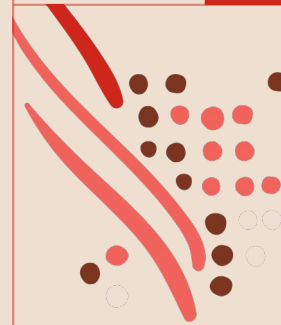


Preparing for healthcare costs

Financial impact in retirement

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Good <<morning/afternoon!>> Today we are here to talk about health care expenses and how they need to be a critical factor in your retirement planning. With today's rising health care costs and longer lifespans, you cannot overlook the impact of health care on your retirement budget. It's smart to understand the issue and know your options for coverage; that way you can approach your retirement with confidence that you will be able to cover these expenses and avoid surprises.

Our goal is to provide awareness, not to scare and also indicate we are here to help you and provide some resources.

Disclosure



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One housekeeping item before we get started. Disclosures are an important part of any financial discussion or product. They are designed to protect your interests. So please give this a read.

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Agenda



Why healthcare planning in retirement is complex



Understanding your options



Planning and saving



Examples



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Here's what we will cover today. And by the end of the presentation, my goal is to leave you with a better understanding of Medicare and all it's parts, how you can understand at a high level what options might be available to you and how you can get some help to make the most of your healthcare decisions the way we might identify a pitfall or two for you to avoid.

Medicare is more complex than it initially appears. We will talk about why that is and we will discuss together how you and your family can make the most of these benefit.

We will talk about some ways and vehicles you can use to accumulate funds for healthcare. Some of these may offer tax advantaged investing and contributions. If used for qualified medical expenses.

And finally, we will bring some practical examples of how situations can impact decisions around healthcare benefits when life gets in the way and plans have to change.

Needless to say there is a lot here, so let's really dig in.



"We've been fortunate to get our medical insurance through work all these years. But when we retire, what's next, how do we plan for it and what should we know now?"

Who thinks planning for health care in retirement is easy?

Who knows someone who is struggling now both medically and financially due to illness in retirement?

When was the last time you looked into these costs and how they might impact your retirement planning?

Let's try to have some fun with this...

In my role with Voya Financial, I am fortunate to speak with many people about their healthcare needs. Many of the conversations start something like this <<<**READ TEXT IN QUOTES**>>>

Let's figure out together if that really is the case because there can be more to Medicare than initially meets the eye. By a show of hands.

CONSIDER ASKING AUDIENCE IF THEY WOULD LIKE TO SHARE THE STORY THEY HAVE HEARD

Why healthcare planning in retirement is complex

**Government
program**



**Needed for a long
time**



**Costs change over
time**



**Acronyms,
abbreviations and
terms**



**It can be a lot of
money**



**It will happen to
many of us**



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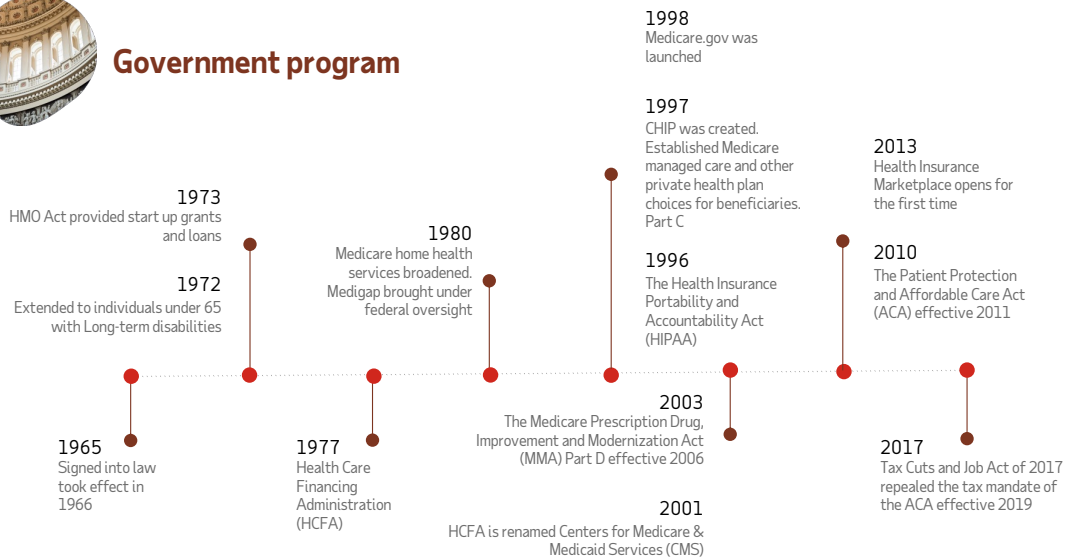
As with most government programs there is complexity to it. We will talk about a little history, bring to light phrases and terms you'll need to know. We are living a lot longer these days and medical advances are always improving so we will talk about how that might impact your financial needs. More importantly it may require additional resources as inflation on these costs rise at a higher rate than general inflation. Lastly we will discuss the probability of a serious healthcare need.

Let's begin with a review of the program from it's inception...

Why healthcare planning in retirement is complex



Government program



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<<**Speaker note:** These notes are mostly for your benefit and background learning. Certainly do not cover all the items on the slide with the exception of those boxed. Highlight the major points and frame the ongoing conversation to impress that the majority of the program will focus on Medicare not Medicaid, CHIP, HIPA, ACA and the like.>>

Here's a listing of when some important legislative changes took place in the Medicare/Medicaid and related programs. This is certainly not an exhaustive list rather a high level recap of some of the more significant events we felt were foundational to this presentation. We wanted to cover a few that may not even be part of the program but acknowledge they are part of the overall healthcare discussion but not topics for this session. For today we are focusing primarily on Medicare and healthcare in retirement. Now at the beginning...

1965 - Medicare and Medicaid were enacted as Title XVIII and Title XIX of the Social Security Act, extending health coverage to almost all Americans age 65 or over (e.g.,

1972 - Medicare eligibility was extended to 2 million individuals under age 65 with long-term disabilities and to individuals with end-stage renal disease (ESRD). Medicare was given the authority to conduct demonstration programs. Medicaid eligibility for elderly, blind, and disabled residents of a State could be linked to eligibility for the newly enacted Federal Supplemental Security Income Program (SSI). Eighteen million individuals were covered by Medicaid.

1973 - The HMO Act provided start-up grants and loans for the development of health maintenance organizations (HMOs). HMOs meeting federal standards relating to comprehensive benefits and quality were established and under certain circumstances had the right to require an employer to offer coverage to employees. The Medicare statute was also amended to provide for HMOs to contract to provide Medicare benefits to beneficiaries who choose to enroll.

1977 - The Health Care Financing Administration was established by Secretary Califano to administer the Medicare and Medicaid Programs.

1980 - Coverage of Medicare home health services was broadened. Medicare supplemental insurance, also called Medigap, was brought under Federal oversight.

1996 - The Health Insurance Portability and Accountability Act of 1996 (HIPAA) was passed. It had several provisions. First, it amended the Public Health Service Act, the Employee Retirement Income Security Act of 1974 (ERISA), and the Internal Revenue Code of 1986 to provide for new federal rules improving continuity or “portability” of coverage in the large group, small group and individual health insurance markets. HCFA implemented HIPAA provisions affecting the small group and individual markets.

1997 - Balanced Budget Act of 1997: State Children's Health Insurance Program (SCHIP) was created to provide health insurance to working families without such coverage; limits on Medicaid payments to DSHs were revised; new Medicaid managed care options and requirements for States were established.

Medicare changes included: an array of new Medicare managed care and other private health plan choices for beneficiaries, offered through a coordinated open enrollment process; expanded education and information to help beneficiaries make informed choices about their health care; five new PPSs for Medicare services (for inpatient rehabilitation hospital or unit services, SNF services, home health services,

2003 - The Medicare Prescription Drug, Improvement, and Modernization Act (MMA) made the most significant changes to Medicare since the program began. MMA creates a prescription drug discount card until 2006, allows for competition among health plans to foster innovation and flexibility in coverage, covers new preventive benefits, and makes numerous other changes. In 2006, the new voluntary Part D outpatient prescription drug benefit will be available to an estimated 43 million Medicare beneficiaries from private drug plans, as well as, Medicare Advantage plans. Medicare beneficiaries also receiving Medicaid will receive their drug benefit through the Medicare Program. Employers who provide retiree drug coverage comparable to Medicare's will be eligible for a Federal subsidy.

Medicare will consider beneficiary income for the first time: beneficiaries with incomes less than 150 percent of the FPL with limited assets will be eligible for additional subsidies for the new Part D prescription drug program; beneficiaries with higher incomes will pay a greater share of the Part B premium starting in 2007

2010 - The Patient Protection and Affordable Care Act (ACA), commonly known as the "Affordable Care Act," was signed into law by President Barack Obama on March 23, 2010, for the first time prohibiting health insurance companies from denying or charging more for coverage based on an individual's health status, providing for expansion of the Medicaid program, and subsidies for insurance purchased through State-based Marketplaces to ensure that private insurance is affordable. The ACA also provided a variety of other insurance reforms, like new preventive benefit requirements and prohibitions on dollar limits, and expanded Medicare drug and preventive services benefits.

2013 - The Health Insurance Marketplace opened on October 1, 2013. For the first time ever, all Americans were able to shop for affordable quality health coverage, and couldn't be denied or charged more because they had a pre-existing condition.

2017 - Repeal of the tax mandate, passed as part of the [Tax Cuts and Jobs Act of 2017](#), that became effective in 2019.

Why healthcare planning in retirement is complex



Acronyms, abbreviations and terms

- Federal Insurance Contributions Act (FICA)
- **Modified Adjusted Gross Income (MAGI)**
- **Health Savings Account (HSA)**
- Health Reimbursement Arrangement (HRA)
- Flexible Spending Account (FSA)
- Limited Purpose Flexible Spending Account (LPFSA)
- Health Insurance Portability and Accountability Act (HIPAA)
- **High Deductible Health Plan (HDHP)**
- **Co-payments**
- **Deductibles**
- **Coinsurance**

With any government programs there is an acronym or term for everything, and Medicare is no exception. And this list is just a start! Let's review some of the more common ones and what they mean. ******DO NOT READ THEM ALL – PICK SOME THAT YOU ARE MORE COMFORTABLE TALKING ABOUT. Starred ones are important to the presentation. BUT THESE ARE ALL DEFINED HERE******

Federal Insurance Contributions Act (FICA)

The Federal Insurance Contributions Act (FICA) is the federal law that requires you to withhold three separate taxes from the wages you pay your employees. FICA is comprised of the following taxes: 6.2 percent Social Security tax; 1.45 percent Medicare tax (the “regular” Medicare tax); and Since 2013, a 0.9 percent Medicare surtax when the employee earns over \$200,000. This is funded generally from payroll tax deductions for covered employees, employers and self employed individuals.

****Modified Adjusted Gross Income (MAGI)***

Generally, your modified adjusted gross income(MAGI) is the total of your

(HDHP). The funds contributed to an account are not subject to federal income tax at the time of deposit.

Health Reimbursement Account (HRA)

A health reimbursement arrangement (HRA), commonly referred to as a health reimbursement account, is an IRS-approved, employer-funded, tax-advantaged personalized health benefit that reimburses employees for out-of-medical expenses and individual health insurance premiums.

Flexible Spending Accounts (FSA)

A Flexible Spending Account (also known as a flexible spending arrangement) is a special account you put money into that you use to pay for certain out-of-pocket health care costs. You don't pay taxes on this money. This means you'll save an amount equal to the taxes you would have paid on the money you set aside.

Limited Purpose Flexible Spending Account

A limited purpose FSA (LPFSA) is a flexible spending account that only reimburses you for eligible dental and vision expenses. A LPFSA is available to employees who are enrolled in a high deductible health plan (HDHP) as well as an HSA.

Health Insurance Portability and Accountability Act (HIPAA)

The federal Health Insurance Portability and Accountability Act of 1996. The primary goal of the law is to make it easier for people to keep health insurance, protect the confidentiality and security of healthcare information and help the healthcare control administrative costs.

****High Deductible Health Plan (HDHP)***

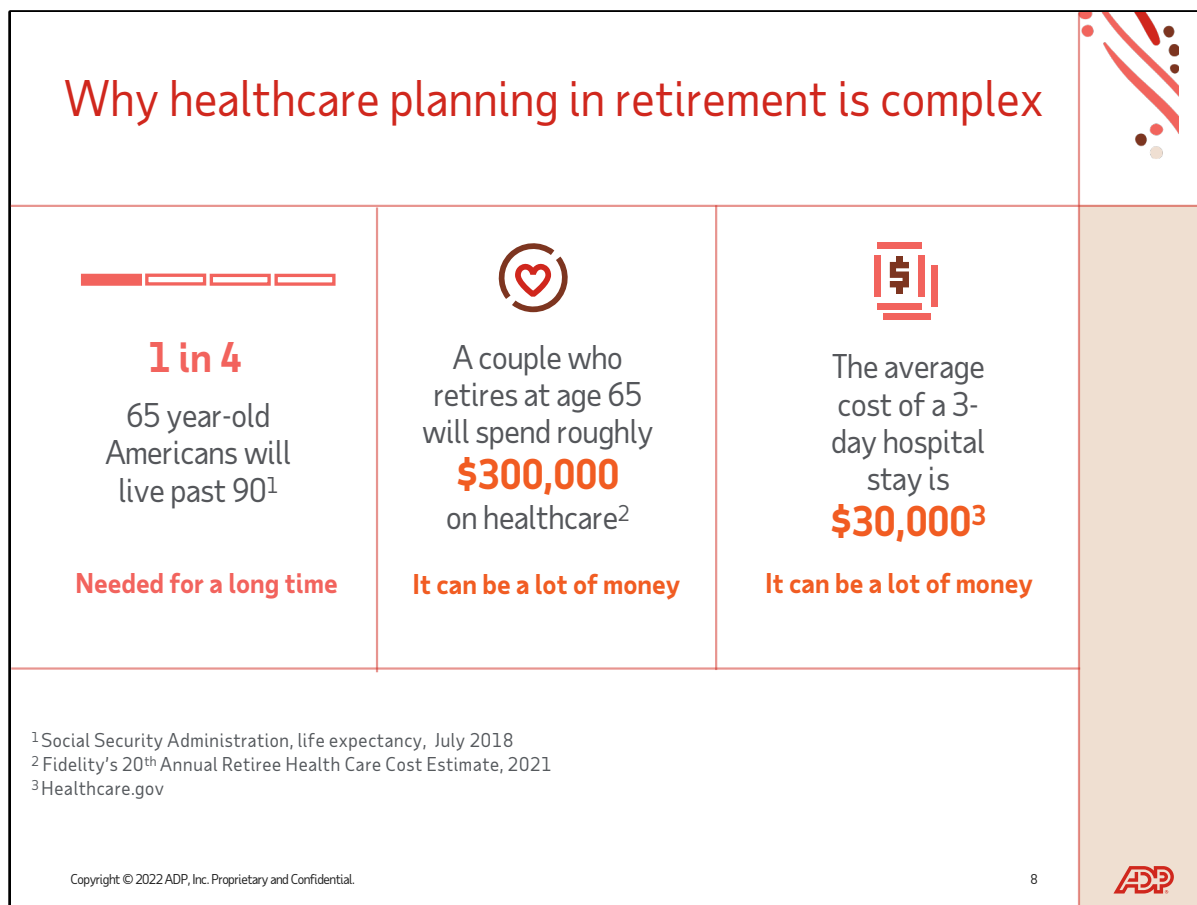
A high-deductible health plan (HDHP) is a health insurance plan with lower premiums and higher deductibles than a traditional health plan. Being covered by an HDHP is also a requirement for having a health savings account.

****Copayments***

A copayment or copay is a fixed amount for a covered service, paid by a patient to the provider of service before receiving the service. It is technically a form of coinsurance, but is defined differently in health insurance. It must be paid before any policy benefit is payable by an insurance company. Copayments do not usually contribute towards any policy out-of-pocket maximum whereas coinsurance payments do.

****Deductibles***

There are more, but this gives you a sense for why this can be complex.



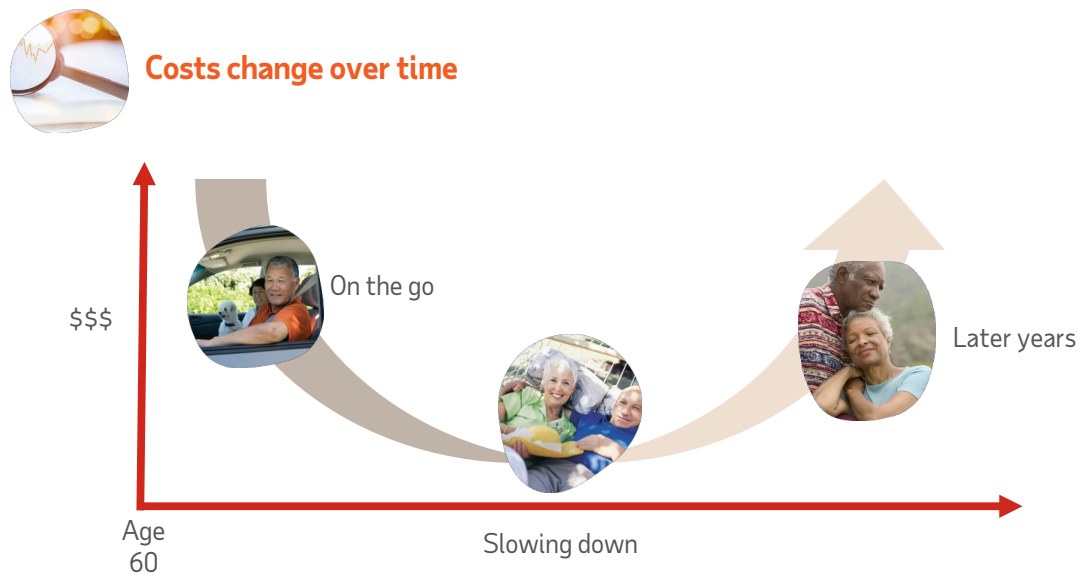
Let's take a look at the financial impact of healthcare in retirement.

Stat: One of four 65 year-old Americans will surpass age 90, and one in 10 will live to be 95. We are living longer so resources will need to be available.

Health insurance provides important financial protection in case you have a serious accident or require a hospital stay. The average cost of a 3-day hospital stay is \$30,000. That's \$10,000 per day in the U.S. source www.healthcare.gov

<<**Speaker notes** : As a benchmark, the rate of overall inflation in the U.S. for the 12 months ending March 2017 was just 2.4 percent>>

Why healthcare planning in retirement is complex



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Expenses in retirement are not a straight line. Often referred to as the “retirement spending smile”, spending habits can be broken down in three phases:

On-the-go phase: Some people spend more when they first retire than they did in the years prior. Now that time and resources are more readily available, many retirees make major purchases, travel extensively with family, and even give significant gifts

Slowing down phase: As retirees age, discretionary spending tends to decline as they become less active

Later years: Health care costs make up a much larger portion of their budget, as the focus is on maintenance and self-care

Health care planning is of critical importance in each stage. Having a plan that includes income and resources to match your spending needs in each phase of retirement can ensure that you can live the life you envision for yourself as you transition from

Why healthcare planning in retirement is complex



It will happen to many of us



60%

of adults in the US
experience a serious
or chronic health problem

40%

of adults have two or more
chronic conditions

90%

of nation's \$4.1 trillion health
care costs result directly from
chronic health care conditions

www.cdc.gov/chronicdisease/about/costs/index.htm October 2022

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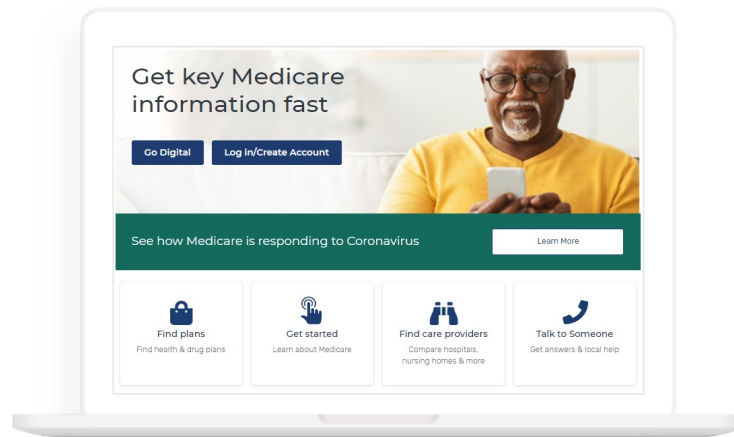
Chronic diseases are defined broadly as conditions that last one year or more and require ongoing medical attention or limit activities of daily living or both. Chronic diseases such as heart disease, cancer and diabetes are the leading causes of death and disability in the United States. They are also leading drivers of the nation's \$4.1 trillion in annual health care costs.

Most people's financial plans include medical premiums, deductibles and other out of pocket costs ASSUMING

Consider long term care or chronic illness coverage to help protect your financial plans.

Source: <https://www.cdc.gov/chronicdisease/about/costs/index.htm>

Understanding your options



Medicare.gov

Now let's talk about your healthcare options. Whether you're new to Medicare, getting ready to turn 65, or preparing to retire, you'll need to make several important decisions about your health coverage.

The first step in the process would be to go online to the Medicare.gov website and learn about the different parts of Medicare.

Understanding your options



Medicare part A

Medicare part B

Medicare part C

Medicare part D



Let's now review some of the basics "so called" A,B, C and Ds of Medicare coverage plans.

The different parts of Medicare help cover specific services:

Medicare Part A typically referred to as Hospital Insurance.

Medicare Part B Medical Insurance covers certain doctors' services

Medicare part C Medicare advantage plans cover all Medicare services

Medicare part D prescription drug coverage

Reminder if you wait to enroll, you may have to pay a penalty, and you may have a gap in coverage.

Let's take a closer look.

Understanding your options



Medicare part A

Hospital insurance covers inpatient hospital stays, care in a skilled nursing facility, hospice care, and some home health care.

Cost

You usually don't pay a monthly premium for Medicare part A (hospital insurance) coverage if you or your spouse paid Medicare taxes for a certain amount of time while working. This is sometimes called "premium-free Part A."

Cost estimate for illustration purposes only and does not include deductibles, copayments and coinsurance amounts.

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<<**Speaker note:** First read the definition of Medicare part A>>

You can get premium-free Part A at 65 if:

You already get retirement benefits from Social Security or the Railroad Retirement Board.

You're eligible to get Social Security or Railroad benefits but haven't filed for them yet.
You or your spouse had Medicare-covered government employment.

<<**Speaker note:** Some people get Medicare part A (Hospital insurance) and Medicare part B (Medical insurance) automatically and other people have to sign up for it. In most cases, it depends on whether you're getting Social Security benefits.>>

Understanding your options



Medicare part B

Medical insurance covers certain doctors' services, outpatient care, medical supplies and medical services.

Cost

The standard Part B premium amounts depend on your income. You pay a premium each month for part B. Your part B premium will be automatically deducted from your benefit payment if you get benefits from one of these:

- Social Security
- Railroad Retirement Board
- Office of Personnel Management
- If you don't get these benefit payments, you'll get a bill

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<<**Speaker note:** First read the definition of Medicare part B>>

In most cases, if you don't sign up for Medicare Part B when you're first eligible, you'll have to pay a late enrollment payment penalty.* You'll have to pay this penalty for as long as you have Part B and could have a gap in your health coverage.

Note: If you wait until the month you turn 65 (or the 3 months after you turn 65) to enroll, your Part B coverage will be delayed. This could cause a gap in your coverage.

*<<**Speaker note:** Your monthly premium for Part B may go up 10% for each full 12 month period that you could have had Part B, but didn't sign up for it. Also, you may have to wait until the General Enrollment Period (from January 1 to March 31) to enroll in Part B. Coverage will start July 1 of that year.>>

Understanding your options



Medicare part B

If you're in 1 of these 6 groups, here's what you'll pay:

File individual tax return	File joint tax return	File married & separate tax return	You pay each month (in 2023)
\$97,000 or less	\$194,000 or less	\$97,000 or less	\$164.90
above \$97,000 up to \$123,000	above \$194,000 up to \$246,000	Not applicable	\$230.80
above \$123,000 up to \$153,000	above \$246,000 up to \$306,000	Not applicable	\$329.70
above \$153,000 up to \$183,000	above \$306,000 up to \$366,000	Not applicable	\$428.60
above \$183,000 and less than \$500,000	above \$366,000 and less than \$750,000	above \$97,000 and less than \$403,000	\$527.50
\$500,000 or above	\$750,000 and above	\$403,000 and above	\$560.50

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<<**Speaker note:** Cover stats on the slide and point out the jump in premium when the threshold is met.>>

Most people will pay the standard premium amount. However, if your modified adjusted gross income is above a certain amount, you may pay an Income Related Monthly Adjustment Amount (IRMAA). Medicare uses the modified adjusted gross income reported on your IRS tax return from 2 years ago 2021. This is the most recent tax return information provided to Social Security by the IRS.

There are 4 ways to pay your Medicare Part A or Part B premium bill:

1. Pay directly from your bank account through your bank's online bill payment service. Contact your bank or go to their website to set up this service.
2. Sign up for Medicare Easy Pay, a free service that automatically deducts your premium payments from your savings or checking account each month.

Speaker never really pay or determine net by taking the adjusted gross income and adding back certain items such as foreign income, foreign-deductions, student-loan deductions, IRA-contribution deductions, and deductions for higher-education costs.>>

Understanding your options



Medicare part C

A type of Medicare health plan offered by a private company that contracts with Medicare. Medicare advantage plans provide all of your Part A and part B benefits.

Cost

Each year, plans set the amounts they charge for premiums, deductibles, and services. The plan (rather than Medicare) decides how much you pay for the covered services you get. What you pay the plan may change only once a year, on January 1. Remember that you must have Medicare Parts A & B to join a Medicare Advantage plan.

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<<**Speaker note:** First read the definition of Medicare part C>>

Medicare advantage plans cover all Medicare services. Most Medicare advantage plans also offer extra coverage, like vision, hearing and dental. If you join a Medicare advantage plan, you still have Medicare. Medicare advantage plans include; Health Maintenance Organizations, Preferred Provider Organizations, Private Fee-for Plans, Special Needs Plans and Medicare Medical Savings Account Plans. If you're enrolled in a Medicare advantage plan most Medicare services are covered through the plan however Medicare services aren't paid for by original Medicare. Most Medicare advantage plans offer prescription drug coverage.

<<**Speaker note:** Medigap policies can't work with Medicare advantage plans. If you have a Medigap policy and join a Medicare advantage plan (Part C), you may want to drop your Medigap policy.>>

Understanding your options



Medicare part D

Prescription drug coverage added to original Medicare offered by insurance companies and other private companies approved by Medicare.

Cost

The Part D monthly premium varies by plan (higher-income consumers may pay more). Your actual drug plan costs will vary depending on:

- The drugs you use
- The plan you choose
- Whether you go to a pharmacy in your plan's network
- Whether the drugs you use are on your plan's formulary
- Whether you get Extra Help paying your Medicare Part D costs

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<<**Speaker note:** First read the definition of Medicare part D>>

Medicare prescription drug coverage is an optional benefit. Medicare offers prescription drug coverage to everyone with Medicare. If you decide not to get Medicare drug coverage when you're first eligible, you'll likely pay a late enrollment penalty if you join later, unless one of these applies:

You have other creditable prescription drug coverage

You get Extra Help

Generally, you'll pay this penalty for as long as you have Medicare prescription drug coverage.

<<**Speaker note:** The cost of the late enrollment penalty depends on how long you went without Part D or creditable prescription drug coverage. Medicare calculates the penalty by multiplying 1% of the "national base beneficiary premium" (\$32.74 in 2020, \$33.06 in 2021) times the number of full, uncovered months you didn't have Part D or

Understanding your options



Medicare part D

Prescription drug coverage added to original Medicare offered by insurance companies and other private companies approved by Medicare.

File individual tax return	File joint tax return	File married & separate tax return	You pay each month (in 2023)
\$97,000 or less	\$194,000 or less	\$97,000 or less	Your plan premium
above \$97,000 up to \$123,000	above \$194,000 up to \$246,000	Not applicable	\$12.20 + your plan premium
above \$123,000 up to \$153,000	above \$246,000 up to \$306,000	Not applicable	\$31.50 + your plan premium
above \$153,000 up to \$183,000	above \$306,000 up to \$366,000	Not applicable	\$50.70 + your plan premium
above \$183,000 and less than \$500,000	above \$366,000 and less than \$750,000	above \$97,000 and less than \$403,000	\$70.00 + your plan premium
\$500,000 or above	\$750,000 and above	\$403,000 and above	\$76.40 + your plan premium

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<<**Speaker note:** First read the definition of Medicare part D>>

The chart shows your estimated prescription drug plan monthly premium based on your income as reported on your IRS tax return. If your income is above a certain limit, you'll pay an income-related monthly adjustment amount in addition to your plan premium. Reminder premiums are based on modified adjusted gross income as reported on your tax return 2 years ago – so 2021.

<<**Speaker note:** The cost of the late enrollment penalty depends on how long you went without Part D or creditable prescription drug coverage. Medicare calculates the penalty by multiplying 1% of the "national base beneficiary premium" (\$32.74 in 2023) times the number of full, uncovered months you didn't have Part D or creditable coverage. The monthly premium is rounded to the nearest \$.10 and added to your monthly Part D premium. The national base beneficiary premium may change each year, so your penalty amount may also change each year.>>

Understanding your options



Medicare part D

The so-called "donut hole"

Phase 1	Phase 2	Phase 3	Phase 4
Coverage begins January 1	Initial coverage period, your plan begins paying a percentage of the cost for covered drugs – generally the plan pays 75% and you pay 25%	You pay 25% of the cost of both brand names and generics	Catastrophic coverage begins – covering 95% of drug costs you pay the greater of 5% or \$3.60 for generic or \$8.95 for brand name
Deductible		Until your out of pocket costs reach \$7,400	
In 2022, up to \$505	Until you and your plan combined spend \$4,660		Coverage ends December 31
			No limit through the end of year

Not everyone will enter the coverage gap. The coverage gap begins after you and your drug plan have spent a certain amount for covered drugs.

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Most Medicare drug plans have a coverage gap (also called the "donut hole"). This means there's a temporary limit on what the drug plan will cover for drugs.

Not everyone will enter the coverage gap. The coverage gap begins after you and your drug plan have spent a certain amount for covered drugs. Once you and your plan have spent \$4,660 on covered drugs in 2023, you're in the coverage gap. This amount may change each year. Also, people with Medicare who get extra help paying Part D costs won't enter the coverage gap.

Brand-name prescription drugs

Once you reach the coverage gap, you'll pay no more than 25% of the cost for your plan's covered brand-name prescription drugs. You'll pay this discounted rate if you buy your prescriptions at a pharmacy or order them through the mail. Some plans may offer you even lower costs in the coverage gap. The discount will come off of the price that your plan has set with the pharmacy for that specific drug.

- Of the total cost of the drug, the manufacturer pays 70% to discount the price for you. Then your plan pays 5% of the cost. Together, the manufacturer and plan cover 75% of the cost. You pay 25% of the cost of the drug.
- There's also a dispensing fee. Your plan pays 75% of the fee, and you pay 25% of the fee.

If you have a Medicare drug plan that already includes coverage in the gap, you may get a discount after your plan's coverage has been applied to the drug's price. The discount for brand-name drugs will apply to the remaining amount that you owe.

Generic drugs

Medicare will pay 75% of the price for generic drugs during the coverage gap. You'll pay the remaining 25% of the price. The coverage for generic drugs works differently from the discount for brand-name drugs. For generic drugs, only the amount you pay will count toward getting you out of the coverage gap.

If you have a Medicare drug plan that already includes coverage in the gap, you may get a discount after your plan's coverage has been applied to the drug's price.

You enter the donut hole when your total drug costs—including what you and your plan have paid for your drugs—reach a certain limit. Not everyone will enter the coverage gap. The coverage gap begins after you and your drug plan have spent a certain amount for covered drugs. In 2023, once you and your plan have spent \$4,660 on covered drugs, you're in the coverage gap. This amount may change each year. Also, people with Medicare who get extra help paying Part D costs won't enter the coverage gap.

Once you reach the coverage gap, you'll pay no more than 25% of the plan's cost for covered brand-name prescription drugs. You get these savings if you buy your prescriptions at a pharmacy or order them through the mail. Some plans may offer higher savings in the coverage gap. The discount will come off of the price that your plan has set with the pharmacy for that specific drug.

Once you have spent up to the yearly limit, your coverage gap ends and your drug

Understanding your options



Medigap

A Medicare Supplement Insurance (Medigap) policy helps pay some of the health care costs that Original Medicare doesn't cover, like:

- Copayments
- Coinsurance
- Deductibles

Medigap policies are sold by private companies.

Cost

Medicare doesn't pay any of the costs for you to get a Medigap policy. You have to pay the premiums for a Medigap policy. Insurance companies may charge different premiums for the same exact policy. Be sure you're comparing the same policy. For example, compare Plan A from one company with Plan A from another company.

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<<**Speaker note:** First read the definition of Medigap>>

Some Medigap policies also cover services that Original Medicare doesn't cover, like medical care when you travel outside the U.S. If you have Original Medicare and you buy a Medigap policy, here's what happens:

Medicare will pay its share of the Medicare approved amount for covered health care costs.

Then, your Medigap policy pays its share.

8 things to know about Medigap policies:

- 1)** You must have Medicare Part A and Part B.
- 2)** A Medigap policy is different from a Medicare Advantage Plan. Those plans are ways to get Medicare benefits, while a Medigap policy only supplements your Original Medicare benefits.
- 3)** You pay the private insurance company a monthly premium for your Medigap

- 6)** Any standardized Medigap policy is guaranteed renewable even if you have health problems. This means the insurance company can't cancel your Medigap policy as long as you pay the premium.
- 7)** Some Medigap policies sold in the past cover prescription drugs. But, Medigap policies sold after January 1, 2006 aren't allowed to include prescription drug coverage. If you want prescription drug coverage, you can join a Medicare Prescription Drug Plan (Part D).
- 8)** It's illegal for anyone to sell you a Medigap policy if you have a Medicare Advantage Plan, unless you're switching back to Original Medicare.

Medigap policies can be priced or "rated" in 3 ways:

Community rated (also called “no age-rated”)

Issue age rated (also called “entry age rated”)

Attained age rated

Understanding your options

Medigap Plan A - N										
Medicare supplement insurance plans	A	B	C	D	F ¹	G	K ²	L ²	M	N ³
Basic benefits*	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Part B coinsurance	✓	✓	✓	✓	✓	✓	50%	75%	✓	
Skilled nursing			✓	✓	✓	✓	50%	75%	✓	✓
Part A deductible		✓	✓	✓	✓	✓	50%	75%	50%	✓
Part B deductible			✓		✓					
Part B excess					100%	100%				
Foreign travel emergency			✓	✓	✓	✓			✓	✓
Preventive care Part B coinsurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

¹ Plan F also offers a "high deductible" option. For 2018, that deductible is \$2,240. You must pay that much out of pocket before the plan pays anything. This is not a popular option with companies or consumers, but there are companies that do offer it and premiums are lower than most other plans.

² Plans K and L have an annual out of pocket limit. For 2018, those amounts are \$5240 (K) and \$2620 (L). Once you meet that amount, in addition to meeting your Medicare Part B deductible (\$183/year for 2018), the plan pays 100% of covered services for the rest of the calendar year.

³ Plan N has a co-pay structure for doctor and ER visits. You must pay an "up to \$20" co-pay per doctor visit on this plan and a \$50 emergency room co-pay

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The Medigap plans are Federally-standardized. All companies must follow the Medigap coverage chart. In other words, a Plan F with one company is the same as a Plan F with another company. And, a Plan G is a Plan G, no matter what insurance company you use to provide the coverage.

Because of the plan standardization, it is very easy to compare plans in a straight forward way. Although the benefits are standardized, premiums are definitely not. In fact, you will find that premiums for the exact same plan vary as much as 30-50% depending on which insurance company you choose. It is important to choose a plan based primarily on price.

The Medigap coverage chart shows you exactly what a Medigap plan will cover, regardless of which company you use to obtain the coverage. This allows you to pick a coverage level that you are comfortable with, then compare multiple companies that offer that specific plan. All companies do not offer all plans. On the contrary, most companies only offer 3-4 of the plans. <<**CLICK HERE FOR ANIMATION**>> The plans

chart. These states are: Massachusetts, Minnesota and Wisconsin.

<<***Speaker notes:***

<https://www.fool.com/retirement/2017/06/12/medicare-advantage-vs-medigap-is-the-best-ch.aspx>

Cost-wise, someone with significant and expensive health problems may be better off with Medigap. The premiums are higher, but out-of-pocket costs are typically much lower than Medicare Advantage costs, so if you have lots of medical expenses, the higher Medigap premium ends up being a better deal. On the other hand, if you're in good health and don't anticipate lots of medical expenses in the near future, you can save quite a bit with Medicare Advantage's lower premiums. >>

Understanding your options

When to file

The first time you can enroll is called your **Initial Enrollment Period**, which usually spans 7 months:



If you don't enroll when you're first eligible, you may have to pay a Part B late enrollment penalty, and you may have a gap in coverage if you decide you want Part B later.

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In most cases, you'll automatically get Part A and Part B starting the first day of the month you turn 65. If you're automatically enrolled, you'll get your red, white, and blue Medicare card in the mail 3 months before your 65th birthday. Your Medicare card shows that you have Medicare health insurance. It shows whether you have Part A (Hospital Insurance), Part B (Medical Insurance) or both, and it shows the date your coverage starts.

If you will be getting benefits from Social Security or the Railroad Retirement Board (RRB) at least 4 months before I turn 65. Do I need to sign up?

No. In most cases, you'll automatically get Part A and Part B starting the first day of the month you turn 65. If your birthday is on the first day of the month, Part A and Part B will start the first day of the prior month.

If you aren't getting benefits from Social Security (RRB) at least 4 months before you turn 65, you'll need to sign up with Social Security to get Part A and Part B. You can sign up for free Part A (if you're eligible) any time during or after your Initial

There are only certain times when people can enroll in Medicare. Depending on the situation, as mentioned some people may get Medicare automatically, and others need to apply for Medicare. In most cases, it depends on whether you're getting Social Security benefits. The first time you can enroll is called your Initial Enrollment Period. When you're first eligible for Medicare you have a 7 month period to sign up for part A and/or part B. It begins 3 months before the month you turn 65 and includes the month you turn 65 then ends 3 months after the month you turn 65.

Understanding your options

Medicare parts A & B: What's not covered

- Long-term care (custodial care)
- Most dental care
- Eye exams for prescribing glasses
- Dentures
- Cosmetic surgery
- Acupuncture
- Hearing aids and exams
- Routine foot care



Even if Medicare covers a service or item, you generally have to pay your deductible, coinsurance, and copayment.

Medicare doesn't cover everything.

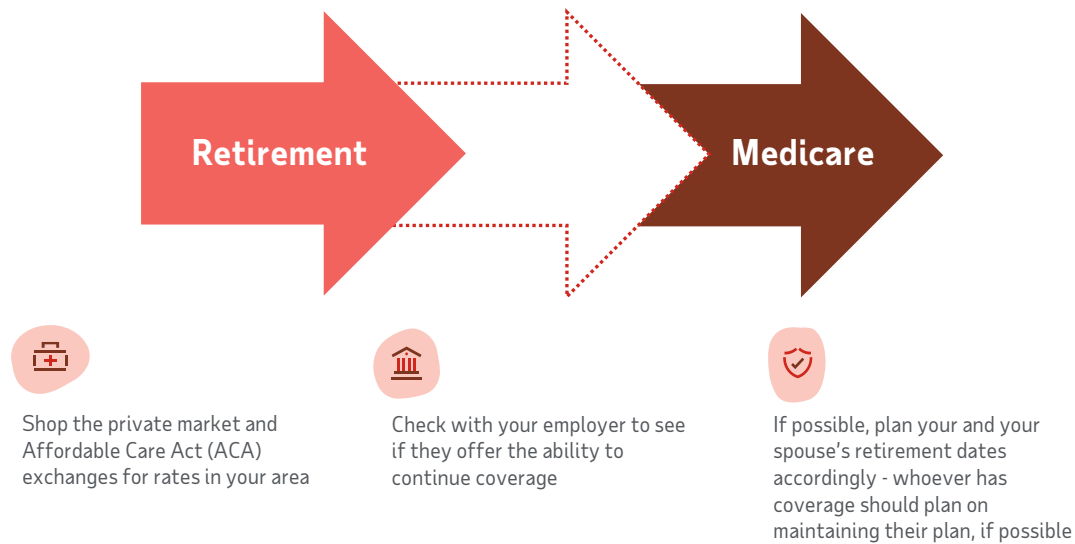
If you need certain services that Medicare doesn't cover, you'll have to pay for them yourself unless:

- You have other insurance that covers them
- You have a Medicare health plan that covers them

<<Read bullet points – pay special attention to Long-term care.>>

Understanding your options

Mind the gap



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If you plan to retire prior to age 65 OR if your retirement comes unplanned due to cut backs at work, health issues or unforeseen family events, you **MUST** have a plan to cover health care expenses between retirement and Medicare.

- Shop the ACA exchange for rates in your area
- Check with your employer to see if they offer the ability to continue coverage
- If possible plan your and your spouse's retirement dates accordingly- whoever has coverage should plan on maintaining their plan if possible

Consider ways to generate income to help cover health insurance expenses and out of pocket costs during the gap between your full time job and Medicare.

Part time jobs, income producing investments, HSAs, pension and deferred compensation payouts are just a few of the ways to generate income to cover health costs before Medicare kicks in.

Understanding your options

When to apply

Prior to or after age 65

Plan to enroll in Medicare during your initial enrollment period.

Still working past age 65

The size of the employer determines whether you may be able to delay Part A and Part B without having to pay a penalty if you enroll later.

If you have an HSA

Generally speaking, if you enroll in Medicare Part A and/or B, you can no longer contribute pre-tax dollars to your HSA.

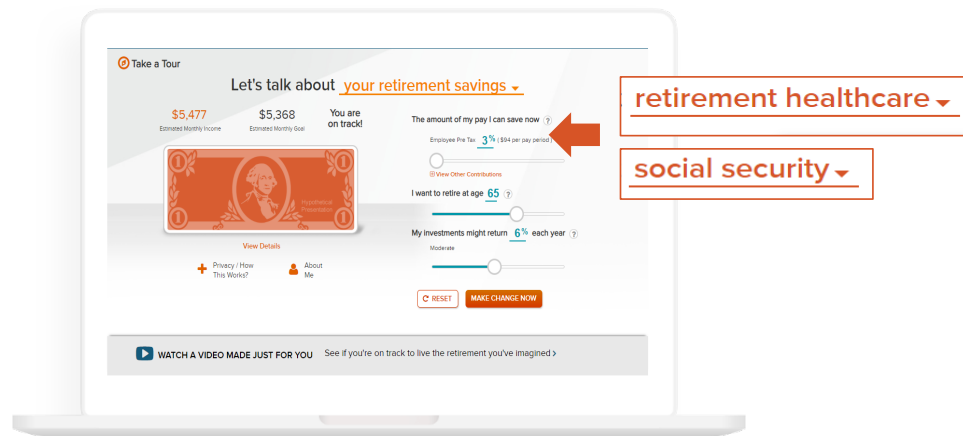
Typically, when you apply for Social Security, you get Medicare as well.

If you enroll in Medicare Part A and/or B, you can no longer contribute pre-tax dollars to your HSA. This is because to contribute pre-tax dollars to an HSA you cannot have any health insurance other than an HDHP. The month your Medicare begins, your account overseer should change your contribution to your HSA to zero dollars per month. However, you may continue to withdraw money from your HSA after you enroll in Medicare to help pay for medical expenses, such as deductibles, premiums, copayments, and coinsurances. If you use the account for qualified medical expenses, its funds will continue to be tax-free.

If you choose to delay Medicare enrollment because you are still working and want to continue contributing to your HSA, you must also wait to collect Social Security retirement benefits. This is because most individuals who are collecting Social Security benefits when they become eligible for Medicare are automatically enrolled into Medicare Part A. You cannot decline Part A while collecting Social Security benefits. The takeaway here is that you should delay Social Security benefits and decline Part A if you wish to continue contributing funds to your HSA.

<https://www.medicareinteractive.org/get-answers/coordinating-medicare-with-types-of-insurance/job-based-insurance-and-medicare/health-savings-accounts-and-medicare>

Understanding your options



Scan here to log into your account.

IMPORTANT: The illustrations or other information generated by the calculators are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. This information does not serve, either directly or indirectly, as legal, financial or tax advice and you should always consult a qualified professional legal, financial and/or tax advisor when making decisions related to your individual tax situation.

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To see how healthcare or Social Security can impact your future retirement savings, use myOrangeMoney ADP TotalSource Retirement Savings Plan website. This healthcare experience shows you how the cost of healthcare may affect your payments overall retirement. The Social Security experience shows you potential income at different ages.

Access your account through the web by visiting adptotalsource.voya.com and select either Retirement Healthcare or Social Security from the drop-down menu.

In addition, t

[Plan account](#)

Disclosure



Edelman Financial Engine's Social Security guidance can provide reasonable estimates that are not guarantees of future benefit payments. All estimates are based upon information about you, your stated goals as well as current Social Security laws, rulings and formulas available from the Social Security Administration. Decisions regarding Social Security are highly personal and depend on a number of factors such as your health and family longevity, whether you plan to work in retirement, whether you have other income sources as well as your anticipated future financial needs and obligations.

Advisory Services provided by Voya Retirement Advisors, LLC (VRA). For more information, please read the Voya Retirement Advisors Disclosure Statement, Advisory Services Agreement and the Plan's Fact Sheet.

VRA is a member of the Voya® family of companies. Edelman Financial Engines is not affiliated with the Voya® family of companies.

Planning and saving

Catch-up contributions



Plan	Catch-up
401(k)	Individuals and participants who reach age 50 by the end of the calendar year may make an additional contribution in the amount of \$7,500 in 2023 (adjusted for cost of living).
Traditional / Roth IRA	\$1,000; must be age 50 or older
HSA	The catch-up contribution limit for those 55 or older is \$1,000.

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Individuals who are age 50 or over by the end of the calendar year can make annual catch-up contributions.

There are benefits to making catch-up contributions. Potentially by doing Catch contributions, you will save more for money to be used in retirement. Also, you will be able to reduce your Adjusted Gross Income thus reducing your taxable income. Your retirement account funds may defer or offset additional Medical Expenses in the future.

Taking advantage of the Catch-Up provision makes good sense!

You can make catch-up contributions to the ADP TotalSource Retirement Savings Plan up to \$7,500 in 2023.

Planning and saving

High-deductible health plan



Advantage of HDHP

Monthly premiums are typically lower than they are for health insurance policies with standard deductible levels.

Disadvantage of HDHP

If you have a number of medical expenses in any given year, you'll have to allocate out-of-pocket money before the policy starts paying out.

A **high-deductible health plan** is health insurance with a high minimum deductible for covered medical expenses that must be paid before insurance coverage kicks in.

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A high-deductible health plan (HDHP) is health insurance that has a deductible that you must meet before insurance coverage kicks in. Generally, many employer policies have a co-insurance portion, after you meet your deductible, that you must continue to pay before 100% is covered by insurance.

Advantage -

monthly premiums are typically much lower than they are for health insurance policies with standard deductible levels.

Disadvantage -

If you have a number of medical expenses in any given year, you'll have to allocate out of pocket money before the policy starts paying out.

Suitable for Healthy People with lower medical expenses incurred. May also be suitable if you have high income

Planning and saving



	Health Savings Account (HSA)	Health Reimbursement Account (HRA)	Flexible Spending Account (FSA)
Account Ownership	Employee / Individual	(Employer) held in Employee's name	(Employer) held in Employee's name
Expenses Covered	Medical, Dental, Prescriptions, retiree medical insurance premiums, LTC premiums, COBRA	Medical, Dental, vision, and some over counter expenses. Post tax insurance premiums	Medical, Dental, Vision, prescriptions and some over the counter expenses
Contribution Limits	\$3,850 single, \$7,750 family \$1,000 catch-up 55+	None	\$2,850 per plan year with potential for annual inflation increases. The limit is per person.
Deposits Made By	Employee / Individual	Employer	Employer, employee or both
Rollover	Fully portable, 100% required	Allowed at Employer's discretion	\$500 allowed at Employer discretion
Plan Requirements	Must be covered by HDHP	Generally, must be integrated with group medical plan meeting health care reform requirements	None

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Lets go over some accounts used in our Health Care Industry.

HSA

A health savings account is a tax-advantaged medical savings account available to taxpayers in the United States who are enrolled in a high-deductible health plan. The funds contributed to an account are not subject to federal income tax at the time of deposit.

HRA

Health Reimbursement Account is a national derivative of a Health Reimbursement Arrangement, a type of US employer-funded health benefit plan that reimburses employees for out-of-pocket medical expenses.

FSA

A flexible spending account, also known as a flexible spending arrangement, is one of a number of tax-advantaged financial accounts, resulting in payroll tax

Example #1

Mr. and Mrs. Smiley: Retired at age 58

- Always good savers, the Smileys put off things like travel, gifts and a beach condo until retirement.
- Upon retirement, they actually spent more than they earned prior to retirement, with a \$10,000 travel budget and \$15,000 gifts to each of their kids each year, among other costs.
- After 10 years, they travelled less (\$5,000/year instead of \$10,000), their house was paid off and comfortable, and their kids were independent, so their budget went down.
- Now in their 80's, they aren't traveling other than to visit grandkids, but healthcare costs are now the bulk of their budget.



This is simply the “all good” scenario that illustrates the retirement spending smile.

You could say something to the effect of:

The Smileys are the prime example of the retirement spending smile.

They enjoy higher discretionary spending while their health care costs are low, total spending declines as they slow down.

Later in life, health care and maintenance expenses dramatically increase their total spending even when they aren't travelling or paying down debt.

Their financial plan should include basic needs that continue throughout retirement, and discretionary spending that captures their wants and wishes, in the actual years they expect to spend money on them.

By itemizing health care with a higher rate of inflation, they can build a “smile” that fits their plan

Example #2

Mr. and Mrs. Saver: Planned on working until age 65

- At age 58: Mr. Saver forced out of his job after 25 years because his spouse was ill.
- Health care premiums average: \$11,000 per year per person
- Out-of-pocket costs: \$3,500

The additional expenses force him to tap into his retirement plan early and they are unable to afford the lifestyle they had planned.



Mr. and Mrs. Saver planned on working until age 65, because they knew how expensive health care could be.

Sometimes life doesn't go according to our plans. Unfortunately, at age 58, Mr. Saver was forced out of his job after 25 years because his spouse was ill and needed care. Early or Unexpected retirement can have a dramatic effect on expenses prior to age 65. Health care premiums averaged \$11,000 per year per person, out of pocket costs \$3500, the additional expenses forced him to tap into his retirement plan early, and they are unable to afford to live the lifestyle they had planned.

Make sure you have a plan to *cover the gap*, even if you don't *Plan* on having one!

Example #3

Mr. and Mrs. Rosey

- Pension and Social Security income: \$4,600 per month (covers basic living expenses and Medicare premiums).
- Small nest egg of retirement savings: \$250,000 (hope to use for travel and to build a legacy for their grandchildren).
- Mr. Rosey is diagnosed with prostate cancer. Prescription drugs, treatments and doctor's visits: Over \$1,200 per month
- They are forced to supplement their income with their retirement savings.



Their retirement savings runs out within 17 years, instead of lasting for 30 or more years as they had hoped.

Sometimes it's your own health that changes in retirement, causing you to have to reevaluate your retirement plans.

Mr. and Mrs. Rosey, have a pension and social security income of \$4,600 per month, which covers their basic living expenses and Medicare premiums. They have a small nest egg of retirement savings, \$250,000, which they hope to use for travel and to build a legacy for their grandchildren.

Mr. Rosey gets diagnosed with prostate cancer. His prescription drugs, treatments and doctor's visits add over \$1,200 a month to their medical expenses. They are forced to supplement their income with their retirement savings. Their retirement savings runs out within 17 years, instead of lasting for 30 or more years as they had hoped.

The Roseys will also have to adjust their plans for travel and other Wants and Wishes, just to cover their health care needs and try to avoid running out of money. Make sure you explore all options for saving and protecting your retirement against unexpected

Key takeaways



- Use the myOrangeMoney®illustrator to model your retirement
- Go to the **Medicare.gov** website to learn more
- Play “what if” and evaluate all of your options
- Meet with a financial professional if you don't want to do it alone
- Ask your financial professional about what else you can do to make the most of your Medicare options in your financial plans

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Thank you for participating today. As you can see, there are many considerations that affect how you make the most of your Medicare benefit.

Log into your ADP TotalSource Retirement Savings Plan account and use the myOrangeMoney®illustrator to model your retirement

It contains a lot of actual information about your scenario and can provide valuable information.

Go to the Medicare.gov website to learn more

You can apply online or obtain additional information prior to applying.

Play “what if” and evaluate all of your options

So many factors come into play that a “one size fits all” recommendation may not be your best path at all

Questions?



Important notes



- This session was designed to provide you with fundamental information on retirement planning and to outline other sources of information to assist you in managing your personal finances
- This presentation does not constitute legal, investment or financial advice of any kind
- Please consult your own financial, legal and/or tax advisors for such advice

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