How will I cover my health costs when I retire?

Source: SunLife Financial
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If you're developing a retirement budget, remember to factor in costs that your province's health plan doesn't cover, such as prescription eyeglasses.

Canadians tend to be proud of our government health insurance, but many of us think it covers more than it actually does. Research over the years has shown that while most Canadians expect to pay nothing for various health services, many of us actually pay a substantial amount for health costs out of our own pockets.

Government health-care plans vary from province to province, but generally do not cover:

- Dental services
- Paramedical services (e.g., massage therapy, physiotherapy, chiropractic care)
- Glasses or contact lenses

British Columbia, Quebec and New Brunswick offer prescription drug plans with geared-to-income premiums to all residents without workplace coverage. As of January 1, 2018, all children and youth aged 24 and under who have Ontario provincial health insurance coverage will be automatically covered at no cost for more than 4,400 prescription drugs. Unless they are on social assistance, however, adults in Ontario don't qualify for the Ontario Drug Benefit Program until age 65, and deductibles and co-payments may apply.

Lower-income seniors in Ontario (singles with an annual income under $19,300; couples with an annual income under $32,300) pay up to $2 per prescription filled, with no deductible. More

affluent Ontario seniors pay an annual deductible of $100 and up to $6.11 for each prescription filled.

Beyond the limited coverage provided by government plans, there are 3 main sources of health insurance available once you retire:

1. Employer-sponsored group plans

Retiree health benefits are an expensive perk that many private-sector employers no longer offer. Nevertheless, the Conference Board of Canada's Benefits Benchmarking 2015 survey found that 45% of private-sector employers surveyed extend some form of retiree health benefits to all or part of their workforce. In public-sector organizations, that increases to 55%.

The cost of health insurance tends to be considerably higher for retirees than for active employees, and more than 60% of employers offering retiree health coverage require former employees to pay all or part of their insurance costs.

2. Rollover plans

"Rollover" plans are for people who had group healthcare benefits through their employer or association. If you're a former group plan member, you can opt into a rollover plan within a specified period (generally 60 days) after you leave the group.

You don't have to complete a medical questionnaire or submit to a medical examination in order to qualify. Therefore, a rollover plan may be worth looking into if you have health problems that could make you ineligible for individual coverage.

Premium costs are based on your age at the time the rollover coverage comes into effect. You can choose basic coverage or enhanced benefits that include dental benefits and higher benefit maximums, if you had enhanced benefits while covered by your group plan.

3. Individual personal health insurance plans

Individual personal health insurance plans require you to provide medical information. Depending on your health status, premiums quoted may be higher than for a rollover plan, or you may be offered modified coverage.

It's wise to work with an insurance advisor who fully understands the eligibility criteria and benefits offered and can walk you through the application process.

Individual plan designs are available with enhanced levels of coverage. Your premiums will depend on the plan you choose, your health and your age when the policy comes into effect. Dental coverage cannot be purchased by itself.

Whether you are considering a group, rollover or individual health insurance plan, if you are unsure what plan features you require, it is a good idea to start with a higher-tier product and

drop down to a more basic plan in subsequent years, if necessary. That's because if you purchase a basic plan initially and want to move up to a higher level later on, you will have to submit new medical information. In contrast, reducing coverage is a simple administrative change to your policy.

When comparing rollover plans with individual plans, here are some questions to ask:

- How much are the premiums and what do I get for them?
- If I apply for spousal coverage, do I get a price break?
- Are annual and lifetime paramedical maximums for all service providers cumulative (e.g., $500 total for massage therapy, physiotherapy and chiropractic care) or individual (e.g., $350 for each type of service)?
- Is some dental coverage available in the basic plan or is it only offered as an add-on?

"For personal health insurance, there is a different sweet spot for each person," says Sara Zollo, a Sun Life Financial advisor based in Richmond Hill, Ont. "When deciding the kind of coverage you need, compare what you are paying out-of-pocket now and what the premium quoted will cover for you later on."