

Tips for tracking and managing your healthcare cost over time

Regularly tracking your healthcare costs is crucial for **maintaining financial stability** and **making informed decisions** about your medical care and insurance coverage.

Why you should track lifetime healthcare costs

- **Numbers change fast.** Annual medical-cost trends, new expensive therapies, or policy changes (Medicare/ACA tweaks) can shift your plan quickly — what you assumed last year may be off today. [PwC](#) and employer surveys show projected trends can spike year-to-year.
- **Small changes compound.** A 4–8% annual medical inflation rate compounds over decades; tracking yearly lets you adjust savings rates before the gap grows too large.
- **Life events matter.** Marriage, children, job changes, early retirement, or a new chronic diagnosis all change your projected exposure — updating the plan each year keeps it realistic.
- **Policy and market changes matter.** Premium subsidies, employer benefit shifts, drug pricing reforms, or major new therapies can change [out-of-pocket risk](#); staying current avoids nasty surprises.

How to track and manage these costs (actionable steps)

1. **Run a personalized estimate once a year.** Use tools/calculators, or your advisor's software to estimate remaining lifetime healthcare costs and update assumptions (retirement age, life expectancy, medical-cost inflation). *See page 2 for additional information about tools.*
2. **Keep an HSA if eligible.** HSAs are triple-tax-advantaged (pre-tax contributions, tax-free growth, tax-free withdrawals for qualified medical expenses) — they're one of the best savings vehicles for future health costs. ([Many advisors](#) recommend maxing contributions when possible.)
3. **Audit plan design annually.** Review deductibles, OOP max, provider networks and drug formularies before open enrollment. A cheaper premium can mean far higher real costs if the plan's OOP exposure is larger.
4. **Plan for long-term care risk.** Long-term care is the most common cause of high out-of-pocket spending at very old ages — consider LTC insurance, hybrid products, or earmarked savings if it's [a risk](#) you'd want to insure.
5. **Factor geography and timing into retirement decisions.** State of residence affects Medicare supplement and marketplace premium costs; delaying retirement a few years to maintain employer coverage or build savings can reduce gap risk.
6. **Monitor high-impact trends.** Keep an eye on annual reports for [changes in the retirement health cost](#) baseline and medical-cost inflation forecasts. Those are leading indicators for how much to save.

Tools for estimating your healthcare costs

The ‘right’ tool depends **what kind** of healthcare costs you want to estimate (current spending, insurance-plan tradeoffs, retirement/long-term costs, etc.). Here are some of the best tools + calculators*:

Key tools & calculators for estimating healthcare costs

Tools/Calculators	Description/Use case
Vanguard Health Care Cost Estimator	<ul style="list-style-type: none"> Built in partnership with Mercer. Projects both medical costs (doctor visits, hospital, insurance premiums) and long-term care costs. Takes into account your health status, geography (zip code), income, and insurance choice.
Fidelity Retiree Health Care Cost Estimate Tool	<ul style="list-style-type: none"> Helps estimate what health care might cost after retirement, especially for Medicare-eligible years. Methodology includes Medicare Parts A, B, and D cost-sharing assumptions. Useful for individual planning; good to combine with other retirement projections.
KFF Health Insurance Marketplace Calculator	<ul style="list-style-type: none"> Helps estimate premiums and subsidies based on the Affordable Care Act (ACA), using your ZIP code and income to find the cost of plans in your area. Use ACA Enhanced Premium Tax Credit Calculator to calculate how much more people would pay in premiums if the ACA's Enhanced Premium Tax Credits expire.
Teradyne Health Care Calculator	<ul style="list-style-type: none"> More tactical, especially for modeling current plan choices (e.g., employer plans, HSA contributions). Lets you model out-of-pocket costs under different plan options, estimate HSA balance growth, etc.

Things to consider when using these tools

- **Assumptions on Inflation:** Many tools assume a *medical inflation rate* (i.e., health care costs rising faster than general inflation). If their assumed rate is too optimistic or pessimistic, your projections could be off.
- **Health Status & Conditions:** Your personal health (or expected health) matters a lot. Tools may let you select conditions — but you may under- or overestimate how your health evolves.
- **Medicare Plan Choices:** Which Medicare plan you pick (Original Medicare, Medicare Advantage, Medigap) can dramatically change costs. Make sure the tool you use supports the plan types you expect to use.
- **Long-Term Care Costs:** Many “healthcare cost” calculators for retirement don’t include long-term care, or they make simplifying assumptions. If LTC is likely for you, you might need a more specialized model or to layer in separate tools.
- **One-Time Events:** Tools are better at projecting recurring costs than unexpected major healthcare events (e.g., surgery). For “big spike” events, consider running a scenario analysis (or earmark contingency funds).
- **Geographic Variation:** Healthcare costs vary a lot by region. Good calculators will let you input your ZIP code or state — if they don’t, you may miss regional cost differences.