Delaware Life®

L.I.V.E. Retirement Risks Education

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What Medicare Doesn't Cover (and What to Do about It)

Planning for the gaps in Medicare

You might assume Medicare will take care of your healthcare worries after you turn 65. But for many people, their bills in their first year on the program prove otherwise.

Medicare provides foundational coverage, but it doesn't eliminate healthcare expenses. Many retirees are surprised by the deductibles, coinsurance, and services for which they have to pay. Out-of-pocket costs for people on Medicare have climbed steadily, and Original Medicare (Parts A and B) has no annual limit on them.

And out-of-pocket costs like deductibles and coinsurance apply only to healthcare expenses that are covered by Medicare. You're also likely to have a range of uncovered costs, including caregiving at home and dental and vision care. Left unplanned for, these gaps can become a major drain on retirement savings.

Understanding where Medicare's coverage ends, and how to prepare for those gaps, can help you avoid costly surprises and build a more resilient retirement plan.

What Medicare doesn't cover

Original Medicare was designed to cover hospital stays, doctor visits, and medically necessary treatment. But it doesn't cover every health care cost associated with aging.

- **Deductibles, copays, and coinsurance.** Even services that are covered by Medicare aren't free.
  - → For example, the Medicare Part A deductible that beneficiaries pay if admitted to the hospital (the inpatient hospital deductible) is $1,736 in 2026, an increase from $1,676 in 2025.
  - → The annual deductible for all Medicare Part B beneficiaries is just $283 in 2026, but recipients pay 20% coinsurance on most services, as well as a monthly premium of $202.90[1].
  - → Medicare Advantage plans, also known as Medicare Part C, bundle Parts A and B and usually add additional coverage. Part C does cap out-of-pocket costs, but some plans cap them as high as nearly $10,000.

- **Long-term care.** Medicare does not pay for any long-term care. Medicare will pay for short-term skilled nursing after a hospital stay, but it won't cover ongoing custodial care when help is needed with the tasks of daily living, such as bathing, dressing, and eating.
- **Dental care.** Routine dental work, such as cleanings, fillings, dentures, and extractions, is entirely excluded.
- **Vision care.** Routine eye exams, glasses, and contacts generally aren't covered. Medicare B does cover medically necessary cataract surgery and one pair of corrective glasses or contact lenses afterward.
- **Hearing aids.** Almost two-thirds of Americans over 71 have hearing loss, yet Medicare doesn't cover hearing aids or the exams to fit them. Hearing aids typically need to be replaced every three to seven years and can cost thousands of dollars, so they can become a significant expense over the course of retirement.
- **Health care outside the U.S.** Medicare does not offer protection for retirees who plan to spend long periods of time abroad. In most cases, it doesn't cover care received outside the United States and its territories, meaning retirees who plan to live or travel extensively overseas may need separate travel or international health insurance.
- **Cosmetic surgery.** Medicare doesn't cover surgery for the purposes of improving appearance. Medically necessary reconstructive procedures resulting from injury or procedures to improve body function may be covered. Medicare also covers breast reconstruction after a mastectomy following a breast cancer diagnosis.



Hidden caregiving costs

Medicare coverage gaps tend get the most attention, but there's a second set of hidden costs related to caregiving, aging in place, and ongoing health care supplies, and it's important to address them in retirement planning conversations as well. These costs are often recurring, which can make them easy to underestimate.

- **Unpaid family caregiver time.** Nearly 60 million Americans are caregivers. Among those with jobs, only about a quarter have access to paid leave designated for caregiving. Half of working caregivers have reported adjusting their work schedules—including going in early, leaving late, or taking time off from a job—to meet their caregiving responsibilities. The financial impact often takes the form of missed wages and reduced career opportunities, and it can be substantial.
- **Home modifications.** Many older adults prefer to age at home, but staying in their house necessitates installation of grab bars, ramps, stairlifts, widened doorways, bathroom retrofits, or other changes. These renovations aren't covered by Medicare.
- **Adult day programs.** Programs that offer supervised care and social engagement during the day—often so a family caregiver can work or rest—are typically paid out of pocket or through state programs.
- **Medical supplies not covered under Part B.** Everyday items like incontinence supplies, certain wound care products, and other over-the-counter essentials fall outside Part B's coverage, even though they're a routine and recurring expense for many families managing chronic conditions at home.

Practical solutions to close the gap

Medicare Advantage (Medicare Part C).

These plans, offered by private insurance companies, bundle Original Medicare (Part A and Part B) and prescription drug coverage (Medicare Part D) with an annual out-of-pocket cap. They may include dental, vision, and hearing coverage (with limitations) that Original Medicare doesn't offer. The tradeoff is usually a requirement to follow network rules that may vary depending on plan type.

Medigap policies.

Medigap plans are sold by private insurance companies and work alongside Original Medicare to cover some or all of the deductibles, copays, and coinsurance that would otherwise fall to you. They don't add new benefits like dental or vision, but they can shrink exposure to Original Medicare costs.

Long-term care insurance.

Long-term care coverage can help pay for custodial care that Medicare doesn't cover. Policies can be expensive, and premiums generally increase with age, so it's worth planning early when qualifying is easier and costs are lower.

Health savings accounts (HSAs).

If you're younger than 65, still working, and have access to an HSA, using one can be one of the most tax-efficient ways to prepare for medical costs in the future. For 2026, maximum annual contributions are $4,400 and $8,750, for individuals and families respectively.

When enrolled in Medicare, you can no longer contribute to an HSA, but you can draw on any funds you've accumulated tax-free to pay for qualified medical expenses. HSA funds can be used to cover Medicare Part A, Part B, Part C (Medicare Advantage), and Part D premiums, as well as many out-of-pocket medical expenses and certain home modifications that support aging in place. HSA funds cannot be used tax-free to pay Medigap premiums.

Medicaid.

For retirees with limited financial resources, Medicaid can act as a safety net that covers long-term care costs Medicare doesn't, including nursing home and in-home care. Eligibility is based on income and assets, and many people qualify only after spending down their savings.

Making a comprehensive plan

Medicare is one of the most valuable tools in retirement, but it's only a piece of a comprehensive retirement health care strategy. Preparing for the costs it doesn't cover can have a meaningful impact on your finances and quality of life.

If you plan for these costs before they arise, you'll be able to make decisions deliberately rather than reacting during a health crisis. Whether that means supplementing Medicare with additional coverage, building healthcare savings, or incorporating long-term care planning into your financial strategy, preparation can help preserve both your retirement assets and your independence.

Building a comprehensive income plan that includes guaranteed income from annuities is one option to cover a portion of healthcare costs for many. A financial advisor can help you evaluate this and other options and build a plan that supports both your medical needs and your long-term retirement goals.

Disclosure

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Medicare is a complex federal program with rules that frequently change. The information provided is believed to be accurate as of the date of this publication, but changes may occur.

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