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In the Loop

Retirement Changed in 2023; Are You Prepared?

The past year has brought changes in the retirement landscape that demand workers' attention. To properly reassess plans and preparation strategies, it's important to understand how retirement changed in 2023 and explore how individuals like you can proactively prepare and educate themselves in 2024 to ensure a secure and fulfilling retirement.

Here are the most significant retirement-related changes of 2023:

- **Medicare Part D premiums**—While the Inflation Reduction Act was intended to make Medicare cheaper, some seniors and retirees are expecting dramatic increases in their Part D premiums in 2024. Millions of seniors enrolled in Medicare Part D are anticipating lower costs, but in heavily populated states, Part D plans from some of the largest Medicare providers are projected to increase premiums. Insurers may pay higher costs due to the higher out-of-pocket limits, and raised premiums are a way of getting beneficiaries to share that burden. The Inflation Reduction Act was designed to reduce out-of-pocket costs for drugs, but the provisions don't address premiums.
- **Student debt**—2023 was a challenging and confusing year for student loan borrowers. Student loan payments resumed Oct. 1, 2023, and the U.S. Department of Education reported that about 40% of the 22 million borrowers who had bills or payments due in October didn't make their payments by mid-November. As borrowers

figure out how to work monthly loan repayments into their budgets, many are not putting as much money toward their retirement; debts are being prioritized before retirement savings and other investments.

- **Annuities**—Since annuities secure a fixed income stream during retirement, they usually sell better during times of economic uncertainty. As such, annuity sales continued to be strong in the back half of 2023 as the U.S. Federal Reserve hiked interest rates. Those hikes boosted the annuity returns and income for individuals, which made them more attractive. Coming off a strong year of sales, industry experts predict annuity sales to remain strong in 2024.

By staying informed and preparing, you can ensure that retirement becomes a successful and rewarding chapter in your life.

The United States Spent \$4.5 Trillion on Health Care in 2022

Health care spending in the United States increased by 4.1% to reach \$4.5 trillion in 2022. This equates to health care spending of \$13,493 per person in 2022. The 2022 growth in health care spending was higher than the 3.2% increase in 2021, although it was significantly lower than the 10.6% growth in 2020. These



numbers indicate that health care spending may be returning to pre-pandemic levels.

The Centers for Medicare and Medicaid Services reported increased health care spending in these areas:

- Hospital care
- Physician and clinical services
- Retail prescription drugs
- Nursing care facilities and continuing care retirement communities
- Dental services
- Home health care
- Durable medical equipment
- Other nondurable medical products

While the latest figures represent 2022 spending, rising health care costs will continue to challenge employers and employees alike in 2024. Health care affordability remains an issue for many employees, especially as inflation stressed American household budgets throughout 2023. With this in mind, consider taking the following steps to reduce their health care costs this year:

- **Brush up on health plan knowledge.** Knowing what your health plan does and doesn't cover is critical for reducing your overall spending. Understanding terms such as "deductible," "coinsurance" and "copay" can help you better understand your plan options.
- **Stay in network.** With health plans, there are in-network providers and out-of-network providers. Basically, your health insurance company partners with select providers to lower the costs of care. If you go elsewhere (out of network), you will not have these discounts, and health care costs go up significantly if you receive out-of-network care. That's why it's essential to always review your plan documents before scheduling care to ensure your provider is in your network.

- **Plan and budget your care.** The beginning of the year is a great time to think about potential upcoming health care costs. Then, review your health plan coverages and budget accordingly. For instance, if your plan only covers a certain percentage of surgery, you can start saving now to help pay for the rest. While it's impossible to plan for every health care expense that may arise, having a general sense of what to expect can help you budget more effectively.
- **Ask questions.** Don't be afraid to ask questions when visiting your doctor because it can help keep your costs down. If you require care, ask if there are comparable procedures or services that are more affordable while still being effective. If you need prescriptions, ask if there are generic options available or if there are any discounts.

Additionally, more employers are exploring ways to help keep more money in employees' hard-earned paychecks and remove cost barriers when health care is needed. It's important to be aware of all available health care benefits—and their fine print—so review your current coverage.

Contact HR for more benefits information.