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Five Medicare Decisions to Make Before You Retire

For many people, turning 65 is a significant milestone on the journey toward retirement. It's also the age when most people first become eligible for Medicare, and with that comes a new set of decisions about healthcare coverage, costs, and timing.

Unlike many retirement planning decisions, Medicare enrollment involves specific deadlines and eligibility rules. The timing of retirement, access to employer-sponsored insurance, and participation in a Health Savings Account (HSA) can all affect when and how someone enrolls. Some initial decisions may also have implications that are difficult to reverse later.

For individuals approaching age 65 or preparing to leave the workforce, understanding these considerations before retirement can help avoid unintended coverage gaps, enrollment penalties, and unexpected expenses. Here are five important Medicare decisions to evaluate as part of a broader retirement plan.

1. WHICH MEDICARE COVERAGE APPROACH IS RIGHT FOR YOU?

Medicare isn't necessarily a one-size-fits-all solution. One of the most consequential decisions involves choosing how you'll receive your healthcare coverage. Generally, there are two primary approaches:

ORIGINAL MEDICARE

This includes Part A, which primarily covers inpatient hospital services, and Part B, which covers physician services, outpatient care, and other medically necessary services. Individuals can add separate prescription drug coverage through Part D and may purchase Medicare Supplement Insurance, commonly called Medigap, to help manage certain out-of-pocket costs.

MEDICARE ADVANTAGE

Also known as Part C, these plans are offered by Medicare-approved private insurers. They combine Part A and Part B coverage, typically include prescription drug coverage, and may provide additional benefits such as dental, vision, or hearing services.

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Each approach comes with trade-offs involving costs, flexibility, provider access, and coverage.

Original Medicare generally offers broader access to providers who accept Medicare, while Medicare Advantage plans may use provider networks and additional coverage rules. Medicare Advantage plans also include annual out-of-pocket limits for covered Part A and Part B services, whereas Original Medicare does not have a comparable limit without supplemental protection.

For individuals enrolling for the first time, one particularly important consideration is the timing of Medigap coverage. The federal Medigap Open Enrollment Period generally lasts six months, beginning when an individual is at least 65 and enrolled in Medicare Part B. During this period, insurers generally cannot deny a Medigap policy or charge more because of preexisting health conditions. Similar protections may not be available later, depending on state rules and individual circumstances.

This makes the initial coverage decision about more than comparing monthly premiums. Understanding the tradeoffs between immediate costs, access to care, and future insurance flexibility can help establish a more durable coverage strategy for retirement.

2. WHEN SHOULD YOU ENROLL IN MEDICARE?

One of the early decisions you'll face is when to enroll. For most individuals, Medicare eligibility begins at age 65. Your Initial Enrollment Period generally spans seven months: the three months before your 65th birthday month, the month you turn 65, and the three months afterward.

The timing matters because enrolling late, without qualifying for an exception, can create coverage gaps or ongoing premium penalties.

For example, individuals who don't enroll in Medicare Part B when first eligible may face a premium penalty of 10% for each full 12-month period they delayed enrollment without qualifying for an exception. That additional cost generally continues for as long as they maintain Part B coverage.

Medicare enrollment also isn't automatically tied to retirement. Individuals already receiving certain Social Security or Railroad Retirement benefits may be enrolled automatically, while others must apply. Special eligibility timing rules can also apply to individuals born on the first day of a month. Knowing which enrollment process applies is an important step before coverage is needed.

3. WILL YOU CONTINUE WORKING PAST AGE 65?

Not everyone retires at 65. In fact, for some individuals, continuing to work may be an important part of their financial plan, whether for additional income, continued benefits, or simply because they enjoy their career.

If you're planning to work beyond 65, you'll want to understand how Medicare coordinates with your existing employer-sponsored health insurance.

Depending on your employer's size and the type of coverage you have, you may be able to delay enrolling in Medicare Part B without facing a penalty. However, the rules vary, and assuming your employer coverage automatically eliminates

the need for Medicare could prove costly.

For example, coverage through an employer with 20 or more employees may coordinate differently with Medicare than coverage through a smaller employer. Retiree health insurance and COBRA also generally do not provide the same protections for delaying Part B enrollment as qualifying coverage based on current employment.

For individuals who qualify for a Special Enrollment Period based on current employment coverage, there is generally an eight-month window to enroll in Part B after employment or qualifying coverage ends, whichever happens first.

An additional consideration involves Health Savings Accounts (HSAs). Medicare enrollment generally ends eligibility to make new HSA contributions, and premium-free Part A coverage may begin retroactively for up to six months, but no earlier than the first month of Medicare eligibility. As a result, individuals working beyond 65 may need to coordinate their HSA contributions carefully to avoid unintended tax consequences.

Existing HSA balances, however, generally remain available for eligible healthcare expenses even after Medicare enrollment. This distinction is important: Medicare changes eligibility to make new HSA contributions, but it does not require an individual to close an existing HSA.

For additional information about how HSAs work and their role in financial planning, see our articles, Health Savings Accounts: The Fundamentals and Health Savings Accounts: Beyond the Basics.

Before delaying Medicare enrollment, understanding how employer size, current coverage, retirement timing, and HSA participation interact is particularly important. An employer benefits administrator can clarify how existing insurance coordinates with Medicare, while a Grimes advisor can help evaluate the broader retirement and tax-planning implications.

4. HOW WILL MEDICARE COSTS FIT INTO YOUR RETIREMENT BUDGET?

For individuals approaching retirement, the transition from employer-sponsored health insurance to Medicare can create a meaningful change in household expenses. Costs that were previously shared with an employer may become the retiree's responsibility, while the structure of premiums and out-of-pocket expenses may also change.

Most eligible individuals do not pay a monthly premium for Medicare Part A, but Part B generally has a monthly premium. Depending on the coverage selected, additional premiums for Part D, Medigap, or Medicare Advantage may apply, along with deductibles, copayments, and coinsurance.

For perspective, the standard Medicare Part B premium in 2026 is $202.90 per month, or approximately $2,435 annually, before accounting for other healthcare expenses.

Higher-income individuals may also be subject to the Income-Related Monthly Adjustment Amount (IRMAA), which can increase Part B and Part D premiums based generally on income reported two years earlier. This may be relevant when evaluating retirement income, taxable distributions, and the timing of other financial decisions.

An important comparison is not simply what Medicare will cost, but how those expenses differ from the household's existing employer-sponsored coverage. That transition may affect annual cash flow, retirement spending assumptions,

and the amount of flexibility needed to accommodate healthcare costs over time.

A Grimes advisor can help incorporate these anticipated costs into a retirement income plan, including an evaluation of the potential effect of income-based premiums.

5. WHAT HEALTHCARE EXPENSES MIGHT MEDICARE NOT COVER?

Even with comprehensive Medicare coverage, certain healthcare expenses can remain your responsibility.

For example, Original Medicare generally does not cover routine dental care, hearing aids, or routine vision examinations for prescription glasses.

Perhaps more importantly from a long-term financial planning perspective, Medicare typically does not cover long-term custodial care, such as extended assistance with everyday activities like bathing, dressing, or eating.

This distinction is significant because long-term custodial care can create financial obligations extending well beyond routine medical expenses. Medicare may cover certain qualifying skilled care services, but it generally does not pay for extended custodial care when that is the primary need.

For individuals approaching retirement, this raises a separate planning question: How might future care expenses be funded if they are not covered by Medicare? Potential considerations include existing financial resources, long-term care insurance, and family circumstances. Unlike routine medical expenses, long-term care needs can be difficult to predict and may extend over several years, making flexibility an important consideration in retirement planning.

MAKING MEDICARE PART OF YOUR BROADER RETIREMENT PLAN

Preparing for Medicare involves decisions with different timelines and consequences. Some relate to enrollment deadlines and employer coverage, while others affect supplemental insurance eligibility, healthcare spending, or long-term financial flexibility.

The value of early planning lies in understanding which decisions require action, which may reasonably be deferred, and which could become more difficult to revisit later.

At Grimes & Company, we view Medicare enrollment as part of the broader transition into retirement. Coordinating healthcare coverage, employment benefits, tax considerations, and anticipated expenses can help clients evaluate these decisions in the context of their long-term financial goals.

As enrollment rules, healthcare needs, and retirement circumstances evolve, careful monitoring, appropriate restraint, and long-term planning discipline remain important parts of navigating Medicare.

WANT TO LEARN MORE ABOUT MEDICARE?

Join Grimes & Company Principal and EVP Emily Wood and Medicare expert Danielle Roberts of Boomer Benefits for our upcoming webinar, **Understanding Medicare: The Ins and Outs of Medicare Coverage**, on Monday, November 23, at 1 p.m. ET.

You can RSVP for this educational event to explore Medicare coverage options, enrollment considerations, costs, and more, and gain practical information to help you navigate important healthcare decisions.

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