Alight's 2026 retiree healthcare cost estimate

According to Alight's latest research, the **average 65-year-old retiring in 2026** may need to budget approximately **$150,000 for health care expenses in retirement.** However, actual costs can vary significantly based on individual circumstances, with projected **expenses ranging from $55,000 to $420,000.**[1]

Four key factors explain the range:

- The type of Medicare coverage you choose
- Your health status
- Where you live
- How long you live

In this document we will explain how these key factors affect your costs and how to obtain a personalized estimate.

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1 Based on one million random simulations of the Alight Healthcare Cost Planner. Assumes funds will be available at start of retirement (age 65) and grow at an annual invested rate of 4.0%. See the Data and Methodology section at the end of this document for more detail.

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Factor 1: type of Medicare coverage

Because Medicare has no limit on out-of-pocket spending, a retiree who relies on Medicare alone may be subject to substantial costs at any point in retirement. This may stem from a cancer diagnosis, an auto accident or some other serious health condition. The other forms of coverage discussed below all cap out-of-pocket spending, eliminating substantial costs and helping to create greater financial security. Therefore, most retirees choose some form of coverage other than Medicare alone.

The two most popular approaches are:

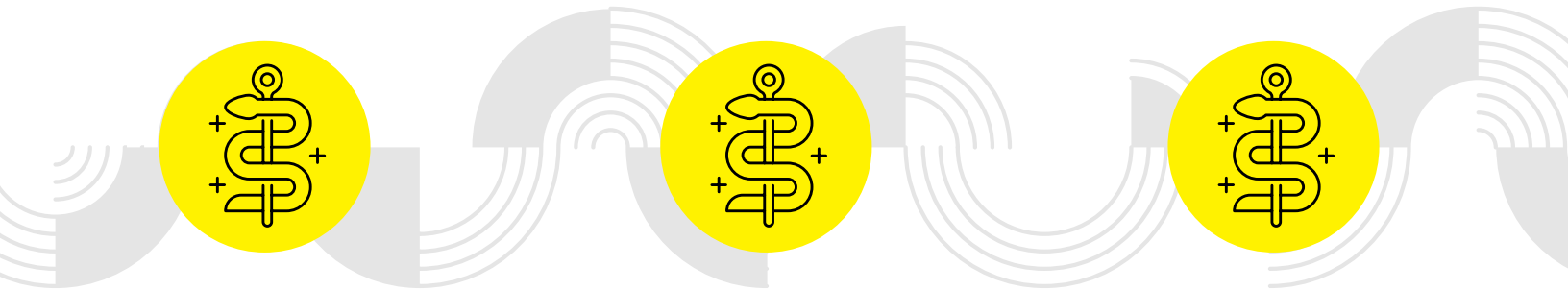
— **Medigap:** This option supplements Medicare with a Medigap plan. It typically comes with higher monthly premiums than a Medicare Advantage plan but allows broad access to doctors and hospitals and **significantly limits out-of-pocket costs** relative to Medicare. A prescription drug plan (PDP) must be purchased separately. [2]

— **Medicare Advantage Prescription Drug (MAPD):** This option simplifies coverage by bundling medical and prescription drugs into a single plan. Its premiums are usually lower (frequently $0) than Medigap but usually comes with a restricted network of providers. While this option also significantly limits out-of-pocket costs relative to Medicare, it may come with higher -out-of-pocket costs compared to Medigap. However, because of the premium savings, for many retirees MAPD provides the lowest total cost.

An alternative that is gaining in popularity is:

— **High-deductible Medigap:** This option includes lower premiums and higher out-of-pocket costs compared to Medigap while still providing the same broad access to providers that Medigap is known for. A PDP must be purchased separately. This is a good option for healthier retirees.

Choosing between these options matters. Over the course of retirement, the difference in total healthcare spending can add up to tens of thousands of dollars.[3]



2 This analysis takes both medical and pharmacy premium and out-of-pocket costs into consideration.

3 Based on one million simulations from the Alight Healthcare Cost Planner. Actual differences will vary based on each retiree's individual circumstances.

Factor 2: your health status

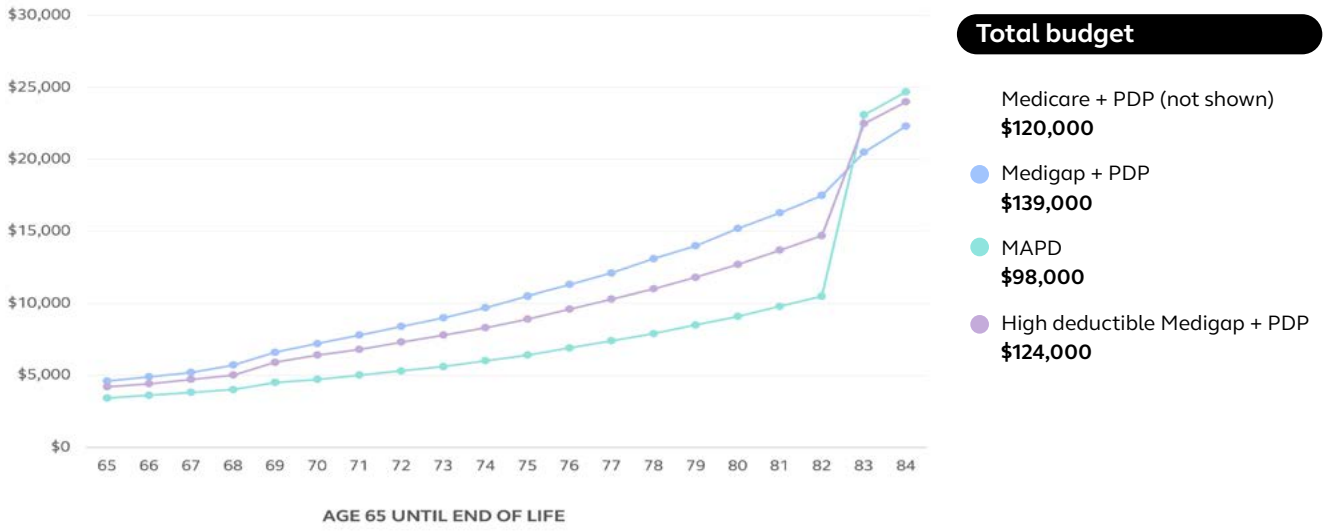
Health status stands out as one of the most impactful cost factors. Individuals entering retirement in excellent or very good health tend to experience lower cumulative costs under MAPD plans, largely because of their lower monthly premiums. Savings from years of lower premiums often outweighs higher costs later in life when health declines.

Retirees with greater health needs frequently find lower overall lifetime costs with Medigap. Premiums tend to be higher, but reduced exposure to out-of-pocket expenses can lead to better financial outcomes over time.

Let's follow two otherwise-identical retirees with different health statuses at age 65, both with average life expectancy and both experiencing a serious illness near end of life.

Example 1: retiree with better-than-average health in Ohio[4]

Annual projected healthcare costs



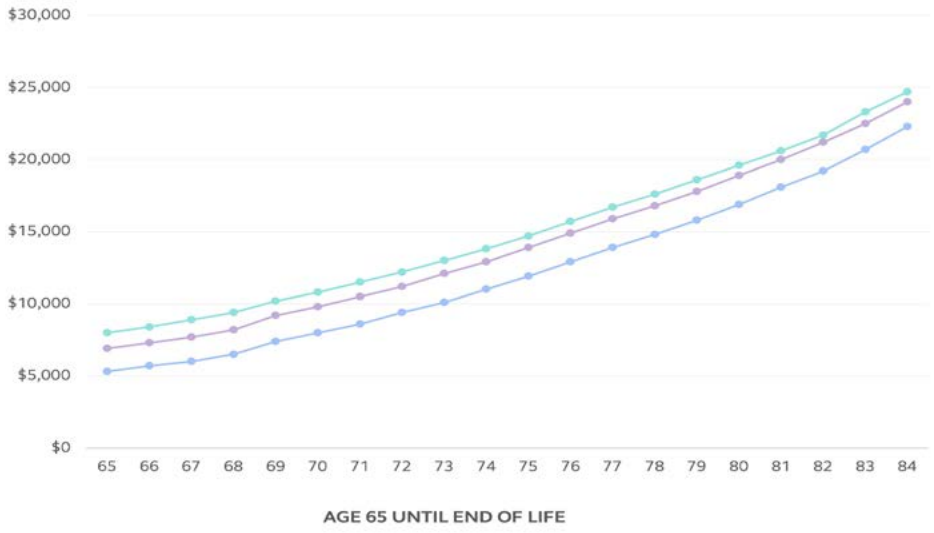
In this example, **MAPD is the most cost-effective choice.** The difference between the highest and lowest cost options is $41,000. Although Medicare appears to be the second-best choice, it is not recommended because Medicare does not limit out-of-pocket costs, potentially exposing retirees to significant unexpected healthcare costs.

4 Includes zip code 43015 and self-reported health status of "Very Good" in Alight's Healthcare Cost Planner. See the Data and Methodology section of this document for more detail.

Factor 2: your health status (continued)

Example 1: retiree with worse-than-average health in Ohio[5]

Annual projected healthcare costs



Total budget

- Medicare + PDP (not shown) **$212,000**
- Medigap + PDP **$154,000**
- MAPD **$192,000**
- High deductible Medigap + PDP **$179,000**

In this example, **Medigap is the most cost-effective choice.** The difference between the highest and lowest cost options is $58,000. At $212,000, Medicare is significantly costlier than the other options since Medicare does not cap out-of-pocket expenses.

The difference in budget needed for these two otherwise-identical retirees is $56,000 to $73,000 depending on plan choice. This demonstrates the importance of taking health status into account when planning for retirement health care expenses.[6]

5 Includes zip code 43015 and self-reported health status of "Fair" in Alight's Healthcare Cost Planner. See the Data and Methodology section of this document for more detail.

6 $56,000 is the difference between the lowest cost options, and $73,000 is the difference between the highest cost options.

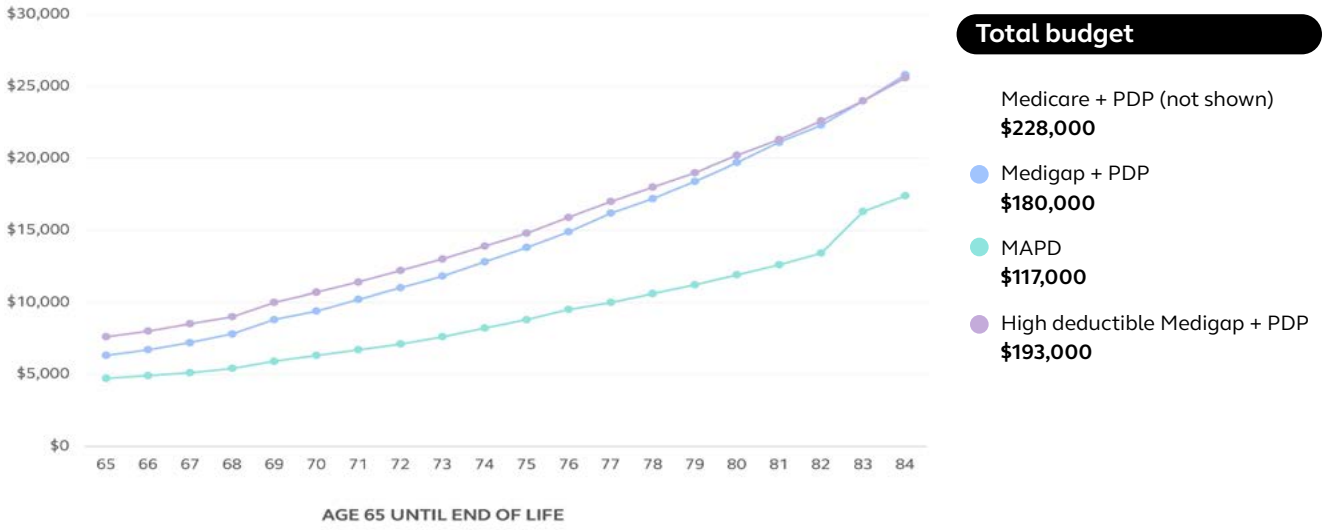
Factor 3: where you live

Geographic location has a significant impact on healthcare costs. Insurance premiums, provider negotiated fees and plan availability all vary by location.

We now look at the retiree with worse-than-average health from the prior example and examine the impact of changing location.

Example 1: retiree with worse-than-average health in California[7]

Annual projected healthcare costs



In this example, **MAPD is the most cost-effective choice.** The difference between the highest and lowest cost options is $111,000.

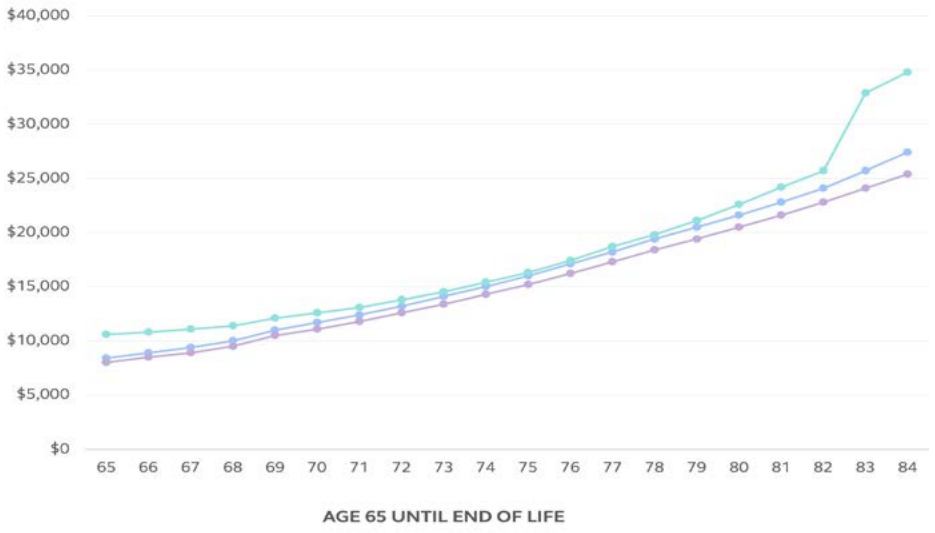
In the next example, we'll look at the identical retiree but in New York.

7 Includes zip code 91331 and self-reported health status of "Fair" in Alight's Healthcare Cost Planner. See the Data and Methodology section of this document for more detail. Results may be different in other zip codes.

Factor 3: where you live (continued)

Example 1: retiree with worse-than-average health in New York[8]

Annual projected healthcare costs



Total budget

Medicare + PDP (not shown)
$223,000

Medigap + PDP
$209,000

MAPD
$229,000

High deductible Medigap + PDP
$198,000

In this example, **High-deductible Medigap** is the most cost-effective choice. The difference between the highest and lowest cost options for New York is $31,000.

These examples highlight the importance of considering local costs when selecting coverage. For otherwise-identical retirees with worse-than-average health, Medigap was the most cost-effective option in Ohio, MAPD in California and High-deductible Medigap in New York, with striking differences in cost.

8 Includes zip code 11358 and self-reported health status of "Fair" in Alight's Healthcare Cost Planner. See the Data and Methodology section of this document for more detail. Results may be different in other zip codes within New York.

Factor 4: how long you live

No one can predict your life expectancy with absolute certainty. Your longevity can vary based on multiple factors, including your health and family history.

A healthy retiree with a longer lifespan will need to fund healthcare longer than a less healthy retiree with a shorter lifespan, requiring a greater financial outlay over retirement. The higher financial burden associated with longevity can be mitigated, in part, by choosing a cost-effective plan option as outlined in the prior examples.

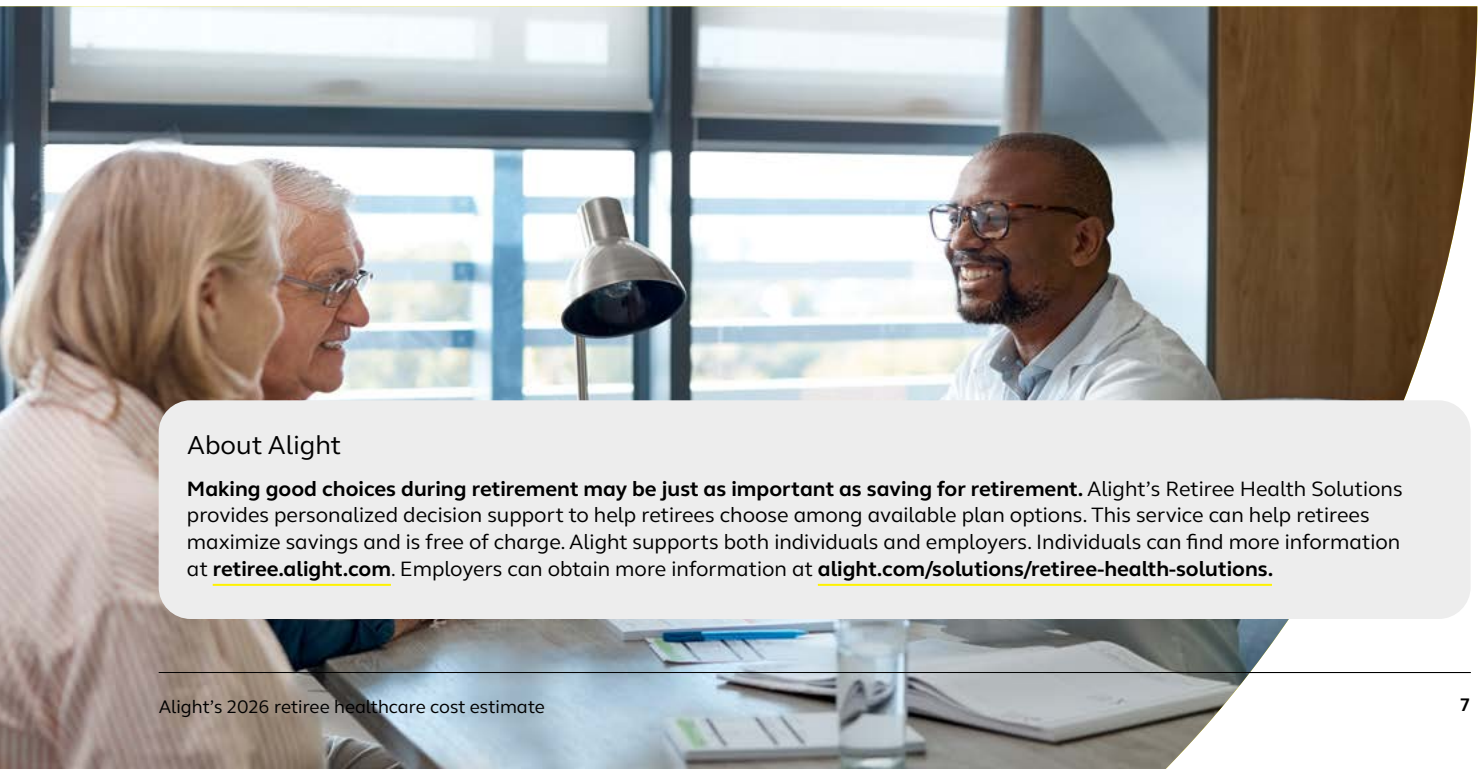
The need for personalization

Our examples illustrate broad trends, but retiree healthcare decisions depend on individual factors. Health status, location, plan availability, longevity and personal preferences all interact in ways that general averages can't fully capture.

That's why getting a personalized estimate is so important. By factoring in your individual characteristics, you can better understand what your healthcare costs might look like and which coverage option will work best for you.

Option 1: Alight's Healthcare Cost Planner
By answering a few simple questions, this Planner provides a tailored estimate of your health care expenses in retirement, based on your unique circumstances and coverage types available through Alight in your specific location. All information is completely confidential and not saved. Visit **Alight's Healthcare Cost Planner.**

Option 2: Work with an Alight Benefit Advisor
For even more detailed information, a licensed Alight Benefit Advisor can show you the full range of plans available through Alight in your location. This service is free of charge and can help you select the plan that works best for you based on your preferred doctors, your prescription drugs, your preferences and budget. Visit **Alight Retiree Health Solutions.**



About Alight

Making good choices during retirement may be just as important as saving for retirement. Alight's Retiree Health Solutions provides personalized decision support to help retirees choose among available plan options. This service can help retirees maximize savings and is free of charge. Alight supports both individuals and employers. Individuals can find more information at **retiree.alight.com**. Employers can obtain more information at **alight.com/solutions/retiree-health-solutions.**

Data and methodology

— All estimates in this document are calculated using Alight's Healthcare Cost Planner, which is an actuarial modeling tool developed by Alight to help individuals age 55+ estimate and plan for healthcare expenses throughout retirement. The Planner generates personalized projections based on retirees' demographics, location, health status, healthcare utilization, prescription drug use, family health history and retirement horizon, rather than relying on industry-wide averages. It combines current Medicare, Medigap, Medicare Advantage, High-deductible Medigap and Part D plan data with extensive retiree claims experience from the Merative Medicare Marketscan Database to project premiums, out-of-pocket costs and the long-term financial impact of different coverage choices. The Planner's objectives are to provide more individualized and actionable estimates than common average-cost benchmarks, educate retirees on the importance of healthcare plan selection and demonstrate how informed coverage decisions can materially reduce lifetime healthcare spending in retirement.

— All estimates in this document start at age 65 and end at age 85.

— All estimates reflect a prescription drug plan, either included as part of a Medicare Advantage plan or a stand-alone prescription drug plan coupled with a Medigap plan or Medicare Parts A and B coverage. Costs reflect total lifetime expenditure on premiums plus out of pocket expenses (i.e., deductibles, copays and coinsurance), referred to, in total, as "~~Savings Needed~~".

— Overall averages and ranges on the first page of this document are based on one million simulations of Alight's Healthcare Cost Planner.

- Zip codes used in the simulations were randomly selected, with higher probabilities attached to zip codes with large populations. Population counts were based on a 2026 zip code database purchased by Alight.
- Health statuses were randomly selected from the 2024 Merative Marketscan Medicare Database, which includes a large population of retirees across the country. Unit costs were trended to the 2026 plan year.
- The lowest amount ($55,000) is based on: Female; zip code 85542; self-reported health status of "Excellent"; no Primary Care Physician (PCP) visits in the last 12 months, other than an annual wellness visit; no specialist or Inpatient Hospital (IP) visits in the last 12 months; annual cost of medication before insurance less than $250; no prescriptions per year on average; no family history of serious illness; longevity of 20 years; selection of an MAPD plan.
- The highest amount ($420,000) is based on: Male; zip code 34667; self-reported health status of "Poor"; an average of four PCP visits, 10 specialist visits and two IP visits in the last 12 months; annual cost of medication before insurance of $5,000; 3-4 prescriptions per year on average; a family history of serious illness; anticipated longevity of 20 years; selection of Medicare + PDP only with no additional coverage.

— Projections reflect 5% annual healthcare cost trends for all medical premiums and unit costs.

— Projections reflect 6% annual trend for all pharmacy premiums and unit costs.

Data and methodology (continued)

— Projections reflect adjusted 2027 premiums based on initial rate filings and upcoming Part D subsidy changes.

— Projections reflect 4% annual assumed investment returns ~~for lifetime savings~~.

— Projections reflect premiums and plan designs for 2026 plans available through Alight.

— Medigap projections consist of an average of premiums and estimated Out of Pocket (OOP) expenses from the two Medigap plans that attract the highest enrollment and are available to all retirees (Plan G and Plan N). High-deductible Medigap uses the G High plan.

— MAPD costs reflect an average of premiums and estimated OOP expenses modeled under an HMO plan and a PPO plan (assuming the retiree uses out-of-network benefits 5% of the time in the PPO).

— Examples were based on Alight's Healthcare Cost Planner. All examples assume an age 65 female who retires at age 65.

- Factor 2, Example 1: zip code 43015; self-reported health status of "Very Good"; an average of 1-3 PCP visits in the last 12 months; no specialist or IP visits in the last 12 months; annual cost of medication before insurance of $250 - $999; 3-4 prescriptions per year on average; a family history of serious illness; anticipated longevity of 20 years.
- Factor 2, Example 2: zip code 43015; self-reported health status of "Fair"; an average of four or more PCP visits, 10 or more specialist visits and two or more IP visits in the last 12 months; annual cost of medication before insurance of $1,000 - $2,499; 3-4 prescriptions per year on average; a family history of serious illness; anticipated longevity of 20 years.
- Factor 3, Examples 1 and 2: same as Factor 2, Example 2 but zip code 91331 and 11358 respectively.

— Actual retiree results will vary based on their unique circumstances. Estimates are for educational purposes only and are not a guarantee of future costs.

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