 90

1 in 10 will live past age 95.



3x

more people 65 and older filing for bankruptcy now than in 1991.

Sources: Social Security Administration, MarketWatch, Paul Brandus, April 24, 2018. New York Times July 15, 2018

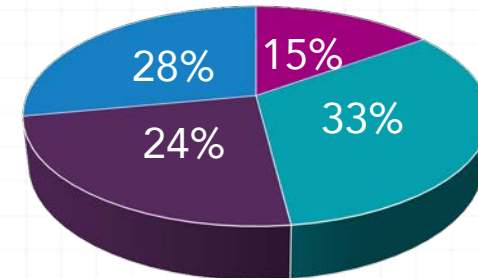
Why are older workers staying employed?

...but financial motivations are not the only driver

- + A chance to live their lives differently/better
- + A chance for second career

Merrill Lynch identifies these retirement personas:

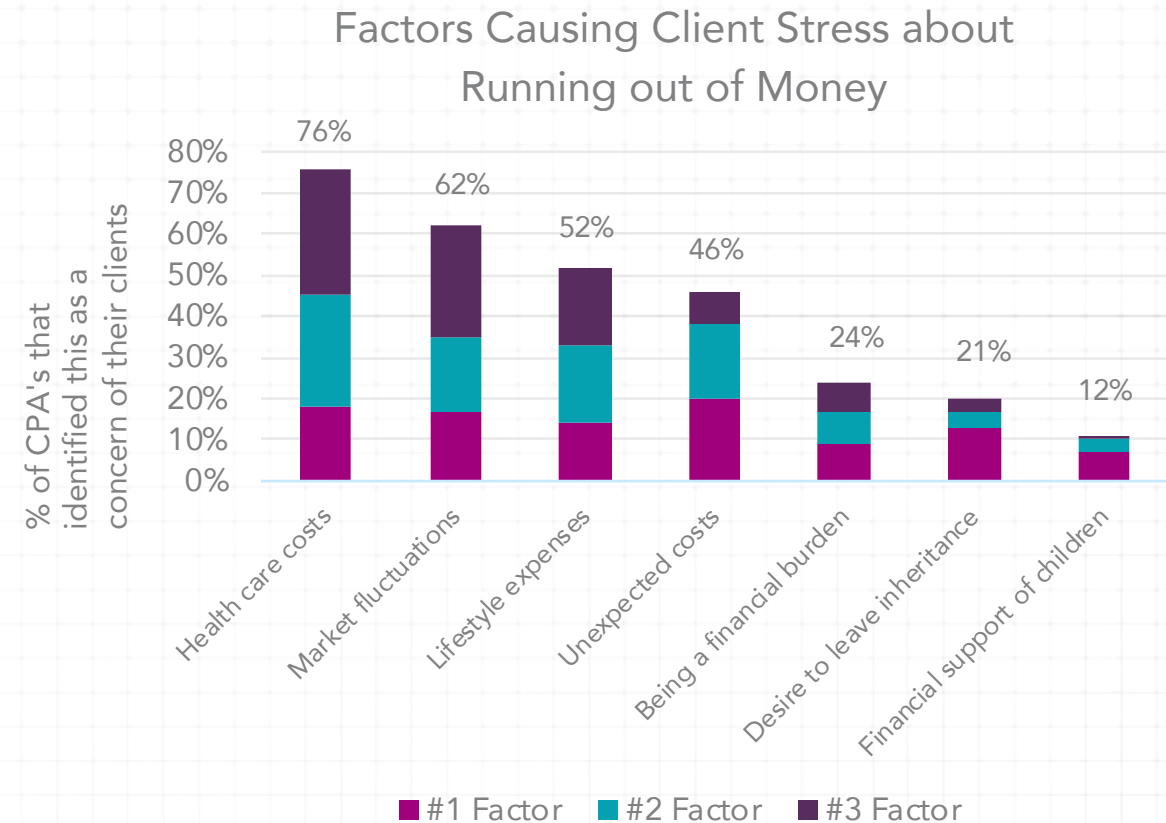
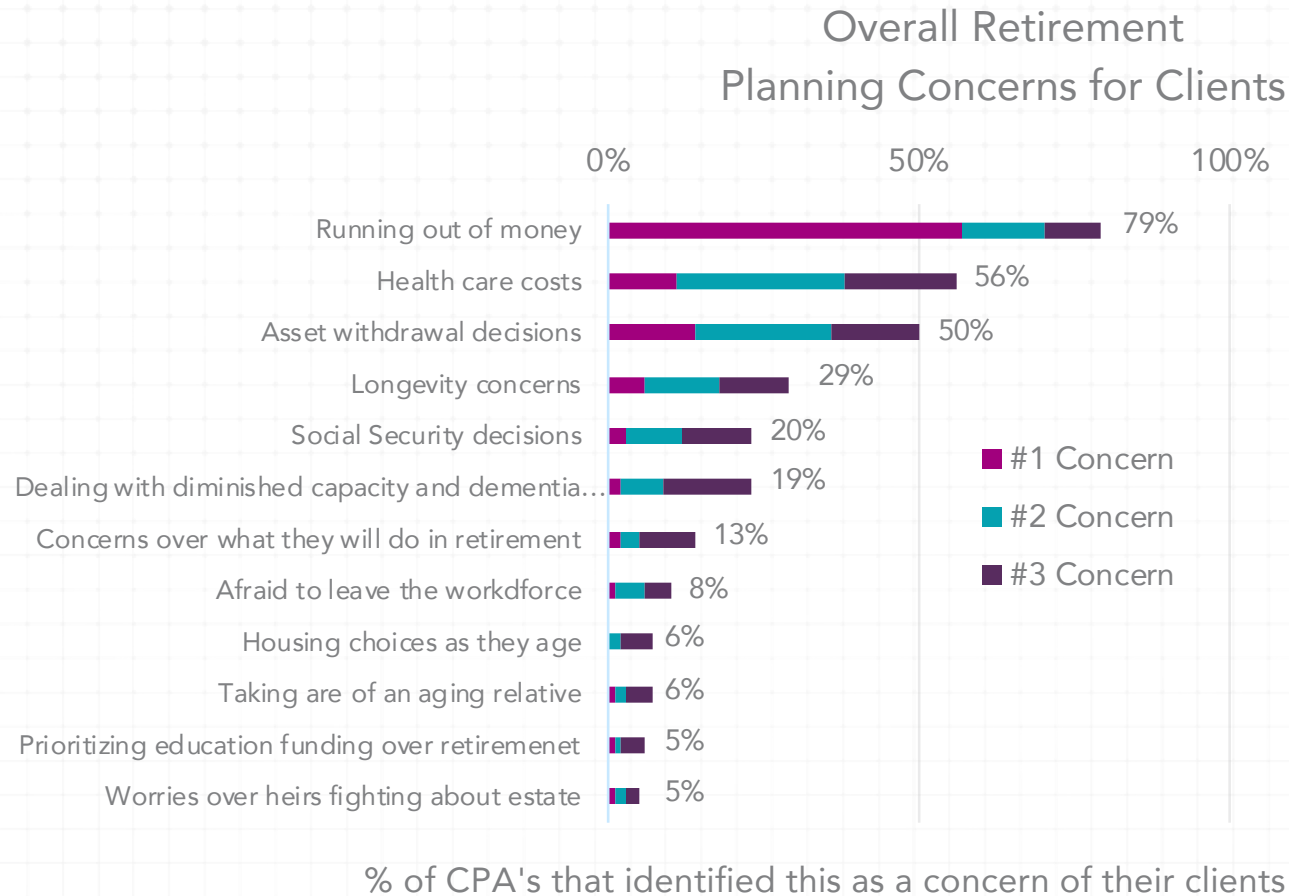
- **Driven Achievers** feel like they're at the top of their game and are financially prepared to retire, but don't want to
- **Caring Contributors** want to give back to their communities and usually work for a non-profit or are unpaid volunteers
- **Life Balancers** keep working mainly to maintain social connections, but the money is a big help
- **Earnest Earners** work primarily to pay the bills



- Driven Achievers
- Caring Contributors
- Life Balancers
- Earnest Earners

Concerns about retirement

Health care costs a dominant factor



Top concern: Running out of money

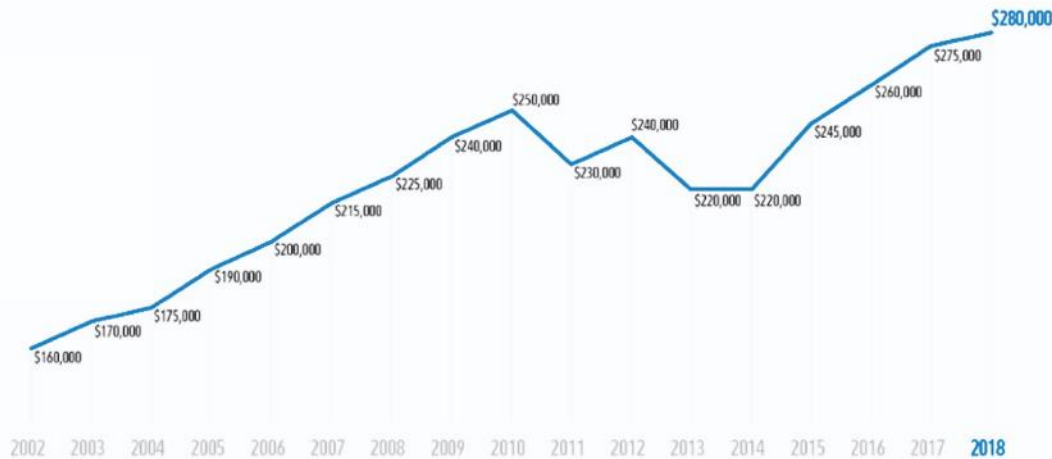
Close second: Health care costs

Source: 2015 AICPA Certified Financial Planners study

The fear is real

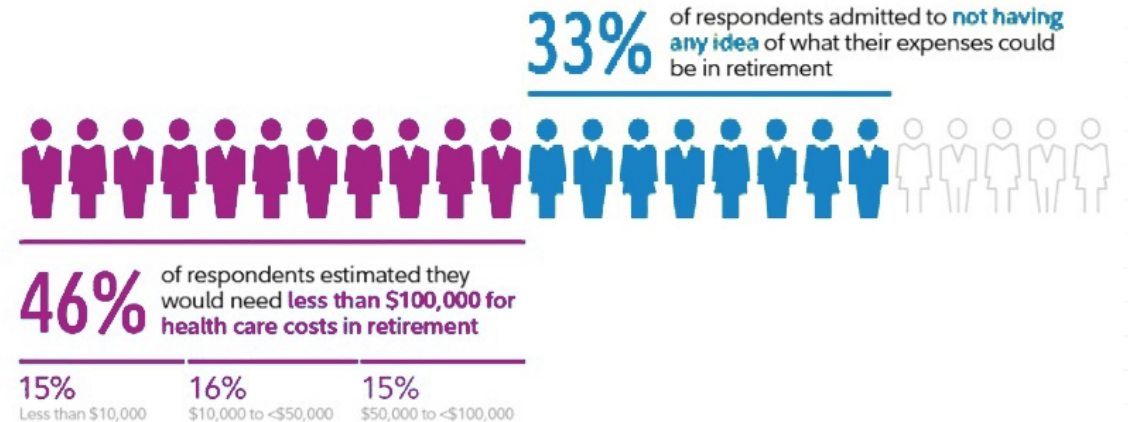
Consumers are seeing costs rise and underestimate their needs

RETIREE HEALTH CARE COST ESTIMATES OVER TIME



Fidelity projects a 65-year old couple retiring in 2018 will need **\$280,000** to cover health care and medical expense throughout retirement, up **2%** from 2017 and **75%** from 2002.

THE MISCALCULATION



Many retirees underestimate how much they need to cover health care in retirement

Understanding the employee journey

How you can help

- Employees are faced with confusion and misinformation around Medicare, leading to a lack of confidence in deciding on a plan.
- Understanding their journey, particularly the research phase, is a good way to support them

Consumer Journey to Medicare



The *research* phase is comprehensive, spanning from learning Medicare basics to gaining a deeper understanding of specific plan benefits, and *narrows* as they understand what's best for their needs



Researching Medicare options is done in many ways, with varying levels of influence:

Advertisements

In-Person Meetings

Online (insurers, Medicare.gov, etc.)

Calling insurance companies directly

Word-of-Mouth (family/friends)

Talking to Agent or Broker

KEY CRITERIA

Brand Income Level/Budget Health Condition Plan Type Doctors

These "key criteria" enables them to:

1. Evaluate which plans are best for them
2. Hone in on the plans that best meet their needs
3. Narrow their options from 50+ plans to 2-4 that they carefully consider

Through this process, enrollees' emotions typically progress from confusion and anxiety to relief and a sense of accomplishment.



EMOTIONS



TRIGGER

- Overwhelmed
- Confused
- Anxious
- Intimidated
- Sense of a looming deadline and consequences if deadline isn't met




RESEARCH

- "Who and what can I trust?"
- Expectation of difficulty ahead
- Have to weed through all the information/mail
- Feel old



NARROWING

-  WITH HELP/AGENT:
 - Confident
 - Less over-whelmed
- WITHOUT HELP/AGENT:
 - Anxiety magnifies & builds
 - Look for a shortcut
 - Start looking for advice from non-agent experts and friends/family



SELECTION

- Relief
- Uncertainty for some – "did I make the right choice?"
- "Good enough"
- Can always change next year



ENROLLMENT

What options do aging employees have?

- Retire at 65 and choose Medicare
- Retire before age 65 and find other health care options
- Keep working after age 65 and choose Medicare or stay on employer plan



Scenario 1:

Retiring at 65

WHAT YOU SHOULD KNOW:

- **Employees start thinking about retirement before age 60.**
 - You can help ease the transition.
- **What some companies offer:**
 - Group insurance in retirement
 - Defined contribution models
 - Helps individuals select and pay for the Medicare coverage option that is right for them.
 - Educational support
 - Helpful even if you don't offer retiree health benefits.

WHAT YOUR EMPLOYEES SHOULD KNOW:

- **You can sign up for Medicare** even if you don't claim social security benefits.
- **Everyone is eligible for Medicare at age 65.** You can enroll any time during "initial enrollment" which starts three months before you turn 65 and ends three months after your 65th birthday.
- **Medicare benefits are for an individual,** so if you have a spouse or dependent on your commercial plan, you will need to make provisions for them. Agents can help.



Scenario 2:

Continue working past 65

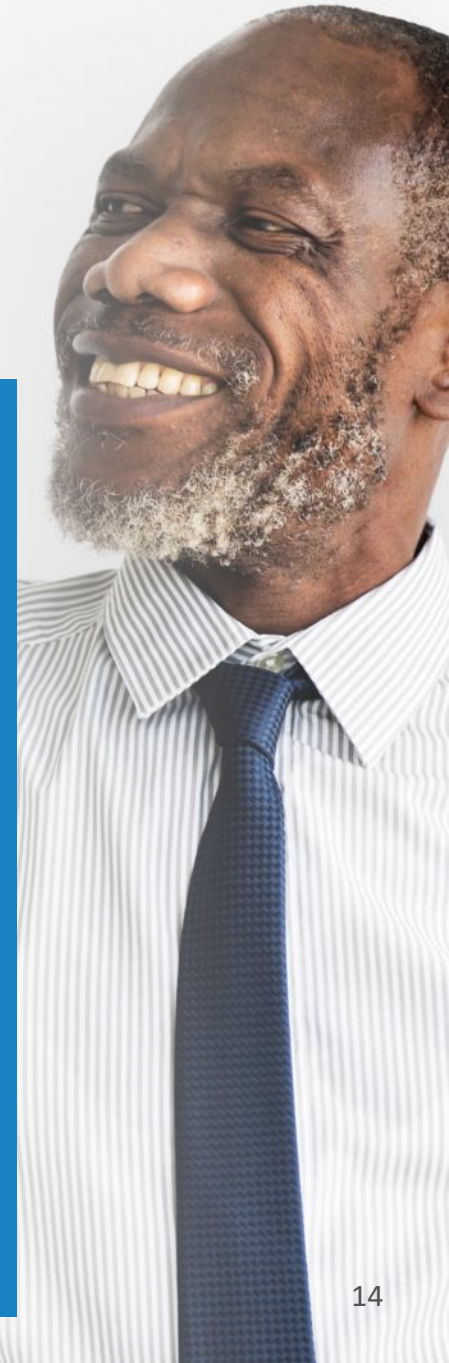
(Full or part time, staying on commercial health plans)

WHAT YOU SHOULD KNOW:

- **You can keep employees over 65 on your commercial plans without penalty.** For future planning, they have 8 months after they lose coverage to enroll in Medicare without paying a penalty ([medicare.gov](https://www.medicare.gov))
- **Employees can go off their company's commercial health plans and move to a Medicare option, even if they continue working.** You can help them learn more and compare costs to make the best decision.
- **Part-time or flexible schedules can help retain experienced workers and the institutional knowledge they have,** while supporting their transition to retirement. When part time workers 65+ no longer qualify for benefits, companies can point them toward Medicare options or connect them with an agent.

WHAT YOUR EMPLOYEES SHOULD KNOW:

- **You can stay on your employer's commercial plan or move to Medicare** (or enroll in both). Commercial plan will be the primary insurer for companies with 20+ employees.
- **To decide, compare the benefits and costs** of your commercial plan and Medicare options.
- **You have 8 months** to enroll in Medicare after you lose your commercial coverage after age 65.



Scenario 3:

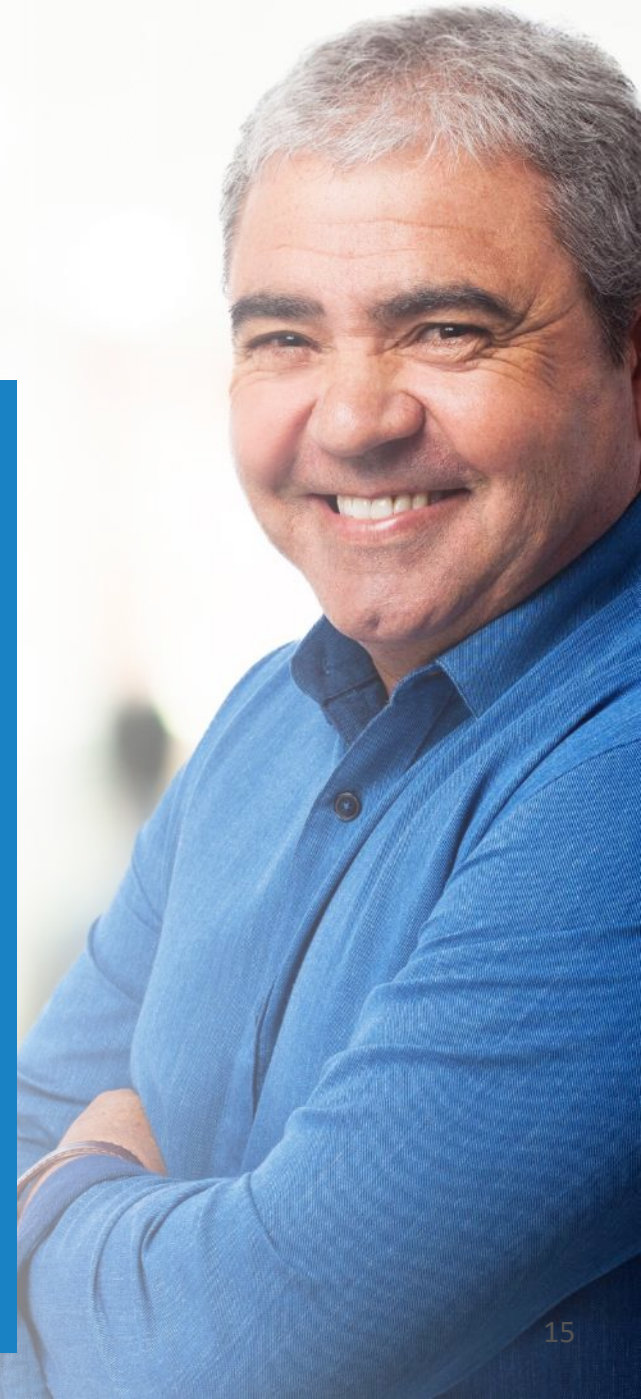
Retire before age 65

WHAT YOU SHOULD KNOW

- **Many organizations offer group insurance in retirement**, with different plans for under-65 employees. Other organizations use “defined contribution” models to help individuals select and pay for health care coverage through individual plans.
- **If you don't offer retire benefits, you can still help your employees transition to an individual plan to bridge the gap** until retirees are eligible to access Medicare benefits. Resources include agents and brokers, Healthcare.gov and private insurance companies.

WHAT YOUR EMPLOYEES SHOULD KNOW:

- **If your employer does not offer retiree plans, you will have to purchase an individual plan**, through the Health Insurance Marketplace, a broker or directly from a health plan. (G2I)
- **Losing health care benefits (because you retired from your job) qualifies you for a special enrollment period**, meaning you can enroll in a commercial, individual health plan even outside the annual enrollment period
- **Agents can help** you find a plan that works for your budget and needs.



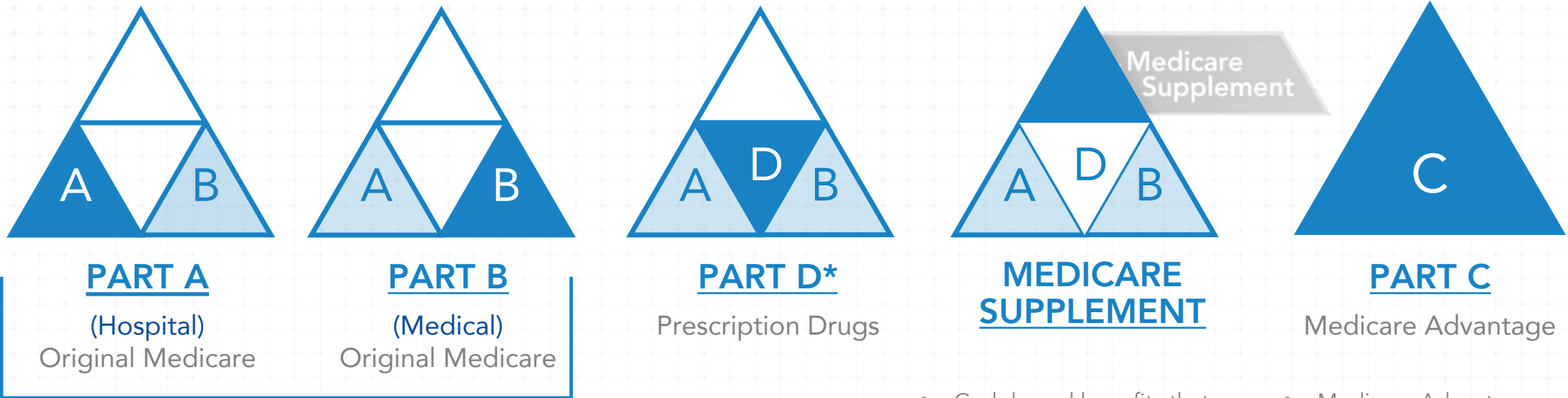
Key strategies

To support employees planning for retirement

1. Provide education and tools on planning for health care to employees 55+
2. Encourage part-time employment, partial or trial retirement
3. Encourage employees to fund Health Savings Accounts (HSAs) now to help pay for health insurance premiums and other medical expenses during retirement

1. Provide Education

Starts with your own understanding of Medicare options



- Available through the federal government at age 65
- Part A provides coverage if you're hospitalized
- Part B provides coverage for doctor visits and other "outpatient" costs such as physical therapy, plus some preventive costs like diabetes testing
- Part D is for prescription drug plans you buy from private insurers MOVE

- Cash based benefits that supplement Original Medicare for services not covered by Original Medicare
- Available through private insurers to work alongside Original Medicare plans

- Medicare Advantage
- Available through private insurers for people age 65
- Replacement plans for Parts A&B with additional coverage for benefits Medicare doesn't cover; may also include drug plan
- Similar to commercial plans offered to active employees

1. Provide Education

Enrolling in Medicare depends on Social Security status, but the two are moving apart:

- More people delaying Social Security even if they enroll in Original Medicare
- If already collecting Social Security, enrollment in Original Medicare Part A and Part B is automatic when turning age 65.
- Coverage begins on the first day of the month they turn 65. If their birthday is on the first day of the month, Part A and Part B will start the first day of the prior month.
- If not yet collecting Social Security, Medicare enrollment needs to be initiated by the beneficiary.



1. Provide Education

There are many excellent resources provided by government agencies and not affiliated with financial planning or insurance firms

- Retirement Toolkit provided jointly by Department of Labor, the Social Security Administration and Medicare & Medicaid Services <https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/retirement-toolkit.pdf>
- Top 10 Ways to Prepare for Retirement, from the US Department of Labor and available at <https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/top-10-ways-to-prepare-for-retirement.pdf>
- Getting Started with Medicare, from Medicare.gov <https://www.medicare.gov/people-like-me/new-to-medicare/getting-started-with-medicare.html>
- Social Security's Benefits Planner and "Applying for Medicare only" guide <https://www.ssa.gov/planners/retire/justmedicare.html> (retirement calculator)
- Overview of Medicare prepared by Kaiser Family Foundation <https://www.kff.org/medicare/issue-brief/an-overview-of-medicare/>

2. Consider offering part-time employment or trial retirement

Advantages for you

- Retain productive, resourceful and satisfied employees longer
- Train successors and slow the “brain drain”
- Paves the way for younger employees to advance and gain new skills
- Less accrued vacation time or other benefits reduces financial liability
- Creates time to learn about health care options, removing stress/urgency

Advantages for the employee

- Easing in to retirement eases the stress that accompanies any major life change
- Partial retirement provides additional income so employees require less draw down on saving
- Partial employment offers a lot of flexibility, allowing employees to pursue other paths like hobbies, time with family, volunteering at the same time.
- Helps employees remain productive while dealing with health concerns as they age

3. Encourage Health Savings Accounts

An investment tool for health care expenses *now* and in the *future*

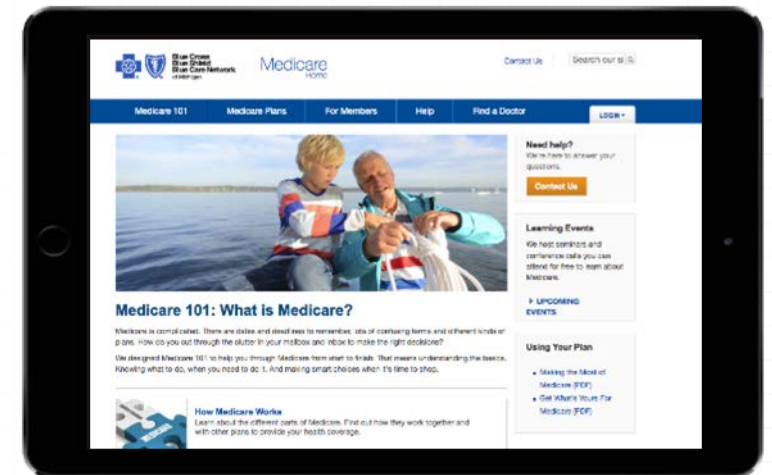
- HSAs are available with qualified high-deductible health plans
- Can be used for current and future health care costs, including health insurance premiums or deductibles in retirement
- HSA funds are tax deductible, grow tax-free, are portable and roll over every year
- Max out HSAs before age 65, and draw down balances for Medicare premiums, prescription drugs, co-pays and deductibles, medical equipment, even long term care

// The most tax-preferred account available. Using one to save for retirement medical expenses is a better strategy than using retirement accounts. //

*Michael Kitces, director of financial planning,
Pinnacle Advisory Group Inc.*

How Blue Cross can help

- Educational resources for HR professionals and their employees:
 - *Get What's Yours from Medicare*, by Laurence Kolikoff, Paul Solman and Philip Moeller, a highly rated, independent and informative book for people facing retirement
 - Educational seminars offered on site or at local centers
 - Medicare 101 online resources for employees at www.bcbsm.com/medicare
- Product portfolios that support a broader retirement need
 - Group and Individual Medicare Advantage Plans, both PPO and HMO, including some \$0 premium options
 - Medicare supplement options
- Support and training for Medicare Advantage certified agents. Blue Cross can help your employees find an agent nearby.



What you can do

- Provide education and tools on planning for health care to employees age 55+
 - Understand Medicare options to advise your organization on the right benefits for your needs
 - Connect to agents/brokers
 - Be ready to explore flexible work arrangements
- Incent employees to use Health Savings Accounts (HSAs)
 - Contact your BCBSM sales representative or independent agent for materials or to help create a customized outreach program for your retirees.

For more information:

1

Visit bcbsmmasterclass.com – webinar recording, CE credit instructions and information for next month's class

2

Sign up for MIBluesPerspectives.com to get updates from Blue Cross

3

Visit bcbsm.com/medicare

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Thank You.



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