Healthcare, Annuities, and Retirement

Introducing healthcare costs into financial planning conversations can increase savings and build retirement security.

Insured Retirement Institute

HEALTHYCAPITAL

Executive Summary

From Congress to companies to consumers, practically everyone in America is seeking ways to reduce medical expenditures. As the data in this paper will demonstrate, one practical and relatively simple strategy is to integrate personal wellness, long-term and consistent savings, and the appropriate investment, which can help people live longer, lower annual medical expenditures, and generate more retirement income.

Healthcare cost projections illustrate how managing medical conditions through simple, positive lifestyle choices can result in measurable savings. Afterwards, laddered annuities, partially funded by money saved through behavior modification, can fund retirement healthcare. Unlike other investment products, annuities provide a guaranteed income stream for a lifetime, bringing peace of mind to millions of Americans who worry about their ability to afford quality healthcare in the future.

1. **Improving Health Pays Dividends:** A data-driven, systematic approach to managing health conditions can show clients that small, simple changes today can yield substantial healthcare savings over a lifetime.

2. **A Reduction in Healthcare Costs Today Can Fund Healthcare in the Future:** Savings placed in appropriate investment products can substantially increase retirement income. An average 45-year-old woman with high blood pressure can reduce her average annual pre-retirement healthcare costs by $3,561 by following specific protocols, which, if saved, can lead to $112,481 at retirement (age 65) – adding an extra 67% to the average (65-year-old's) 401(k)[1] plan.

3. **Additional Income Potential Provides a Value-Add for Advisors:** Providing a framework for financial advisors to grow investable income through reduced healthcare costs increases an advisor's wallet share.

4. **Healthcare Impacts Every Generation:** Raising healthcare concerns provides advisors with an opportunity to add value and enhance client relationships by addressing a key retirement issue that spans all age groups.

5. **Annuities Are a Viable Option:** Utilizing annuities to provide guaranteed income helps address one of Americans' primary retirement concerns: affording quality healthcare.

1 *Stanek, Becca. SmartAsset. (2018, Aug 20). The Average 401(k) Balance by Age. Retrieved from https://smartasset.com/retirement/average-401k-balance-by-age*

Healthcare:
A Retirement Challenge and Opportunity

A generation ago, most working Americans approached retirement with some level of confidence; the prevalence of defined benefit plans (pensions), relatively generous Social Security COLAs, and manageable healthcare outlays instilled most with a feeling of long-term financial security. Unfortunately, as pensions have been replaced by 401(k) plans, COLAs have shrunk, and medical costs have inflated, retirement anxiety has evolved into a national issue.

According to recent data, the concerns are well founded.

- ✓ **One in three Americans has no retirement savings.**[2]
- ✓ **Fifty-three percent of pre-retirees have anxiety about their upcoming retirement.**[3]
- ✓ **Only 65 percent of recently retired Americans are satisfied with their present financial situation.**[4]
- ✓ **Bankruptcy for those over 65 has skyrocketed, as 12.2 percent of filers are now 65 or older (up from 2.1 percent in 1991).**[5]
- ✓ **A 55-year-old couple retiring at 66 will need 92 percent of their social security benefits to pay for lifetime medical expenses.**[6]

These alarming trends, especially in a stable and growing economy, can be traced to several causes, including longer life expectancies, inconsistent savings plans, the tendency to carry more debt, and inadequate planning for healthcare costs.

Retirement healthcare generally includes Medicare and supplemental insurance premiums, as well as varied out-of-pocket costs for dental, vision, copays, and other uncovered services. As healthcare inflation drives costs higher, to maintain coverage, Americans will need to maintain a sufficient income stream throughout retirement.

Those planning to rely on Social Security need to understand that Medicare Part B is deducted directly from benefits, and Part D and supplemental insurance premiums must be paid out of pocket. A 66-year-old couple will see 39% of their annual Social Security benefits go directly to Medicare by age 70* – and up to 59% per year by age 87.[7] As healthcare inflation rises, so will the percentage of Social Security income required to fund medical expenses.

To put it simply: Social Security will fail to cover basic living and health-related expenditures, so many retirees will require an additional income source to maintain a respectable standard of living.

Given that these expenses will last a lifetime, innovative solutions, combined with guaranteed income products (based on individual needs), may be a compelling option for advisors seeking to prepare clients for a more stable, healthy, and comfortable retirement.

The following case study details how utilizing the savings through condition management can fund staggered annuities and create a lifetime income stream. The case focuses on a 30-year-old because it is critical to start conversations early with younger investors; however, the principles of the strategy apply to other age groups.

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2 *Kirkham, E. (2016, March 14). 1 in 3 Americans Has No Retirement Savings | Money. Retrieved from http://time.com/money/4258451/retirement-savings-survey/*

3 *Franklin Templeton Investments. (January 2018). Retirement Research. Retrieved from https://www.franklintempleton.com/investor/products/investment-goals/retirement/research/*

4 *Malito, A. (2017, March 05). People all around the world have retirement anxiety - here's how to fix it. Retrieved from https://www.marketwatch.com/story/retirement-anxiety-is-universal-as-is-the-antidote-2017-02-28*

5 *Bernard, T. S. (2018, August 05). 'Too Little Too Late': Bankruptcy Booms Among Older Americans. Retrieved from https://www.nytimes.com/2018/08/05/business/bankruptcy-older-americans.html*

6 *HealthView Services.*

7 *HealthView Services. 2018 Health Care Costs Data Report*

***** *Future value, $259,945 in present value*

CASE STUDY

THE FINANCIAL BENEFITS OF HEALTH CARE MANAGEMENT: **SUSAN**

Susan is a 30-year-old professional who just purchased a home and had her first child, but also has type 2 diabetes. She tries her best to follow her doctor's orders and manage her condition, but often falls short by forgetting to take her medication or not following her diet. After all, life is busy for a first-time mother.

Given her health issues, and the fact that she just had a child, Susan is very concerned about her healthcare costs and longevity, so she takes time to visit her financial planner, George. They discuss her expectations, and George calculates her projected retirement healthcare costs.

Table A shows that between ages 65 and 85, Susan can expect to incur over $1,000,000* in future costs for Medicare Part D, Medigap premiums, and out-of-pocket expenses. In order to fund this, Susan would have to invest slightly more than $11,600 per year (or $171,769 in a lump sum) in a product that nets 6% annually.

TABLE A

SUSAN'S RETIREMENT HEALTHCARE COST OUTLOOK

AGE/YEAR	LENGTH OF RETIREMENT	PREMIUMS ONLY	PREMIUMS AND OOP
Age 65 (2053)	1	$20,311	**$21,471**
Age 66 (2054)	2	$21,959	**$23,170**
Age 67 (2055)	3	$23,735	**$24,999**
Age 68 (2056)	4	$25,633	**$26,965**
Age 69 (2057)	5	$27,678	**$29,081**
Age 70 (2058)	6	$29,864	**$31,341**
Age 71 (2059)	7	$32,218	**$33,771**
Age 72 (2060)	8	$34,736	**$36,370**
Age 73 (2061)	9	$37,463	**$39,178**
Age 74 (2062)	10	$40,381	**$42,180**
Age 75 (2063)	11	$43,512	**$45,399**
Age 76 (2064)	12	$46,882	**$48,861**
Age 77 (2065)	13	$50,489	**$52,562**
Age 78 (2066)	14	$54,359	**$56,529**
Age 79 (2067)	15	$58,503	**$60,772**
Age 80 (2068)	16	$62,960	**$65,333**
Age 81 (2069)	17	$67,734	**$70,215**
Age 82 (2070)	18	$72,869	**$75,461**
Age 83 (2071)	19	$78,431	**$81,132**
Age 84 (2072)	20	$84,401	**$87,215**
Age 85 (2073)	21	$90,811	**$93,741**
	Total:	$1,004,927	$1,045,746

* Medigap coverage is under Plan F; Assumes Part B premiums are already deducted from Social Security

The Financial Benefits of Health Care Management *continued...*

Instead, George offers an alternative option based on a goal of $600,000 at age 60. While any investment or savings product can accumulate and distribute funds, George suggests annuities because they guarantee that Susan will continue to receive payments even if her healthier lifestyle propels her well past the average life expectancy. Also, any unused funds can pass to her heirs as a death benefit.

Table B (below) details the annuity purchases. They are staggered* to diversify income sources and enable Susan to account for changes in health status, consider other factors related to aging, and match purchases to healthcare expenses that are likely to increase over time:

- ✓ **A variable annuity (VA) or fixed indexed annuity (FIA) with a guaranteed lifetime withdrawal benefit (GLWB) to establish a base level of annual payments earmarked for healthcare expenses, purchased at age 60 with a minimum 5% annual compounded growth until the first withdrawal at age 65.**
- ✓ **A deferred income annuity (DIA), also purchased at age 60 with payments beginning at age 65, which makes additional payments sufficient to cover Susan's healthcare expenses until age 75.**
- ✓ **A single premium immediate annuity (SPIA) purchased at age 75 that adds payments to cover increasing healthcare expenses through age 85. Importantly, the decision to purchase the SPIA is deferred until age 75 so that Susan and her advisor can make the purchase based in part on her health status at that time.**

Since the VA/FIA payments are both matched to expenses five years out, they initially generate excess income that is invested in a separate investment fund, which is assumed to accumulate at 5% annually from age 65 to age 75 and is used to help fund the SPIA purchase at age 75. In this example, the process then starts over and the investment fund grows until about age 82, when the supplementary income provided by the three annuity products begins to be overtaken by rising healthcare costs. In actual practice, Susan's advisor would work with her to make course corrections as needed, which may entail shifting more of Susan's assets to annuities for healthcare if costs are higher than anticipated, or providing her with a bit more financial freedom if costs are lower.

TABLE B

SEQUENCE OF SUSAN'S ANNUITY PORTFOLIO

ANNUITY PURCHASE	PURCHASE AGE	AGE PAYMENTS BEGIN	INVESTMENT AMOUNT	PRODUCT CHARACTERISTICS AND ASSUMPTIONS
VA/FIA with GLWB	60	65	$300,000	**5.5% annual withdrawals for life from benefit base ($21,059), 5% net investment return**
DIA	60	65	$300,000	**Lifetime annual payments of $23,424**
SPIA	75	75	$107,931 *(net of side fund reinvestment)*	**Lifetime annual payments of $25,584**
		Total:	**$707,931**	

* *The 2014 IRI study, "Planning for Healthcare: How Excellent Health and Longevity Impact Retirement Planning," shows that laddered annuity purchases, combined with a systematic withdrawal plan, can result in nearly three times the expected remaining portfolio balance at age 87 than is achieved when withdrawals alone are used to generate income.31*

Throughout retirement, the annuities and side fund work in combination to ensure sufficient income will be available to pay for health-related expenses, as shown in **Table C**.

TABLE C

INCOME PRODUCED BY INITIAL ANNUITIES

AGE	PREMIUMS + OOP	VA/FIA WITH GLWB	DIA	SPIA	TOTAL ANNUITY PAYMENTS	VA/FIA ACCOUNT VALUES + SIDE FUND
65	$21,471	$21,059	**$23,424**	- -	$44,483	**$407,047**
70	$31,341	$21,059	**$23,424**	- -	$44,483	**$515,663**
74	$42,180	$21,059	**$23,424**	- -	$44,483	**$574,954**
75	$45,399	$21,059	**$23,424**	$25,584	$70,067	**$408,785**
80	$65,333	$21,059	**$23,424**	$25,584	$70,067	**$495,172**
85	$93,741	$21,059	**$23,424**	$25,584	$70,067	**$462,877**
Totals:	$1,045,746	$442,232	$491,914	$281,424	$1,215,560	

A total net annuity investment of $707,931 generates sufficient payments to fund health insurance premiums and out-of-pocket costs totaling over $1,000,000 over 20 years in retirement – with a combined remaining balance in the VA or FIA and separate investment fund of $462,877 at age 85 – for a net nominal cost of $245,054 (or just about the amount that Susan will be able to accumulate by improving her health management, described below). As an added benefit, the total annuity payments of $70,067 continue for the rest of Susan's life and may be used for any purpose.

Susan's new savings goal of $600,000 means she will now need to save $6,675 per year in an investment account that nets 6% annually.

After reviewing Susan's assets, debts, and savings goals, George and Susan talk about their plan to save for the three annuities. Susan shares that she has type-2 diabetes. George discusses the importance of her current health as it relates to future expenses, and the savings she can experience by actively improving her condition.

Using the HealthyCapital app, he notes that a few simple lifestyle changes will not only lead to a longer healthier life, but could also yield enough savings over time to help fund the annuities to cover her retirement medical expenses.

Susan completes a simple questionnaire to identify the few changes she needs to make **(See Table D)** that would classify her condition as 'Well Managed.'

TABLE D

ACTION PLAN

Follow a diabetic diet
Monitor symptoms and attend recommended doctor's appointments
Take medications as prescribed
Increase physical activity

Susan continues to use the app and coaching service to track her progress. By managing her type 2 diabetes, Susan learns that in addition to increasing her life expectancy by ten years, she will spend less on annual medical-related expenditures because her new healthy habits translate into fewer doctor visits, services needed, prescription drugs, catastrophic events, and procedures.

If Susan begins immediately, she can reduce her lifetime healthcare expenses by more than $190,000, which, when invested in an account that nets 6% annually, will grow to over $240,000 by age 60 (when she purchases her first two annuities) and another $90,000 by age 75 (when she purchases her last annuity). Managing her condition will also produce average pre-retirement annual healthcare savings of just over $4,500. Now, Susan's annual savings goal of $6,675 per year is reduced by more than two thirds, and she will only have to save $2,175 per year in order to make the initial annuity purchases at age 60 that will help cover her future healthcare costs.

While external factors (such as legislative changes to Medicare or healthcare inflation) are out of Susan's control, the remainder of the case will show that if she invests the savings in a long-term vehicle with a 6% rate of return (as shown in Table E), she will have enough money to help fund the three annuity purchases beginning at age 60. This strategy becomes an important component of a holistic investment portfolio that will fund her retirement expenses – including healthcare – and help ensure financial stability and piece of mind, no matter how long she lives.

* *The 2014 IRI study, "Planning for Healthcare: How Excellent Health and Longevity Impact Retirement Planning," shows that laddered annuity purchases, combined with a systematic withdrawal plan, can result in nearly three times the expected remaining portfolio balance at age 87 than is achieved when withdrawals alone are used to generate income.31*

TABLE E

POTENTIAL SAVINGS AT RETIREMENT AFTER HEALTH MODIFICATION

AGE	YEAR-START AMOUNT WITH 6% GROWTH	ANNUAL CONTRIBUTIONS USING SAVINGS FROM BEHAVIOR MODIFICATIONS	YEAR-END BALANCE
30	$0	$1,041	$1,041
31	$1,103	$1,017	$2,120
32	$2,247	$1,110	$3,357
33	$3,559	$1,208	$4,766
34	$5,052	$1,347	$6,399
35	$6,783	$1,503	$8,286
36	$8,783	$1,704	$10,488
37	$11,117	$1,847	$12,964
38	$13,742	$2,003	$15,744
39	$16,689	$2,073	$18,762
40	$19,888	$2,248	$22,136
41	$23,464	$2,437	$25,901
42	$27,456	$2,642	$30,097
43	$31,903	$2,881	$34,784
44	$36,871	$3,141	$40,012
45	$42,413	$3,423	$45,836
46	$48,586	$3,729	$52,315
47	$55,454	$4,062	$59,515
48	$63,086	$4,436	$67,522
49	$71,573	$4,843	$76,416
50	$81,001	$5,161	$86,162
51	$91,331	$5,404	$96,735
52	$102,539	$5,660	$108,199
53	$114,691	$5,930	$120,622
54	$127,859	$6,216	$134,075

TABLE E

POTENTIAL SAVINGS AT RETIREMENT AFTER HEALTH MODIFICATION *continued...*

55	$142,119	**$6,518**	**$148,637**
56	$157,556	**$6,839**	**$164,394**
57	$174,258	**$7,178**	**$181,436**
58	$192,322	**$7,510**	**$199,832**
59	$211,822	**$7,860**	**$219,682**
60	$232,863	**$8,229**	**$241,092**
WITHDRAWAL TOWARDS FIRST TWO ANNUITY PURCHASES			
61	$0	**$8,618**	**$8,618**
62	$9,135	**$9,029**	**$18,164**
63	$19,254	**$9,366**	**$28,620**
64	$30,337	**$9,713**	**$40,050**
65	$42,454	**$928**	**$43,382**
66	$45,985	**$969**	**$46,954**
67	$49,772	**$1,012**	**$50,784**
68	$53,831	**$1,066**	**$54,897**
69	$58,191	**$1,123**	**$59,314**
70	$62,873	**$1,182**	**$64,055**
71	$67,899	**$1,243**	**$69,142**
72	$73,290	**$1,308**	**$74,599**
73	$79,074	**$1,373**	**$80,447**
74	$85,274	**$1,440**	**$86,714**
75	$91,917	**$1,510**	**$93,428**
WITHDRAWAL TOWARDS FINAL ANNUITY PURCHASE			
76	$0	**$1,584**	**$1,584**
77	$1,679	**$1,660**	**$3,338**

TABLE E

POTENTIAL SAVINGS AT RETIREMENT AFTER HEALTH MODIFICATION *continued...*

78	$3,538	**$1,737**	**$5,275**
79	$5,591	**$1,816**	**$7,408**
80	$7,852	**$1,899**	**$9,751**
81	$10,337	**$1,986**	**$12,322**
82	$13,062	**$2,075**	**$15,137**
83	$16,045	**$2,162**	**$18,207**
84	$19,299	**$2,252**	**$21,551**
85	$22,844	**$2,345**	**$25,189**
	Total Lifetime Healthcare Savings:	$190,596	
	Average Annual Pre-Retirement Savings (At age 65):	$4,512	

** Note: Susan 's healthcare savings decrease at age 65 because she purchases a Medicare MediGap policy. Therefore, the difference between a well-managed type 2 diabetic and a poorly-managed type 2 diabetic have less of a difference in cost when catastrophic and large events are covered by a MediGap policy.*

Future Value Inflation

At first glance, the sobering numbers in this example may seem enormous and out of reach for the average individual. In fact, it is likely that Susan would be taken aback at some of the projections, including the fact that if she were able to save $1 million, more than 70% of it would be consumed by healthcare costs.

However, a few important thoughts must be kept in mind when considering this case study:

- ✓ **Susan is 30 now, and we are assuming that she will retire in 2053 at age 65. At even a modest 2% annual inflation rate, funding for the annuities would be equivalent to about $375,000 (today's dollars) at Susan's current age versus a total net investment of $707,931 when she turns 60 in 2048.**
- ✓ **Susan's investments, in both her variable or fixed indexed annuity and her side fund, may perform better during her retirement years. The case study assumes a 6% return during her working years, when she can invest more aggressively, but only 5% during retirement when investment portfolios are typically more conservative. However, with the security of guaranteed lifetime annuity payments, Susan may feel comfortable taking more risk with her side-fund investments and could experience a higher return over a 20-year time horizon.**
- ✓ **The additional income that Susan creates is flexible, can be used to fund her healthcare costs, other expenses, and offers financial freedom throughout retirement.**

A person's investable assets, tolerance for risk, general and lifestyle expenses, and of course, current health status are important determinants of the level of funding and types of investment and insurance products that should be used to design a healthcare funding plan. Also, staggering the purchases inherently allows for adjustments to the portfolio (based on changes in health status): an annuity may make sense for Susan at age 60 or 65, but if her health declines by age 75 it may make more sense to use a mutual fund, laddered bond portfolio, or other non-insured approach instead of the immediate annuity.

Annuities require a larger total payment to achieve healthcare-funding goals. However, while capital-market investments need certain levels of performance to generate income, annuities incur less risk, provide mortality credits (the boost to income resulting from the pooling of longevity risk), and may be a better alternative for an individual investor depending on his/her risk tolerance. There are also considerable side benefits:

- ✓ **As previously stated, payments are guaranteed, regardless of market performance.**
- ✓ **If Susan lives longer than her projected life expectancy (age 85), she can rely on the annuity payments to help cover her expenses for the rest of her life.**
- ✓ **If Susan requires long-term care, she will have enough to cover almost two years in a facility.**
- ✓ **A significant bequest (over $250,000) will be left to her heirs (assuming Susan expires at or before age 85).**

Susan's case can serve as a benchmark for how condition management can provide substantial, long-term medical and financial benefits. It can also be a motivating factor in the purchase of financial products like annuities, which can provide a greater feeling of stability, empowerment, and control.

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* *The 2014 IRI study, "Planning for Healthcare: How Excellent Health and Longevity Impact Retirement Planning," shows that laddered annuity purchases, combined with a systematic withdrawal plan, can result in nearly three times the expected remaining portfolio balance at age 87 than is achieved when withdrawals alone are used to generate income.31*

Health Management and Dedicated Savings Can Help Millions Prepare

The concepts in this case are applicable to those with other conditions and within different age groups. More importantly, they can potentially help a large portion of the population. According to the Center for Disease Control, more than half of adult Americans suffer from a chronic condition, such as heart disease, diabetes, and cancer – and more than 25% have two or more – the management of which makes up the bulk of the country's $2.7 trillion healthcare budget[8]. By the year 2030, the U.S. will be home to 71 million people aged 65 and older, the majority of whom will be carrying a chronic condition well into retirement[9]. Medicare and Medicaid will simply be unable to subsidize the care required by so many aging Americans, so higher costs will continue to be passed on to retirees.

Table F compares the life expectancies and average annual savings in pre-retirement healthcare costs of those who simply follow their healthcare protocols. Regardless of the condition, individuals who move to 'Well Managed' can add years to their lives (from three to six) and significantly reduce their annual medical expenditures. The accrued savings, if invested, can be worth between $120,000 and $437,000 at retirement age, depending on the condition.

TABLE F

THE POTENTIAL FOR HEALTHCARE AND FINANCIAL IMPROVEMENT FOR A 30-YEAR OLD FEMALE WITH ALTERNATIVE CONDITIONS

	LIFE EXPECTANCY			AVERAGE ANNUAL PRE-RETIREMENT HEALTHCARE COSTS		
CONDITION	AVERAGE MANAGED	WELL MANAGED	YEARS OF LIFE ADDED	AVERAGE MANAGED	WELL MANAGED	VALUE OF SAVINGS AT RETIREMENT*
High Cholesterol	86	91	5	$15,056	$13,160	$134,489
High Blood Pressure	88	91	3	$20,095	$14,225	$437,294
Tobacco Use	82	88	6	$13,597	$13,326	$287,646**
Obesity	85	88	3	$13,699	$11,913	$120,030

Maintaining good health and actively managing medical conditions are certainly important factors in both extending and maximizing one's golden years; however, living longer carries its own unique set of risks – among them a higher probability of developing one of the conditions associated with expensive, long-term care, such as Alzheimer's Disease. "Well Managed" individuals can expect to live longer, but must plan for their income to last as long as they do; therefore, strategies utilizing both annuities and systematic withdrawals can create retirement income and preserve assets.

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8 *Centers for Disease Control and Prevention. (2018, August 6). About Chronic Disease. Retrieved from https://www.cdc.gov/chronicdisease/about/index.htm*

9 *United States Census. (2018, March 13). Older People Projected to Outnumber Children for First Time in U.S. History. Retrieved from https://www.census.gov/newsroom/press-releases/2018/cb18-41-population-projections.html*

***** *Chronic diseases are defined broadly as conditions that last 1 year or more and require ongoing medical attention or limit activities of daily living or both.*

****** *Tobacco Use savings value includes invested savings from the cost of cigarettes, assuming one pack per day.*

Conclusion

As data from the case study reveals, with an innovative application and a knowledgeable financial professional, Americans who understand the importance of personal wellness may not only increase their life expectancy, but also generate real, measurable savings that – with the proper investment – can help produce enough funds to cover a lifetime of care.

To increase business and enhance client relationships, advisors need to build healthcare into planning conversations - a topic that crosses all demographics. This opportunity will allow advisors to appeal to the next generation of investors whose incomes, savings, and needs for guidance will grow over time.

Integrating wellness as a value-add helps create a closer relationship between financial professionals and their clients – one in which exclusive data is not only used to generate income, but also help people lead longer, healthier lives.

Ultimately, the health-management conversation can open the door to the appropriate investment products, including annuities, which may provide peace of mind to many anxious Americans who are concerned about paying for healthcare – now, and through retirement.

HealthyCapital Data & Assumptions: Calculating Costs

HealthyCapital draws upon data from clinicians, 70 million healthcare cases, actuarial data, and government statistics to determine and project healthcare costs. The dataset covers the general population from 18 to 90 through life expectancies as high as 110. The firm leverages an actuary- and physician-reviewed algorithm to calculate and estimate annual costs throughout life based on conditions and adherence to protocols.

Pre-retirement cost projections are based on health management organization (HMO) premiums and out-of-pocket costs (OOPs) related to hospitalization, doctors, tests, and prescription drugs.

Retirement healthcare cost projections include Medicare Parts B and D, and supplemental insurance premiums. (It is assumed that most Americans paid Medicare taxes while employed and will not be responsible for Medicare Part A premiums.) Projections also include out-of-pocket expenses related to hospitalization, doctors, tests, and prescription drugs. Calculations assume actuarial longevity for different ages, health conditions, and condition management.

This report includes the impact of behavior modifications on healthcare costs and life expectancy. When an individual is classified as average managed or well managed, varying cost and life expectancy factors are applied to baseline values to adjust for each level of health-management status.

Unless otherwise indicated, the paper is based on an average national inflation rate of 3%. Actual costs and figures for individuals may vary.

About HealthyCapital

A joint venture between Mercy and HealthView Services, HealthyCapital's physician- and actuary-reviewed approach draws upon clinicians, 70 million medical cases, government and economic data, HealthView Services' decade of experience in healthcare cost projections and Mercy's extensive experience in population health management. The company's application utilizes cost data to provide powerful information that incentivizes individuals to improve health through simple behavior modifications and the assistance of health coaching. It also displays the potential financial savings that can be gained through specific behavior modifications - an effective motivational tool.

About HealthView Services

HealthView Services is the leading provider of retirement healthcare cost data, Social Security optimization, and long-term care retirement planning tools for the financial services industry.

About Mercy

Mercy, named one of the top five large U.S. health systems in 2018, 2017 and 2016 by IBM Watson Health, serves millions annually. Mercy includes more than 40 acute care and specialty (heart, children's, orthopedic and rehab) hospitals, 800 physician practices and outpatient facilities, 44,000 co-workers and 2,100 Mercy Clinic physicians in Arkansas, Kansas, Missouri and Oklahoma. Mercy also has clinics, outpatient services and outreach ministries in Arkansas, Louisiana, Mississippi and Texas. In addition, Mercy's IT division, Mercy Technology Services, supply chain organization, ROi, and Mercy Virtual commercially serve providers and patients in more than 20 states coast to coast.

About the Insured Retirement Institute:

Insured Retirement Institute

The Insured Retirement Institute (IRI) is the leading association for the retirement income industry. IRI proudly leads a national consumer coalition of more than 30 organizations, and is the only association that represents the entire supply chain of insured retirement strategies. IRI members are the major insurers, asset managers, broker-dealers/distributors, and 150,000 financial professionals. As a not-for-profit organization, IRI provides an objective forum for communication and education, and advocates for the sustainable retirement solutions Americans need to help achieve a secure and dignified retirement. Learn more at www.irionline.org.

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