

# Health Insurance Before Medicare

I retired, and I'm not eligible for Medicare. What are my options?

Written by: Kellan Peer



## You've lived within your means,

taken calculated risks, and now find yourself in a position many only dream about: retiring ahead of schedule.

If you're under 65, one question has probably crossed your mind more than once. "What do I do about health insurance?" Before Medicare kicks in, you'll need a solution to bridge the gap. That solution will look different from family to family, but the goal of this article is to help you understand what's available, where to start, and how to make the most of your options.

## The Gap Is Real, But It's Manageable

Healthcare is one of the largest expenses in retirement, and the pre-Medicare years are where many early retirees feel it most acutely. The good news is that with a clear plan, this is a solvable problem.

One thing worth acknowledging upfront: the length of your gap matters. Someone retiring at 56 is solving a different problem than someone retiring at 63. The options are largely the same, but the stakes around cost, coverage continuity, and long-term sustainability are higher the earlier you retire. A nine-year gap requires a fundamentally different strategy than an eighteen-month one.

## Where to Start: Practical Steps

Not all options are created equal. Before spending time evaluating every possibility, work through this sequence:

**Step 1:** Check whether a spouse's employer plan or retiree benefits from a former employer are available. These consistently offer the best coverage at the lowest cost and should be your first call.

**Step 2:** If neither applies, the ACA Marketplace is where most early retirees will land. It is flexible, widely available, and often more affordable than people expect once subsidies are factored in.

**Step 3:** Use COBRA as a short-term bridge only, while you get oriented. It is not a long-term strategy.

**Step 4:** From there, part-time work for benefits, health sharing ministries, and other options are worth evaluating based on your specific health, income, and timeline.

Working through that sequence deliberately, rather than defaulting to whatever is most familiar, is often where meaningful savings are found.

## COBRA: Continuity Comes at a Cost

If you already know what COBRA is, here is what matters most: it is a useful short-term bridge, not a multi-year strategy.

COBRA lets you continue your existing employer coverage for up to 18 months after leaving a job, which makes it appealing if you are mid-treatment or want to avoid any disruption in coverage while you evaluate longer-term options. The tradeoff is cost. You are now paying the full premium yourself, including the share your employer previously covered. A plan that cost \$400 per month as an employee can easily run \$1,500 or more under COBRA.

For most early retirees, COBRA buys time. It is rarely the most cost-effective path beyond the first few months.

## ACA Marketplace Plans: More Powerful Than Most People Realize

For most early retirees without access to employer or retiree coverage, the ACA Marketplace is the most practical long-term solution. Plans are available to anyone regardless of health history, and premiums are based on age, location, and income.

### *Subsidies: The Part Most People Underestimate*

ACA premium subsidies are determined by your Modified Adjusted Gross Income (MAGI) relative to the Federal Poverty Level (FPL). In 2026, a married couple with income between 100% and 400% of the FPL may qualify for substantial premium tax credits that significantly reduce their monthly costs.

Here is what makes this particularly powerful for early retirees: you have more control over your taxable income in retirement than you ever did while working. Your income is not a fixed salary anymore. It is largely a function of what you choose to withdraw and from where.

Consider a couple in their early 60s living primarily off after-tax account withdrawals or cash savings. By managing what they pull out each year, they may be able to keep their MAGI low enough to qualify for meaningful subsidies. Large Roth conversions or capital gains realizations, on the other hand, can push income higher and reduce or eliminate subsidy eligibility entirely.

This is one of the clearest intersections between tax planning and healthcare planning in retirement.



The years before Medicare are often the same years clients are considering Roth conversions. A conversion that makes perfect sense from a tax perspective can inadvertently eliminate thousands of dollars in annual healthcare subsidies. Coordinating these two decisions is one of the highest-value planning conversations you can have in early retirement.

A practical first step: project your expected income for the year before open enrollment begins. Knowing your number in advance gives you time to make strategic decisions about withdrawals or conversions before they affect your premiums. Many people who assume they will not qualify for subsidies are surprised by what they find.

### *Choosing the Right Plan Tier*

Once you have a handle on your income picture, the next decision is choosing the right plan. The ACA uses a cliff structure where a relatively small increase in income can push you into a significantly higher premium bracket. Stress-testing your income projections with an advisor before finalizing any conversion or distribution strategy is well worth the effort.

Plan tiers (Bronze, Silver, Gold, Platinum) carry different premium and cost-sharing structures. The right choice depends on how much care you actually use, not just which premium looks lowest. For healthier individuals who rarely use care, a high-deductible Bronze plan may be sufficient. For those managing ongoing conditions or expecting more frequent care, a Silver or Gold plan often results in lower total out-of-pocket costs even at a higher monthly premium.

## **Catastrophic Plans**

The Marketplace also offers Catastrophic plans, generally available to anyone under age 30 or those who qualify for a hardship exemption. These plans carry very low monthly premiums but come with high deductibles, meaning most routine costs come out of pocket until the deductible is met. For healthy early retirees with significant savings who primarily want protection against a major medical event, a Catastrophic plan paired with an HSA can be a cost-effective combination. They are not well-suited for those with ongoing healthcare needs or limited liquidity.

## **Health Sharing Ministries: Know What You Are Buying**

Health sharing ministries are membership-based organizations, often faith-affiliated, where members pool resources to cover each other's medical expenses. Monthly contributions are typically lower than ACA premiums, which makes them attractive for healthier individuals watching their costs.

The critical distinction: health sharing ministries are not insurance. They are not regulated by state insurance commissioners, not bound by ACA consumer protections, and not required to cover pre-existing conditions. When a claim is denied, the mechanism is straightforward. The organization is not legally obligated to pay, and your recourse is limited. That is a meaningful risk that lower monthly costs do not offset for most people.



For some, particularly those in excellent health who understand the tradeoffs clearly, a ministry can serve as a functional stopgap. But before going that route, run your income through the Marketplace calculator first. The subsidy picture is often better than people expect.

## **Other Options Worth Knowing About**

Spouse's employer plan: If your spouse is still working, joining their plan is often the most affordable option available. Leaving your job qualifies as a Special Enrollment Period, so your spouse can add you outside of the normal open enrollment window.

Retiree and union benefits: Some employers and unions offer continued health coverage as part of their retirement package. If you spent a significant portion of your career with one organization, a conversation with HR is worth having before assuming this is not available to you.

Part-time work for benefits: Several large employers extend health benefits to part-time employees who meet a minimum hours threshold. For early retirees open to staying active in some capacity, this can provide quality coverage while keeping retirement savings intact and growing.

VA and TRICARE: Veterans may be eligible for coverage through the VA, and military retirees who served at least 20 years may qualify for TRICARE. For those who are eligible, these are consistently among the most cost-effective options available.

## **Your HSA Is a Bridge Asset Too**

If you have been building an HSA throughout your career, do not overlook it during the Medicare gap years. HSA funds can be used tax-free to cover qualified medical expenses, including certain premiums, without touching your retirement accounts. That means your assets continue to compound while your healthcare costs are covered by a dedicated, tax-advantaged source.

It is one of the most underutilized tools available to early retirees, and it pairs particularly well with a high-deductible Marketplace plan.

We have written in depth about how to use an HSA as a long-term savings and healthcare funding tool. Read that article here → <https://okeefestevens.com/health-savings-account-how-a-hsa-can-be-a-powerful-long-term-savings-strategy/>



## Putting It All Together

The transition to retirement is one of the most significant financial decisions you will make. Healthcare coverage in the years before Medicare deserves the same level of planning as any other part of that transition.

Start by identifying which options are actually available to you. Project your income year by year. Understand how withdrawals and conversions interact with your subsidy eligibility. And coordinate your healthcare strategy alongside your broader financial plan rather than treating it as a separate problem to solve later.

Done well, this is not just about finding coverage. It is about finding the right coverage at the right cost, in a way that protects everything you have built.

Our team works through exactly these decisions with clients every day. We can model your subsidy eligibility, stress-test the impact of Roth conversions on your premiums, and build a coverage strategy that fits your retirement income plan from day one.

**If you'd like to talk more with our team, here's the [link to schedule a Discovery Call](#).**



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