



The health coverage gap: How Canadian retirees can protect themselves against the inevitable



RTOERO is the largest national provider of non-profit group health benefits for education community retirees

We have 81,000+ members across Canada, and 80% have our health insurance plan. Access to comprehensive extended health, dental and hospital [group plans](#) is the #1 reason members join RTOERO.

To advance health care protection for retirees, RTOERO also:

- Advocates for policy improvements around geriatric health care, long-term care, a national seniors strategy, aging in place initiatives and national pharmacare.
- Addressing these urgent needs will create a more secure and compassionate future for everyone. See our [advocacy white papers](#) on these key issues, to help be a more informed consumer.
- Offers education on what to [compare](#) when looking at insurance options.
- Speaks up for the interests of seniors and promotes their contribution to society at every age.



Big ideas



- Canadians are unprepared to cover their health costs after retiring. In retirement, the need for adequate health insurance grows more important. Health risks rise as we age. Yet a minority of Canadians have made financial plans for unexpected health emergencies. Almost 6 in 10 may delay retirement in order to afford health care.
- For seniors, government-sponsored health plans create an inflated sense of security. Only half of Canadian seniors perceive their health as very good or excellent, and over one-third have two or more chronic diseases. Still, many Canadians overestimate what government-sponsored health plans cover. That can create a false sense of security, and leave big gaps in health protection.
- Denial is a major challenge in getting retirees to think more seriously about health coverage. It can be tougher to think of covering costs for the what-ifs if your health is generally okay at the moment. Moreover, insurance or other plans to cover health expenses diverts money from retirement fun. Health challenges are inevitable, but that's a topic people like to avoid.
- Travellers are taking a major risk. Only 40% of Canadians who take trips outside Canada buy travel insurance. Travel is a big part of retirement lifestyle for many people – and a big vulnerability given the costs of illness or injuries. Our home government plans will only cover a sliver of health care costs incurred abroad. Travel insurance should be at the forefront of trip preparations.
- COVID-19 might shape how people view health protection. We've seen how life is uncertain. Anything can happen to us any day. Health is fragile. There are signs the pandemic is making Canadians think more about health care coverage and emergency funds. We can't predict the future, but we can prepare for it. That's what covering health needs is all about.

Health costs are part of retirement planning

Health and wealth. People want to preserve both. But health care can be a drain on personal budgets, especially in retirement.

RTOERO wants people to have a healthy and active future as they age. As a member organization, we help them to do so. However, many Canadians aren't fully prepared to cover their health costs after retiring.

A minority have made financial plans for unexpected health emergencies. Even though, surveys show, a majority worry about the costs of drugs, medical treatments and other ongoing care. That's on top of general anxiety about outliving savings.

In recent years, those fears have become more acute. An [Ipsos survey](#) found that almost 6 in 10 Canadians believe they'll delay their retirement date to afford health care. The older you get, the more likely you are to feel that way.

Those concerns don't always lead to action. Confusion over what governments cover can also create an inflated sense of security.

That can leave big gaps in health protection.

It's worrisome. Everyone hopes that their finances and their health will be okay. People shouldn't leave either to chance. That's why RTOERO encourages people to think carefully about health costs as part of retirement planning.



Canadian retirees can protect themselves against the inevitable

Good health is never guaranteed. But there are ways to plan for their expenses. For the sake of health and wealth in retirement, here are five things RTOERO wants Canadians to consider.

1. Health care costs can sneak up on you

For many Canadians during their working years, health care costs isn't a major concern. Beyond the government plans, they may have health insurance through their employer. Even if they don't, out-of-pocket expenses might not be excessive at this life stage.

Of course, the costs of health care can be a burden for some at any age. Still, in retirement, and as people age, the need for adequate health insurance grows more important.

Retirement plans can centre on the income to fund a desired lifestyle. Those are the wants. What about the needs, including funding health care?

In retirement, most employers don't offer subsidized or self-funded retiree benefits. In fact, most employers don't offer any benefit options at all. As for government coverage, that isn't bulletproof. Protection might never be, but it also shouldn't be full of holes.

Canadians are lucky to be in a country with a great health care system. Still, government plans aren't always as generous or comprehensive as imagined. While they cover things like doctor visits, hospital stays, surgeries, etc., that leaves out a big chunk of often expensive services.

Start with prescription drugs. Some medications are covered after age 65, but not all. Those medications can be an unexpected and ongoing expense.

Dental services, eyeglasses and semi-private rooms in hospital are all not covered by government. Neither are all sorts of equipment like orthotics, compression stockings, CPAP accessories or insulin pumps. Or modifications to your home for mobility. Some programs only partially cover items like hearing aids, walkers and wheelchairs.

Even the things that are covered today may not be, in full, tomorrow, as government-sponsored plans have experienced cutbacks.

Health risks rise as we age. [The Public Health Agency of Canada](#) reports that only half of Canadians seniors perceive their health as very good or excellent, and over one-third of seniors have two or more chronic diseases.

People are living longer. Whether one-time, infrequent or perpetual, health expenses are a challenge. Any of the associated costs can present sticker shock. Few people will face every health expense. But all will face some.

2. If health care is such a major expense, why don't more people plan for it?

Misunderstanding about government coverage is one reason. Others have to do with human nature. RTOERO identifies four major challenges.

- **Denial.** It can be tougher to think of covering costs for the what-ifs if your health is generally okay at the moment. But think of the standard caveat for investments: past performance is no guarantee of future results. It applies even more when it comes to this. Health challenges are inevitable, but are a topic we like to avoid.
- **Distraction.** Health insurance isn't fun to think about, so it goes on the back burner. Retirement might seem like the time when that discussion becomes more urgent. It's also a time when people are thinking of new horizons to explore. Retirees want to be distracted by the good things in life, not deal with the mundane.
- **Dollars.** Any insurance, or alternative plans to cover expenses, diverts money from other retirement plans. People might also view health insurance differently from auto or home insurance. With those, people realize damages can be extremely high, so insurance is a must. With health care, RTOERO finds that people do more of a cost evaluation, and look at the practicality of covering current expenses. Those might be relatively modest today, but could be much higher tomorrow. People tend to forget the worst case scenarios.
- **Decisions.** Insurance and other strategies to cover health care costs can be confusing or overwhelming. So people tend to put it off, and that can lead to inaction.

3. In reviewing options, think big picture

Choosing health insurance isn't just a matter of comparing plan X to plan Y. It's part of a broader look at ways to protect yourself.

As a first step, if you're not currently covered, think of the channels that might be available. If a spouse is working, can you join their health plan? Can you pick up part-time employment, not just for fulfillment or additional income, but also for the benefits?

When it comes to purchasing health coverage, it's also important to understand the difference between individual and group plans.

Individual products are purchased directly from an insurance company. They're cookie cutter, and are typically less comprehensive. Plans offered through employers, associations or groups tend to offer superior coverage at a lower cost, as the risk is spread across many participants. That's why some people look to maintain them.

In either case, look carefully at the details to see what a plan covers and if it's right for you. That's only part of being prudent. Think of your overall financial and insurance picture.

For instance, disability, critical care and long-term care insurance are all additional options. Few people get it all. How can you best allocate your overall insurance budget? If you're paying for life insurance, do you still need it? Is the money for those premiums better spent on health insurance?

More questions: Should you set aside money for a contingency fund? How much flexibility to do you have with other savings or investments if you had to dip in? What are the tax consequences? Would you qualify for certain government programs that are income-tested?

All worth a wider conversation with a financial or insurance advisor. The goal is to do what's needed to prepare, and that can take many forms.

4. Make sure protection travels with you

Travel is a big part of retirement lifestyle for many people, keeping people active in mind and body. That's a major component of your wellness. Yet travel also demands protection against the costs of illness or injuries. Reducing the worry is part of well-being too.

For snowbirds and others who travel extensively, insurance usually is top of mind. Still, it's important to read the fine print. Not everyone even gets to that point. Many people take a chance when it comes to day trips to the U.S. or even a week holiday. Health insurance can be an afterthought.

In fact, only 40% of Canadians who voyage outside Canada buy travel insurance, according to a [Leger survey](#). That's despite all the horror stories of people who are uncovered and hit by massive bills.

"Some people are under a misconception that they already have coverage," says Ashveena Govindaraju, Manager, Benefits for RTOERO.

She hears from people who feel they're automatically protected because they paid for travel with a certain credit card. Others assume their home government plan will cover anything that happens abroad.

Our government plans do pay a portion, but based on what care would cost at home. Which is a fraction of what you might face. Have a heart attack in Florida? The hospital care might run \$100,000. Ontario, for instance, might pay \$3,000-\$4,000. So if you don't have insurance but have a spare \$96,000, no problem. If not, you're out of luck.

Moreover, some hospitals might see travellers as flashing dollar signs. The costs will keep rising. Insurers can act in your interests and avoid unnecessary tests and procedures.

Robust travel plans will cover cancellations and interruptions as well as health. So when heading out of country, pack some coverage.

"When travelling, it's important to be protected for medical emergencies, and for unforeseen and urgent changes around your plans", says Stephen Wong, Director, Benefits for RTOERO. "Knowing you have insurance can also help you to enjoy your trip more. You're buying peace of mind."

5. The pandemic might shape how we view health protection

COVID-19 has forced us to examine health care on a societal level. Governments are doing that. It might also prompt some introspection about our own personal health care, and how we'll fund it.

In the wake of the pandemic, a 2021 [survey from Pollara](#) revealed shifts in thinking about health, finances and retirement.

In the survey, two-fifths of Canadian adults says they're now re-thinking the amount of health care coverage they'll need in retirement. Two-thirds see a greater need for an emergency fund, any time and in retirement.

Also, half of the people surveyed say the pandemic has made them prioritize being closer to family and remaining in Canada. And almost two-thirds report that they'd now prefer to spend their retirement in their own home, rather than a retirement facility.

"The pandemic is like a wake-up call on so many fronts, and one of the main ones is our own health. We can't take it for granted," says Govindaraju.

We know that anything can happen to us any day. Health is fragile. Life is uncertain. We can't predict it, but we can prepare for it. That's what covering our health needs is all about.





Big questions

1. Beyond what government-sponsored insurance plans cover, can you afford unexpected health care costs?
2. Have you incorporated health costs and contingency funds into your retirement budget?
3. Have you talked to a financial or insurance advisor about the big picture? That includes health insurance, disability insurance, critical illness insurance, the flexibility you have with savings or investments (if you have to dip in), your qualifications for income-tested government programs, etc.
4. When you take trips outside Canada, do you have travel insurance to cover health, as well as trip cancellations and interruptions?



RTOERO is a bilingual trusted voice on healthy, active living in the retirement journey for the broader education community. With 81,000+ members in 51 districts across Canada, we are the largest national provider of non-profit group health benefits for education retirees. We welcome members who work in or are retired from the early years, schools and school boards, post-secondary and any other capacity in education. We believe in a better future, together!

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