

NATIONWIDE INSTITUTE<sup>SM</sup>

Health care in retirement



# Your Health Care Cost Assessment

A personalized estimate of retirement health care costs to help you plan for the future

*Includes Medicare, out-of-pocket, and long-term care expense estimates*

Designed for John Doe and Jane Doe  
Monday, January 13, 2014

Prepared by Sample Producer

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The information collected on the Personalized Health Care Cost Assessment will be kept confidential and used to provide an estimate of a client's potential health care costs in retirement. The estimate is based on a client's specific financial situation and goals, as well as their current overall health condition. The client's financial situation and health conditions may change over time and this may affect their future changes. Please keep in mind that the estimates resulting from this fact finder are for hypothetical purposes only and are not guaranteed.

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## Important Information about This Report

**Scope of this Report:** This report provides a general guideline to help you fund your retirement health care expenses. This report is provided for educational purposes only and you should not rely on it as the primary basis for your insurance, investment, financial, retirement or tax planning decisions.

The following are specific assumptions used in this report:

- No serious health changes.
- Amounts for under age 65 assume 100% member responsibility for private health insurance premiums and other associated medical costs unless otherwise indicated. Amounts for age 65 and older assume coverage by Medicare Part A and include insurance premiums for Medicare Parts B, D, and supplemental insurance, plus additional associated medical costs.
- During retirement, individuals less than age 65 are responsible for paying 100% of health care expenses.
- Health care costs and life expectancy are estimated based on the single most serious health condition provided.

Health care costs exclude coverage for dental, hearing, and vision services

**Limitation of this Report:** The algorithms used in developing the Personalized Health Care Cost Assessment evaluate an individual's health and create health and financial assumptions for future health and health care needs. The report considers national health standards, health care costs, medical coverage, health care inflation rates, progress in certain areas of medical research, and actuarial data including medical and pharmacy cost models. The estimated average annual out-of-pocket medical expenses were developed in part using typical Commercial Preferred Provider Plans ("PPO") and Medicare plan designs (including pharmacy) for males and females. Neither Nationwide, its affiliates, agents, or representatives have verified or confirmed the accuracy of these guidelines, assumptions or estimated costs. Annual costs are future values as of the year of attained age. Average Annual Costs are the average annual future costs for the stated 5-year period. These are estimated costs, they are hypothetical in nature, and are not guaranteed. Your actual medical costs will likely vary (sometimes significantly) from the estimates in this report. Your current and future decisions and actions should not depend on, or be based solely on, the results generated by this report. It is important that you periodically monitor their retirement income and expense strategy throughout retirement.

The Personalized Health Care Cost Assessment is dependent upon the quality and accuracy of the data furnished by you or unaffiliated third parties, including information about your health status as well as certain assumptions as to future inflation rates and future health care costs.

The accuracy or applicability of the tool's results to your circumstances is not guaranteed. We encourage you to talk to an investment professional about your situation. This tool is not an offer, representation or warranty by Nationwide<sup>®</sup> or any of its affiliated companies and does not describe any specific products or services they offer. We are not responsible for the consequences of any decisions or actions taken in reliance upon or as a result of the information provided by this tool. Costs of investing have not been taken into consideration. Withdrawals from qualified plans that are taken prior to age 59½ may be subject to a 10% penalty tax.

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This material should be regarded as educational information on health care only and is not intended to provide specific health care advice. If you have questions regarding your particular situation, please contact your health care, legal or tax advisors. While Financial Advisors may discuss health care costs as part of a client's retirement plan, Financial Advisors may not provide specific advice on health care coverage options.

Personalized Health Care Cost Assessment  
 prepared by Sample Producer of \*\*\*\*\*

## The High Cost of Health Care

Your health is always important, but did you realize the cost of your health care may be one of your greatest expenses in retirement? Based on your responses to the fact finder, this report provides your estimated annual health care expenses throughout your retirement. These estimated health care costs, calculations and the output in this document are jointly produced by teams of professionals which include physicians and actuaries. Key report components include:

**Medical Insurance Premiums** — For retirement ages 65 and older, these costs consist of Medicare premiums associated with hospitals, doctors and tests, a prescription drug plan, and a Medicare supplement insurance policy. For retirement ages under 65, this is the cost of private health insurance purchased on an individual basis.

**Additional Costs** — These costs consist of medical-related expenses besides premiums, such as deductibles, co-payments, and co-insurance associated with hospitalization, doctors and tests, and prescription drugs.

**Long-term care** — This includes expenses associated with the category of health care services required by individuals who have been certified as chronically ill due to the inability to fully execute activities of daily living or suffering from cognitive impairment; it can be provided by a variety of agencies in outpatient settings as well as on an inpatient basis. The three types of long-term care and respective usage based on claims filed are home health care (51%), assisted living (18%) and nursing home care (31%).<sup>1</sup>

## Client Facts

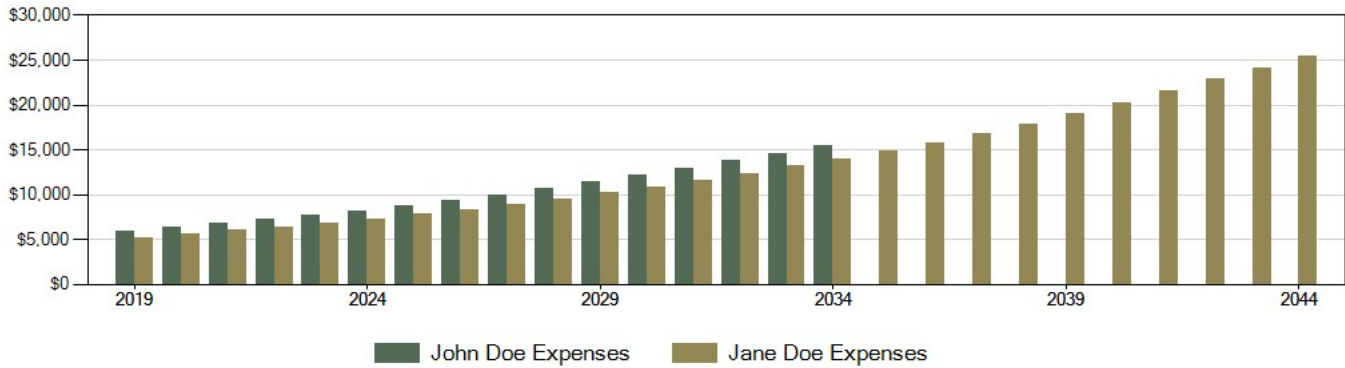
	John Doe	Jane Doe
Age/Gender:	Male, Age 60	Female, Age 60
Retirement Age:	65	65
Life Expectancy:	80	90
State:	OH	OH
Income Level:	Married Filing Jointly — \$170,000 or less	
Medicare Coverage:	Medicare premiums plus additional medical costs	
Need to purchase private health insurance prior to 65:	No	No
<b>Current Health</b>		
High blood pressure:	No	No
High cholesterol:	No	No
Type 1 diabetes:	No	No
Type 2 diabetes:	Yes	No
Cardiovascular disease:	No	No
Cancer:	No	No
Multiple Sclerosis:	No	No
<b>Lifestyle &amp; health history</b>		
Tobacco user:	No	No
Cardiovascular/Diabetes family history:	No	No
Dependency on cane, walker, or wheelchair:	No	No

<sup>1</sup> American Association for Long-term Care Insurance (AALTCI) 2014 Sourcebook.

## Health Care Expenses in Retirement

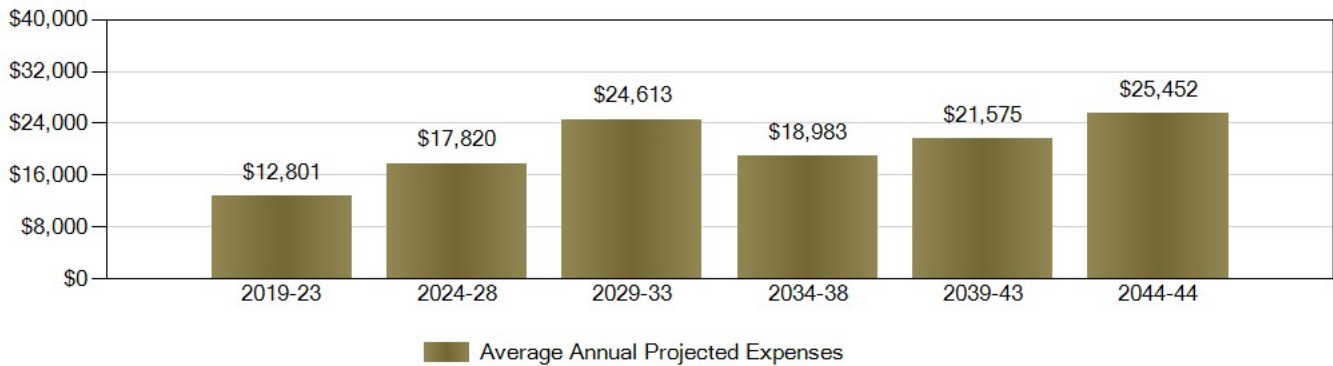
Per Spouse/Partner

The following graph depicts the estimated cost of health care in retirement for *John Doe and Jane Doe*.



### Average Annual Expenses per 5-Year Period

The following graph shows the *average* estimated annual cost of health care in retirement.



Amounts for under age 65 assume 100% member responsibility for private health insurance premiums and other associated medical costs unless otherwise indicated. Amounts for age 65 and older assume coverage by Medicare Part A and include insurance premiums for Medicare Parts B, D, and supplemental insurance, plus additional associated medical costs.

## Annual Expense Detail

Assuming retirement in 2019, your average health care expense from that point on is estimated to be **\$14,106 a year**. Talk to your financial advisor about an accumulation strategy based on your individual situation to reach this goal.

Based on health care planning options, the following table estimates the annual health care expenses you could incur across two categories: premiums and additional costs.

Year	John Doe					Jane Doe					Household Total	Total Without Part B
	Age	Private or Part B Premiums	Part D and Supplemental Premiums	Additional Costs	Total	Age	Private or Part B Premiums	Part D and Supplemental Premiums	Additional Costs	Total		
2019	65	\$1,702	\$2,949	\$1,200	\$5,851	65	\$1,702	\$2,949	\$540	\$5,191	\$11,042	\$7,638
2020	66	\$1,800	\$3,219	\$1,320	\$6,339	66	\$1,800	\$3,219	\$561	\$5,580	\$11,919	\$8,319
2021	67	\$1,926	\$3,488	\$1,387	\$6,801	67	\$1,926	\$3,488	\$583	\$5,997	\$12,798	\$8,946
2022	68	\$2,032	\$3,773	\$1,466	\$7,271	68	\$2,032	\$3,773	\$611	\$6,416	\$13,687	\$9,623
2023	69	\$2,144	\$4,078	\$1,477	\$7,699	69	\$2,144	\$4,078	\$640	\$6,862	\$14,561	\$10,273
2024	70	\$2,262	\$4,403	\$1,560	\$8,225	70	\$2,262	\$4,403	\$670	\$7,335	\$15,560	\$11,036
2025	71	\$2,386	\$4,750	\$1,647	\$8,783	71	\$2,386	\$4,750	\$702	\$7,838	\$16,621	\$11,849
2026	72	\$2,517	\$5,118	\$1,736	\$9,371	72	\$2,517	\$5,118	\$735	\$8,370	\$17,741	\$12,707
2027	73	\$2,656	\$5,522	\$1,827	\$10,005	73	\$2,656	\$5,522	\$766	\$8,944	\$18,949	\$13,637
2028	74	\$2,802	\$5,953	\$1,922	\$10,677	74	\$2,802	\$5,953	\$799	\$9,554	\$20,231	\$14,627
2029	75	\$2,956	\$6,413	\$2,021	\$11,390	75	\$2,956	\$6,413	\$832	\$10,201	\$21,591	\$15,679
2030	76	\$3,118	\$6,902	\$2,125	\$12,145	76	\$3,118	\$6,902	\$868	\$10,888	\$23,033	\$16,797
2031	77	\$3,290	\$7,426	\$2,234	\$12,950	77	\$3,290	\$7,426	\$905	\$11,621	\$24,571	\$17,991
2032	78	\$3,471	\$7,951	\$2,331	\$13,753	78	\$3,471	\$7,951	\$938	\$12,360	\$26,113	\$19,171
2033	79	\$3,662	\$8,513	\$2,431	\$14,606	79	\$3,662	\$8,513	\$974	\$13,149	\$27,755	\$20,431
2034	80	\$3,863	\$9,111	\$2,535	\$15,509	80	\$3,863	\$9,111	\$1,009	\$13,983	\$29,492	\$21,766
2035						81	\$4,076	\$9,748	\$1,046	\$14,870	\$14,870	\$10,794
2036						82	\$4,300	\$10,427	\$1,085	\$15,812	\$15,812	\$11,512
2037						83	\$4,536	\$11,175	\$1,119	\$16,830	\$16,830	\$12,294
2038						84	\$4,786	\$11,968	\$1,156	\$17,910	\$17,910	\$13,124
2039						85	\$5,049	\$12,817	\$1,193	\$19,059	\$19,059	\$14,010
2040						86	\$5,327	\$13,716	\$1,231	\$20,274	\$20,274	\$14,947
2041						87	\$5,620	\$14,679	\$1,272	\$21,571	\$21,571	\$15,951
2042						88	\$5,929	\$15,593	\$1,323	\$22,845	\$22,845	\$16,916
2043						89	\$6,255	\$16,504	\$1,367	\$24,126	\$24,126	\$17,871
2044						90	\$6,599	\$17,445	\$1,408	\$25,452	\$25,452	\$18,853
<b>Total</b>		<b>\$42,587</b>	<b>\$89,569</b>	<b>\$29,219</b>	<b>\$161,375</b>		<b>\$95,064</b>	<b>\$223,641</b>	<b>\$24,333</b>	<b>\$343,038</b>	<b>\$504,413</b>	<b>\$366,762</b>
<b>Average*</b>		<b>\$2,662</b>	<b>\$5,598</b>	<b>\$1,826</b>	<b>\$10,086</b>		<b>\$3,656</b>	<b>\$8,602</b>	<b>\$936</b>	<b>\$13,194</b>	<b>\$19,401</b>	<b>\$14,106</b>

\*Averages are calculated from columns.

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## You've taken the first step. What's next?

Work with your financial advisor to put a plan in place to help you cover these estimated costs.

## Long-term Care Expense Detail

The costs estimated in this section are specifically for the purposes of providing funding for long-term care expenses. Long-term care begins after one demonstrates the inability to perform at least 2 out of 6 Activities of Daily Living (ADLs) -or- has cognitive impairment, which includes such conditions as Dementia and Alzheimer's.

John Doe

The following shows long-term care summary and cost information for John Doe in OH, metro region Columbus. Projected amounts are expressed as future dollars.

Should you need long-term care, it is projected to begin around age 77 in 2031.

	Home Health Care	Assisted Living Facility	Nursing Home Care
Annual Cost Today	\$44,616	\$48,600	\$76,650
Projected Inflation Rate*	1.0%	2.0%	4.0%
Projected Annual Cost at Claim	\$52,839	\$68,052	\$149,307

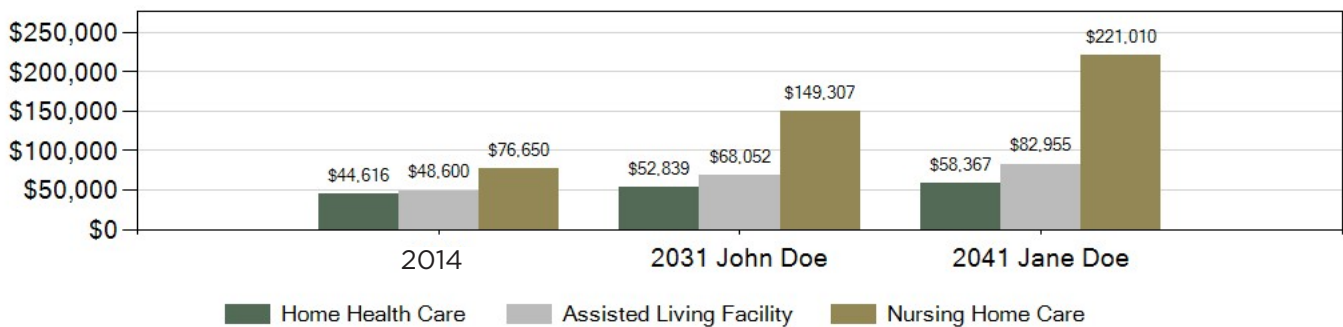
Jane Doe

The following shows long-term care summary and cost information for Jane Doe in OH, metro region Columbus. Projected amounts are expressed as future dollars.

Should you need long-term care, it is projected to begin around age 87 in 2041.

	Home Health Care	Assisted Living Facility	Nursing Home Care
Annual Cost Today	\$44,616	\$48,600	\$76,650
Projected Inflation Rate*	1.0%	2.0%	4.0%
Projected Annual Cost at Claim	\$58,367	\$82,955	\$221,010

Annual Long-term Care Costs\*



\* The inflation rates assumed in this report are based on publicly available cost of care surveys from 2007 to 2012. Actual experience will be different from the average. The actual future inflation rates will be different from historical rates. The assumed inflation rates continue to be reviewed as data becomes available. The lowest and highest observations in the historical data do not represent the minimum or maximum possible future inflation rates. Future inflation may be higher or lower.



## Terms & Definitions

**Activities of Daily Living (ADLs)** — Everyday functions and activities individuals usually do without help. ADL functions include bathing, continence, dressing, eating, toileting and transferring.

**Assisted Living Facility** — A residential living arrangement that provides individualized personal care and health services for people who require assistance with activities of daily living. The types and sizes of facilities vary; they can range from a small home to a large apartment-style complex. They also vary in the levels of care and services that can be provided. Assisted living facilities offer a way to keep a relatively independent lifestyle for people who don't need the level of care provided by nursing homes.

**Cancer** — Also called malignancy, is characterized by an abnormal growth of cells. There are more than 100 types of cancer, including breast cancer, skin cancer, lung cancer, colon cancer, prostate cancer, and lymphoma. Cancer symptoms vary widely based on the type of cancer.

**Cardiovascular Disease** — Disease affecting the heart or blood vessels. Some conditions that fall under the umbrella of cardiovascular disease are aneurysm, angina, arrhythmia, cardiomyopathy, congenital cardiovascular defects, congenital heart disease, congestive heart failure, heart attack, diseases of pulmonary circulation, endocarditis, rheumatic fever, stroke, heart valve disease, diseases of the circulatory system.

**Chronic Illness**— A chronically ill individual is a person who has been certified by a licensed health care practitioner as being unable to perform, without assistance, at least two activities of daily living (ADLs) for at least 90 days - or - has been certified to have cognitive impairment.

**Cognitive Impairment**— Requires substantial supervision due to a deficiency in a person's short- or long-term memory; orientation as to person, place and time; deductive or abstract reasoning; or judgment as it relates to safety awareness.

**Dependency on cane, walker, or wheelchair** —A disability of physical function that requires dependency on devices such as a wheelchair, cane, crutches or walker to maintain mobility.

**High Blood Pressure** — (Hypertension) Blood pressure readings are measured in millimeters of mercury (mmHg) and usually given as two numbers — for example, 120 over 80 (written as 120/80 mmHg). One or both of these numbers can be too high. The top number is your systolic pressure. It is considered high if it is over 140 most of the time. It is considered normal if it is below 120 most of the time. The bottom number is your diastolic pressure. It is considered high if it is over 90 most of the time. It is considered normal if it is below 80 most of the time.

**High Cholesterol** — is the presence of high levels of cholesterol in the blood. It is not a disease but a metabolic derangement that can be secondary to many diseases and can contribute to many forms of disease, most notably cardiovascular disease. Primarily caused by diet and family history high cholesterol is defined as a measurement greater than 200 mg/dL. LDL cholesterol levels greater than 130 mg/dL and HDL cholesterol levels less than 60 mg/dL are considered high.

**Home Health Care** — Services for nursing care or occupational, physical, respiratory or speech therapy. Also included are medical, social worker, home health aide, and homemaker services.

**Life Expectancy** — The age which is calculated either actuarially or manually to estimate medical costs to.

**Medicare** — A federal system of health insurance for people over 65 years of age and for certain younger people with disabilities.

**Medicare Part A** — Hospital insurance that helps cover inpatient care in hospitals, skilled nursing facility, hospice, and home health care.

**Medicare Part B** — Helps cover medically necessary services like doctors' services, outpatient care, home health services, and other medical services.

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**Medicare Supplemental Insurance (MediGap)** — Medicare Supplemental Insurance policies fill in the gaps that Medicare Parts A & B do not cover. This report assumes premiums for MediGap Plan C and uses the average cost for this plan in the subscriber's state of residence.

**Medicare Part D** — Prescription drug coverage that is purchased through private insurance companies.

**Medicare Premium** — The amount of money a person pays to cover Medicare B, D, and C (MediGap).

**Multiple Sclerosis** — Multiple sclerosis is a nerve disorder that occurs when the insulating layer surrounding neurons in the brain and spinal cord are destroyed. The disease is a chronic autoimmune disorder that affects the movements, sensations, as well as body functions. Myelin, a part of the brain, helps in passing electrical signals between the brain and the other parts of the body. Thus when this part is destroyed the brain functioning is less efficient.

**Nursing Home** — A licensed facility that provides general nursing care to those who are chronically ill or unable to take care of daily living needs. May also be referred to as a Long-Term Care Facility.

**Premium** — The amount of money needed to pay for insurance coverage. Before age 65 this would reflect a payment to a COBRA policy or an Insurance company. After age 65 the Medicare premiums would be reflected.

**Retirement Age** — The age at which each person plans to retire.

**Skilled Care** — Daily nursing and rehabilitative care that can be performed only by, or under the supervision of, skilled medical personnel. This care is usually needed 24 hours a day, must be ordered by a physician, and must follow a plan of care. Individuals usually get skilled care in a nursing home but may also receive it in other places.

**Type 1 Diabetes** — aka juvenile diabetes or insulin-dependent diabetes which is a chronic condition in which the pancreas produces little or no insulin, a hormone needed to allow sugar (glucose) to enter cells to produce energy. Various factors may contribute to type 1 diabetes, including genetics and exposure to certain viruses. Although type 1 diabetes typically appears during adolescence, it can develop at any age.

**Type 2 Diabetes** — (formerly called non-insulin dependent diabetes mellitus (NIDDM), or adult-onset diabetes) is a disorder that is characterized by high blood glucose in the context of insulin resistance and relative insulin deficiency.

Your privacy is important to us.

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You may be concerned about sharing your personal health information with us. You can be assured we take your need for privacy very seriously.

When you complete the fact finder for the Personalized Health Care Cost Assessment, your personal health information will be kept confidential and will only be used to determine your health care cost estimate. Most importantly, you can feel confident that all personal information you share with us will be treated with the utmost respect for your privacy and need for confidentiality.

- We will not share your personal data with Nationwide affiliates or third-party vendors for any purpose, including for marketing additional products or services.
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- Access to personal information is limited to those with a business-need to know.
- We comply with all data security laws.

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Thank you for the trust you have placed in Nationwide.

NFM-11099M1.5 (03/14)