

U.S. Insurance News Article

A Scrambled Mess: Retirees Overlooked Medical Costs when Building Nest Eggs

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If only they knew then what they know now.

A new national survey from Medco Health Solutions, Inc., shows that retirees underestimated what a large chunk of their nest egg would go to pay for medical and drug expenses.

Thirty-three percent of retirees claim they are spending far more on their health care and prescription drugs than they expected, and 55 percent admit that they completely disregarded their health care and prescription drug needs when they were planning for retirement expenses.

But perhaps most surprising, despite what they know now, 49 percent of retirees indicate they never assess the impact health care costs are having on their retirement savings or lifestyle.

"Retirees have planned for food, shelter, taxes, and entertainment, but too many neglect drug and medical costs—which are rising far faster than the inflation rate—are jeopardizing the quality of life they expect to enjoy during retirement," observed Sally Greenberg, executive director of the National Consumers League. "The fact that many seniors have not planned for increased health expenses, and the fact that many aren't aware of ways they may be able to save on their medications, shows a real need for education about how to build a healthy nest egg."

The survey of 1,000 Americans over age 65, "America's Unhealthy Nest Egg," was conducted for Medco by Directive Analytics. It shows that for 25 percent of middle-income retirees, \$1 out of every \$10 of their monthly retirement income goes to pay for medications alone. Yet only 48 percent of retirees indicate that they use all of the tools at their disposal to save money on their medications. Twenty-four percent claim to use very few or no cost savings tools available to cut their medication expenses.

"It's a notable contradiction that retirees are facing high drug costs, yet either are not aware of, or choose not to use, the tools they have available to save," said Donna Denardo, senior vice president for Medco's Retiree Solutions. "Now, more than ever, retirees are nervous about outliving their ability to afford the escalating costs of living well."

Other survey highlights include:

- Nearly half of retirees stated they infrequently or never discuss with their doctors ways to save money on their medications, even though many doctors are likely to prescribe generic drugs when their patients ask for them.
- Seventy-six percent indicated they were aware of the cost-savings benefits of getting their drugs from a mail-order pharmacy, but only 40 percent actually use such a service.
- Just 13 percent indicated they were aware they could take fewer pills or capsules at a higher dose to reduce the number of pills or capsules they would have to buy (dose optimization).
- Retired women are 52 percent more likely than men to indicate they are spending more than they anticipated.
- Forty percent of seniors who have reviewed Medicare plans said their primary factor for choosing a plan is premium price, while only 15 percent consider the range of drugs offered. Despite the attention given to the "coverage gap" in Medicare, only 7 percent of seniors indicated that such a benefit would be a deciding factor in their choice of plans.

In light of these survey results, Medco has launched an initiative, "Prescription for a Healthy Nest Egg," aimed at educating retirees about tools they can use to reduce their prescription drug costs. The initiative will provide retirees with information about savings opportunities, where to look for hidden savings, and how much they could eliminate from their drug bill.

"The prescription to cure this problem is information and education," Denardo said. "We have to reach out to retirees to encourage them to use all the tools they have to save, and to educate them about savings tools they may not even know exist, so that they can protect that nest egg they've spent years building."

Medco has developed a free consumer's guide, "Prescription for a Healthy Nest Egg: Half a Dozen Ways to Lower Your Drug Costs and Stretch Your Retirement Dollar." The guide is available in a downloadable version from the Medicare Advisor Web site.