LESSON · HEALTH CARE & ACA

Retiring Before 65: How to Bridge the Health Insurance Gap

Retiring before 65 means covering health insurance yourself until Medicare starts — and the right bridge often isn't just one option, but a sequence of them.

Read time: 8 minutes **Level:** Beginner **Includes:** Knowledge check

Medicare doesn't start until 65 — so retiring any earlier means covering health insurance yourself for however many years stand between retirement and Medicare eligibility. That gap is often the single biggest wildcard in an early-retirement budget, and the right way to bridge it depends heavily on income, health needs, and how the retirement is actually structured.

The four main bridge paths

PATH 1

ACA marketplace coverage

Health insurance purchased through the ACA marketplace, with premium tax credits available based on income (see the ACA lesson for how those subsidies work). Often the most affordable route for retirees who can manage their MAGI — particularly by controlling how much taxable income they draw from retirement accounts in the bridge years.

Trade-off: Subsidy eligibility depends on keeping reported income within range, which can mean deliberately limiting withdrawals from Traditional accounts during these years.

PATH 2

COBRA continuation coverage

Continuing an employer's group health plan for up to 18 months (sometimes longer for certain qualifying events) after leaving the job, paying the full premium plus an administrative fee. Keeps the exact same coverage and network with no plan-switching, but is usually the most expensive of the four paths since the employer subsidy disappears.

Trade-off: Time-limited (typically 18 months) and often costs more per month than ACA marketplace coverage once a subsidy is factored out.

PATH 3

A spouse's employer plan

If a spouse is still working and has employer coverage, adding the retiring spouse to that plan (usually triggered by a qualifying life event like loss of other coverage) is often the cheapest and simplest bridge option available.

Trade-off: Only available if a spouse is working and their plan allows a mid-year enrollment for the retiree — and it ends whenever that spouse's employment or coverage ends.

PATH 4

Retiree health coverage through a former employer

A shrinking but still real option for retirees from certain employers (often public-sector or larger legacy private employers) that continue offering group coverage to retirees, sometimes at a subsidized rate.

Trade-off: Increasingly rare, and the terms (cost, whether it continues, whether it wraps around Medicare later) vary enormously by employer — worth confirming in writing well before retiring, not assuming.

COBRA and the ACA marketplace aren't strictly either/or

It's common to assume the choice is COBRA *or* ACA marketplace coverage, made once at retirement. In reality, the two can be sequenced. Someone can elect COBRA at retirement and move to a marketplace plan later, at specific times: during the annual open enrollment period (for coverage starting January 1), or when COBRA runs out, which opens a special enrollment window. Voluntarily dropping COBRA or stopping payments mid-year generally does not open one, so plan the switch around those dates.

Worked example

Someone retires at 62 with COBRA available through their former employer. Rather than keeping COBRA for the full 18 months, they use it for the first few months while finishing out the calendar year's income, then switch to an ACA marketplace plan starting January 1 — a fresh calendar year in which they can manage MAGI from the start to qualify for a larger premium subsidy. They pick the new plan during open enrollment in the fall, so coverage starts January 1 without a gap. Dropping COBRA in, say, July would not by itself allow a mid-year switch.

Watch the deductible reset when switching plans mid-year

Switching from COBRA (or any employer plan) to a new ACA marketplace plan mid-year usually means starting over on that year's deductible and out-of-pocket maximum, even if the old plan's deductible was already met. For anyone with predictable, significant medical expenses in a given year, that reset is worth weighing against the premium savings from switching.

Medicare enrollment timing still matters, even years away

The Initial Enrollment Period for Medicare runs from three months before the month someone turns 65 through three months after — a seven-month window. Missing it (without qualifying employer coverage that delays the requirement) can mean a late-enrollment penalty added permanently to Part B premiums, plus a gap in coverage. Anyone bridging to 65 on ACA marketplace coverage, COBRA, or retiree coverage should mark that enrollment window years in advance, since none of those bridge options count as "creditable" employer coverage that would delay the Medicare enrollment requirement without penalty.

Building an early-retirement health insurance bridge

- [ ] Compare all four bridge paths (ACA marketplace, COBRA, spouse's plan, retiree coverage) for actual availability and cost, not just the one that comes to mind first.
- [ ] If pursuing ACA subsidies, plan MAGI for the bridge years alongside the health insurance decision, not separately.
- [ ] Confirm whether COBRA-to-ACA-marketplace switching makes sense partway through the bridge, rather than defaulting to one path for the whole period.
- [ ] Account for a deductible reset if switching plans mid-year.
- [ ] Mark the Medicare Initial Enrollment Period (3 months before to 3 months after turning 65) well in advance to avoid a late-enrollment penalty.

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KNOWLEDGE CHECK

Test what you just learned

Answer four quick questions to test what you just learned.

1. At what age does Medicare eligibility generally begin?

- A. 60
- B. 65
- C. 67

2. Which of these is generally true about COBRA coverage?

- A. It's usually the cheapest bridge option since the employer keeps subsidizing it
- B. It continues the exact same employer plan, but is time-limited and usually costs more without the employer subsidy
- C. It automatically converts to Medicare at age 65

3. What typically happens to a deductible when switching from COBRA to a new ACA marketplace plan mid-year?

- A. It carries over automatically with no reset
- B. It usually resets, along with the out-of-pocket maximum, even if already met on the old plan
- C. Deductibles don't apply to ACA marketplace plans

4. What is the risk of missing the Medicare Initial Enrollment Period?

- A. There is no risk — enrollment is automatic at 65 regardless
- B. A potential permanent late-enrollment penalty added to Part B premiums, plus a coverage gap
- C. A one-time small fee with no lasting effect

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