

# Your Guide to Medicare Medical Savings Account (MSA) Plans



This official government booklet has important information about Medicare Medical Savings Account (MSA) Plans:

- How plans work
- How to decide if these plans are right for you
- How and when to join and leave

## Introduction

Medicare works with private insurance companies to offer you ways to get your health care coverage. These companies can choose to offer a consumer-directed [Medicare Advantage Plan](#), called a Medicare Medical Savings Account (MSA) Plan. This type of plan combines a high-[deductible](#) health insurance plan with a medical savings account that you can use to pay for your health care costs. Medicare MSA Plans give you freedom to control your health care dollars and provide you with important coverage against high health care costs.

Information in this booklet can help you make an informed decision about your health care. However, you will need more information than this booklet provides for you to decide if a Medicare MSA Plan is the right health plan choice for you. In addition to reading this booklet, you should also carefully read plan materials before you decide to join a Medicare MSA Plan.

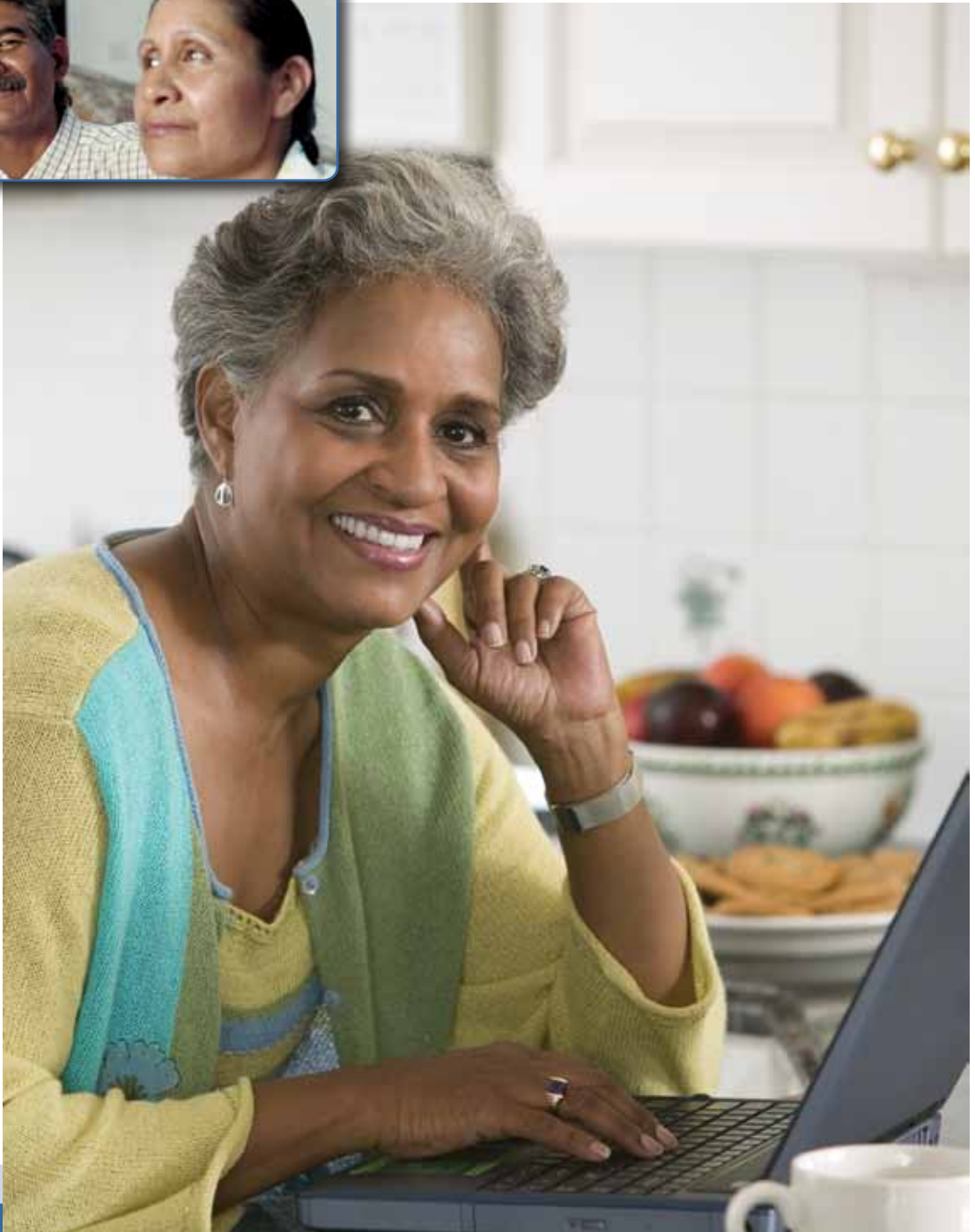
Joining a Medicare MSA Plan is optional and is only an option if you live in an area that offers one. For information about other Medicare health plan options, look at your “Medicare & You” handbook or, visit [www.medicare.gov](http://www.medicare.gov). You can also call 1-800-MEDICARE (1-800-633-4227) to find out about the Medicare health plan options in your area. TTY users should call 1-877-486-2048.

“Your Guide to Medicare Medical Savings Account (MSA) Plans” isn’t a legal document. Official Medicare Program legal guidance is contained in the relevant statutes, regulations, and rulings.

The information in this booklet was correct when it was printed. Call 1-800-MEDICARE, or visit [www.medicare.gov](http://www.medicare.gov) to get the most current information.

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## SECTION

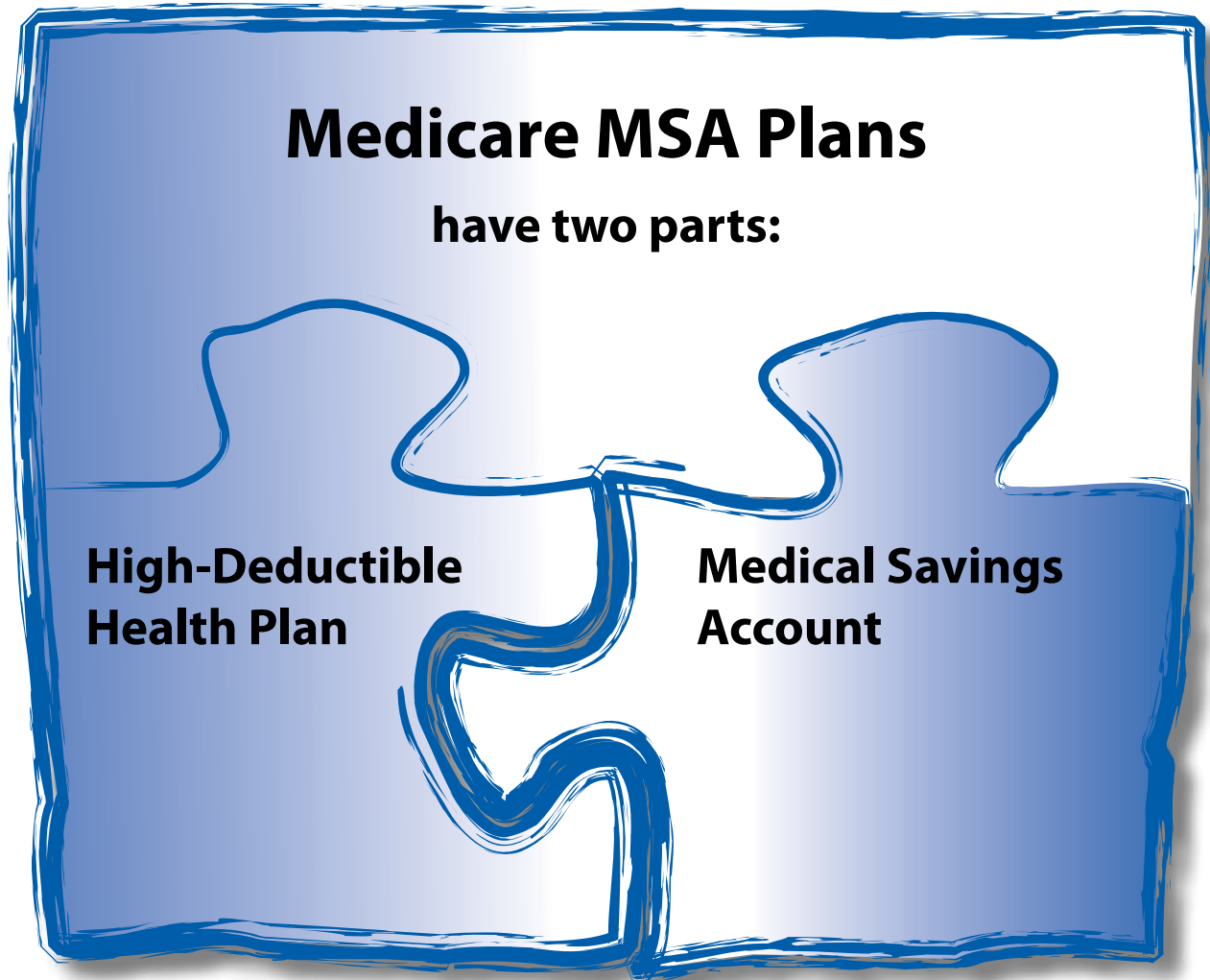
# The Basics

# 1

Medicare MSA Plans (offered by private companies) are [Medicare Advantage Plan](#) options. Medicare MSA Plans are similar to Health Savings Account plans available outside of Medicare. If you choose a Medicare MSA Plan, you're still in Medicare and you will still have Medicare rights and protections.

This section gives you a quick look at Medicare MSA Plans and how they work. Since each Medicare MSA Plan can vary, you should contact the plans you're interested in to get specific information. See page 31 for information on how to find plans available in your area.

Words in [blue](#) are defined on pages 33–34.



### 1. High-Deductible Health Plan

The first part of a Medicare MSA Plan is a special type of high-deductible [Medicare Advantage Plan](#).

The plan will only begin to cover your costs once you meet a high yearly [deductible](#), which varies by plan.

**The High-Deductible Health Plan is referred to as “plan” in this booklet.**

### 2. Medical Savings Account

The second part of a Medicare MSA Plan is a special type of savings account.

The Medicare MSA Plan deposits money into your account. You can choose to use money from this savings account to pay your health care costs before you meet the deductible.

**The Medical Savings Account is referred to as “account” in this booklet.**

## Basic Steps to Using a Medicare Medical Savings Account (MSA) Plan

1. You choose and join a high-deductible Medicare MSA Plan.
2. You set up a special Medical Savings Account (MSA) with a bank the plan selects.
3. Medicare gives the plan an amount of money each year for your health care.
4. The plan deposits some money into your account. The money in your account and any interest on that money isn't subject to taxes as long as the money is used for health care costs. You may move the money to another bank.
5. You can use the money in your account to pay your health care costs, including health care costs that aren't covered by Medicare. **When you use account money for Medicare-covered Part A (Hospital Insurance) and Part B (Medical Insurance) services, it counts toward your plan's deductible.**
6. If you use all of the money in your account and you have additional health care costs, you will have to pay for your Medicare-covered services out-of-pocket until you reach your plan's deductible.
7. During the time you're paying (out-of-pocket) for services before the deductible is met, doctors and other providers can't charge you more than the [Medicare-approved amount](#).
8. After you reach your deductible, your plan will cover your Medicare-covered services. Read information from the plan for details about out-of-pocket costs.
9. Money left in your account at the end of the year stays in the account, and may be used for health care costs in future years.
10. If you use any funds from your account, you must include a special form with information on how you used your account when you file taxes. See page 11 for more information.

## Who Can Join a Medicare MSA Plan?

People with both Part A and Part B can generally join a Medicare MSA Plan.

## Who Can't Join a Medicare MSA Plan?

You can't join a Medicare MSA Plan if any of the following apply to you:

- You have health coverage that would cover the Medicare MSA Plan [deductible](#), including benefits under an employer or union group health plan.
- You get benefits from the Department of Defense (TRICARE) or the Department of Veterans Affairs.
- You're a retired Federal government employee and part of the Federal Employee Health Benefits Program (FEHBP).
- You're eligible for Medicaid (a joint Federal and state program that helps with medical costs for some people with limited income and resources).
- You have End-Stage Renal Disease (ESRD) (permanent kidney failure requiring dialysis or a kidney transplant). However, if you're a former enrollee of a [Medicare Advantage Plan](#) that left Medicare and you haven't joined another Medicare Advantage Plan, you can join a Medicare MSA Plan even if you have ESRD.
- You're currently getting hospice care.
- You live outside the United States more than 183 (total) days a year.

This is a very basic explanation of Medicare MSA Plans. There are rules about Medicare MSA Plans, like how they can be used, when money is taxed, and when you can join or leave the plan. For this detailed information, look at the Questions and Answers section that starts on the next page and materials from the plan.



## SECTION

# Questions & Answers

## 2

### How Medicare MSA Plans Work

#### How does this high-deductible plan work?

[Medicare Advantage Plans](#) provide your Medicare Part A and Part B coverage. If you decide to join a Medicare MSA Plan, you will get your Medicare-covered health care through a high-[deductible](#) Medicare Advantage Plan. You won't have to pay a monthly premium for this plan. However, you will have to continue to pay the monthly Part B premium.

This plan will only pay for Medicare-covered services once you have reached your deductible. Before you meet the deductible, you're responsible for paying the bill for any Medicare-covered services. You have the option of using the funds in your account to pay these bills. Once you meet the plan's deductible, the plan pays for all of your Medicare-covered services.

The high yearly deductible can vary by plan. The yearly deductible is the amount of Medicare-covered health care costs you must pay for out-of-pocket or by using the funds in your account before your plan coverage begins. You should know the amount of the deductible before you join. Contact the plans you're interested in to get the deductible amount. See page 31 for information on how to find plans available in your area.

Some plans may cover extra benefits for an extra cost, like dental, vision, or long-term care not covered by Medicare.

**Medicare MSA Plans don't cover Medicare Part D prescription drugs.** If you join a Medicare MSA Plan and you need drug coverage, you will have to join a [Medicare Prescription Drug Plan](#). See page 14 for more information.

Words in [blue](#) are defined on pages 33–34.

## How Medicare MSA Plans Work (continued)

### How does the Medical Savings Account work?

When you join a Medicare MSA Plan, you will need to set up a special account with the bank your plan selects.

Medicare pays a set amount of money to the private companies that offer [Medicare Advantage Plans](#). In a Medicare MSA Plan, the plan gets additional money from Medicare that it deposits into your special savings account. The plan makes the deposit once at the beginning of each calendar year, or if you become entitled to Medicare in the middle of the year and join a Medicare MSA Plan at that time, the first month your coverage begins.

Only the plan can make deposits into your MSA account—you can't deposit your own money. You should know the amount of the deposit before you join. Contact the plans you're interested in to get the deposit amount. The amount of deposit can change each year and may also earn interest. Any money left in your account at the end of the year will remain in your account. If you stay with the Medicare MSA Plan the following year, the new deposit will be added to any leftover amount.

Once you get your initial deposit, you may move the deposit to a savings account that's offered through your own bank or financial institution. For more information on choosing an alternative bank or financial institution, see page 30.

**Note:** You will be responsible for handling the money in your account. This includes deciding whether to pay for health care services using your account funds or other funds you have. Some plans have information on the cost and quality of providers in your area. This information may help you spend your money wisely and get the best care possible. Contact your plan to find out what information they can give you.

## How Medicare MSA Plans Work (continued)

### What are Qualified Medical Expenses?

Qualified Medical Expenses are generally the same types of services and products that otherwise could be deducted as medical expenses on your yearly income tax return. Some Qualified Medical Expenses, like doctors' visits, lab tests, and hospital stays, are also Medicare-covered services. Services like dental and vision care are Qualified Medical Expenses, but aren't covered by Medicare. Qualified Medical Expenses count toward your Medicare MSA Plan **deductible** only if the expenses are for Medicare-covered Part A and Part B services. See the chart on page 23. **To avoid a tax on withdrawals from your account, you need to file Form 1040, U.S. Individual Income Tax Return, and Form 8853 each year to report your Qualified Medical Expenses.**

For a complete list of the services and products that count as Qualified Medical Expenses and for other tax information, call the Internal Revenue Service at 1-800-TAX-FORM (1-800-829-3676). Ask for a free copy of the IRS publication #969 for the year that you're filing to get more information about tax Form 8853. You can also visit [www.irs.gov](http://www.irs.gov) and select "Forms and Publications" to view or print copies.

**If you use the money in your account for non-qualified expenses, it will be taxed as part of your income and will also be subject to an additional 50% tax penalty.**

Each year, you should get a 1099-SA form from your bank that includes all of the withdrawals from your account. You will need to show that you have had qualified medical expenses in at least this amount, or you may have to pay taxes and additional penalties.

## Financial Considerations

### How much money goes into my account?

The amount of money that's deposited into your account will depend on the plan you choose. Each member in a plan will get the same deposit amount. Your health or age won't affect the amount of your deposit. Contact the plans you're interested in to get deposit amounts. The yearly deposit and the yearly [deductible](#) are pro-rated based on when you join the plan.

### How can I access the money in my account?

The bank your plan selects may give you a special debit or credit card to use with your account. When you have a medical expense, such as a [copayment](#) for a visit to a doctor, you could pay for it by using the card, and the money will come out of your account. Some banks may use a checking account without a debit or credit card. Check with the plans you're interested in to get the details about how to access the money in your account.

### How can I use the money in my account?

You can use the money in your account for medical or non-medical expenses. However, only Medicare-covered Part A and Part B services count toward your deductible. Also, if you use the money in your account for non-qualified expenses, you must pay taxes and there may be additional penalties. See page 13.

### What happens if I use all of the money in my account?

If you use all of the money in your account and haven't met your deductible, you must pay for all of your medical expenses out-of-pocket until you reach your deductible. After you reach your deductible, your plan will cover all of the costs of your Medicare-covered services. Look at your "Medicare & You" handbook or visit [www.medicare.gov](http://www.medicare.gov) to find out what Medicare covers.

## Financial Considerations (continued)

### How can I keep track of my expenses?

If you keep your deposit in the bank your plan selects, you will get a monthly statement from your plan that lists your account activity. You can also get information on whether your expenses count toward your deductible. Depending on the plan, you may be able to view your account on the Internet. You're responsible for tracking your own expenses if you move your deposit to a different bank or financial institution.

**Note:** You should keep any health care bills or receipts you get to make it easy to track your account usage for tax purposes. It may be helpful to keep this information in one place.

### Is my account taxed?

The money deposited into your MSA account, and any interest you get, isn't taxed if you spend it on Qualified Medical Expenses. **If you use the money in your account for non-qualified expenses, it will be taxed as part of your income and will also be subject to an additional 50% tax penalty.**

### How much will I have to pay for health care coverage?

- You (or someone on your behalf) must continue to pay your monthly Part B premium.
- Some plans may offer extra benefits for an additional premium. You don't have to buy this supplemental coverage.
- If you use all of the money in your account and haven't met your deductible, you must pay out-of-pocket until you reach your deductible. Only Medicare-covered Part A and Part B expenses count towards the deductible.
- Providers can't charge more than the [Medicare-approved amount](#) for Medicare-covered services. The Medicare-approved amount is what a doctor could collect for services provided to a person with Medicare who isn't in a [Medicare Advantage Plan](#). This amount is higher if the doctor doesn't accept [assignment](#), but it's still subject to a limit that Medicare sets.

## MSAs and Other Coverage

### Do Medicare MSA Plans cover prescription drugs?

Medicare MSA Plans **don't** cover Medicare Part D prescription drugs. However, if you join a Medicare MSA Plan, you can also join a [Medicare Prescription Drug Plan](#) to add this coverage. Visit [www.medicare.gov/find-a-plan](http://www.medicare.gov/find-a-plan), or call 1-800-MEDICARE (1-800-633-4227) to find plans available in your area. TTY users should call 1-877-486-2048.

### If I join a Medicare Prescription Drug Plan, can I use my account to pay for my Part D drugs?

Yes, you can use your account to pay for your Part D drug [copayments](#). The money that you use from your account on Part D copayments count toward your Part D out-of-pocket costs. This determines when you will be eligible for catastrophic coverage under your Part D plan.

**Note:** The Part D copayment amounts don't count toward your Medicare MSA Plan's [deductible](#).

Look at your “Medicare & You” handbook, visit [www.medicare.gov](http://www.medicare.gov), or call 1-800-MEDICARE for more information about Medicare Prescription Drug Plans.

### Can I have or buy other insurance if I join a Medicare MSA Plan?

In general, you can't have other health insurance that would cover the cost of services during your Medicare MSA Plan's yearly deductible.

However, you can buy some limited benefit policies in addition to your Medicare MSA Plan coverage, such as a dental, vision, or long-term care. Call the [State Health Insurance Assistance Program \(SHIP\)](#) in your area for more information about these types of private insurance policies. To get the phone number for the SHIP in your area, visit [www.medicare.gov/contacts](http://www.medicare.gov/contacts), or call 1-800-MEDICARE.

## MSAs and Other Coverage (continued)

### Can I keep my Medicare Supplement Insurance (Medigap) policy?

If you already have a [Medigap policy](#), you can keep your policy. However, you will have to keep paying your premiums and you may get little or no benefit from it while you're in a Medicare MSA Plan. It won't cover any part of your [deductible](#).

**If you drop your Medigap policy, you may not be able to get it back, except in certain situations.** For example, you may be able to get your Medigap policy back if you drop it to join a Medicare MSA Plan for the first time, and stay in the MSA Plan for less than a year. However, you must normally stay in a Medicare MSA Plan for a full 12 months before you can disenroll.

If you have a Medigap policy with prescription drug coverage, you can continue to use this coverage to pay for some of your prescription drugs when you're in a Medicare MSA Plan. You can also join a [Medicare Prescription Drug Plan](#) to get help with your drug costs. If you join a Medicare Prescription Drug Plan, you will need to notify the company that issued your Medigap policy, and it will drop the drug coverage from your Medigap policy. If you choose to keep your Medigap prescription drug coverage, you may have to pay a late-enrollment penalty if you decide to join a Medicare Prescription Drug Plan at a later date. Look at your "Medicare & You" handbook to get more information about the Part D late enrollment penalty.

**Note:** If you're in a Medicare MSA Plan, it's illegal for anyone to sell you a new Medigap policy. For more information about Medigap, visit [www.medicare.gov/publications](http://www.medicare.gov/publications) to view or print the booklet "Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare." You can also call your [State Health Insurance Assistance Program \(SHIP\)](#).

## Your Rights in a Medicare MSA Plan

As a person with Medicare, you have certain rights. One of these is the right to a fair process to appeal decisions about your health care payment of services.

### How do I know if my plan will cover the service I need?

You can ask the plan if it will provide or pay for an item or a service you think you need. You have the right to ask the plan for a decision in advance so you can know if the service counts towards your MSA plan deductible or if it's paid for after you have reached the deductible. Before you join, ask the plan or check plan materials to see how it handles medically-necessary services and advance coverage decisions.

### What if I disagree with a plan decision?

If you disagree with a plan's decision, you can appeal. An appeal is a kind of complaint you make in situations like these:

- You disagree with your plan's decisions regarding whether your health care service costs (paid for with money from your MSA bank account or paid for out-of-pocket) are for Medicare-covered services.
- You believe you have met your deductible and your Medicare MSA Plan says that you haven't.
- You believe that a certain service should count toward your deductible.
- You believe you had to pay more for a service than the Medicare-approved amount.
- If you decide to appeal, ask your doctor, health care provider, or supplier for any information that may help your case. See your plan materials, or contact your plan for details about your Medicare appeal rights.



## Your Rights in a Medicare MSA Plan (continued)

### **What if my services are ending too soon?**

If you believe you're being discharged from a hospital too soon, you have a right to immediate review by the Quality Improvement Organization (QIO) in your area. A QIO is a group of doctors and health professionals who monitor and review complaints about quality of care. You may be able to stay in the hospital (**coinsurance** and **deductible** may apply) while the QIO reviews your case. The hospital can't force you to leave before the QIO reaches a decision. Visit [www.medicare.gov/contacts](http://www.medicare.gov/contacts) to get the phone number for the QIO in your area. You can also call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

If you think your services are ending too soon, you also have the right to a fast-track appeals process whenever you get services from a skilled nursing facility, home health agency, or comprehensive outpatient rehabilitation facility. Contact your provider or plan, and they will tell you how to ask for an appeal if you think your services are ending too soon. You will be able to get a fast review of this decision, with independent doctors looking at your case and deciding if your services need to continue. You may have additional rights if you're in a hospital or a skilled nursing facility, or if your home health care ends. Contact your provider or plan for more information about your rights.

## Joining and Leaving Plans

### When can I join a Medicare MSA Plan?

You can join a Medicare MSA Plan during the following times:

- When you first become eligible for Medicare during the 7-month period that begins 3 months before you turn 65, includes the month you turn 65, and ends 3 months after the month you turn 65. If you have Medicare because you're disabled, you can join 3 months before and after your 25th month of getting cash disability benefits. The plan will tell you when your coverage will begin based on when during this period it got your request to enroll.
- During the fall Open Enrollment Period between October 15–December 7 each year. Your enrollment will be effective on January 1 of the following year.

**Note:** The yearly deposit and the yearly **deductible** are pro-rated based on when your enrollment begins. Your enrollment will be effective no earlier than the first day of the month following your request to enroll.

### How do I join a Medicare MSA Plan?

Visit [www.medicare.gov/find-a-plan](http://www.medicare.gov/find-a-plan) to compare and find plans. You can also call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048. Or, look at your “Medicare & You” handbook. Once you decide which plan you want, contact that plan for enrollment information and to join. When you get the enrollment form, fill it out and mail it to the plan, or give it to a plan representative. The plan will tell you how to set up your account with the bank selected by the plan. You must set up an account before your enrollment can be processed. You will get a letter from the plan telling you when your coverage begins.

## Joining and Leaving Plans (continued)

### When and how can I leave a Medicare MSA Plan?

Enrollment is generally for a calendar year. You can choose to leave your current Medicare MSA Plan between October 15 and December 7 of each year. Your request to disenroll during this time will be effective on January 1. However, in certain cases, such as if you enter a nursing home or move out of the plan's service area, you can leave your plan at other times. If you leave the plan before the end of the year, you may have to repay some of the money in your account. After you request to leave, your plan will let you know, in writing, the date your coverage ends. If you don't get a letter, call the plan and ask for the date.

If you want to leave your Medicare MSA Plan during open enrollment and return to [Original Medicare](#), you need to contact your current plan or call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

If you want to leave your current Medicare MSA Plan at the end of the year to join a new [Medicare Advantage Plan](#) at the beginning of the year, simply join the new plan. You don't need to tell your old plan you're leaving or send them anything. You will be disenrolled automatically from your old plan when your new plan coverage begins. You should get a letter from your new plan telling you when your coverage starts. Joining a [Medicare Prescription Drug Plan](#) won't automatically disenroll you from your Medicare MSA Plan.

If you're in a Medicare MSA Plan, you **can't** leave your plan (disenroll) during the January 1–February 14 disenrollment period.

**Note:** If you choose a Medicare MSA Plan for the first time and then change your mind, you can cancel your enrollment by December 15 of the same year. You still only have until December 7 to join another health or drug plan. After December 7 and up to December 15, you can only return to Original Medicare.

## Joining and Leaving Plans (continued)

### **Can my Medicare MSA Plan ever cancel my enrollment?**

Your plan will cancel your enrollment if one of the following events occur:

- You get Medicaid.
- You enroll in a Federal Employee Health Benefits Program plan.
- You get health care benefits from the Department of Defense (TRICARE) or the Department of Veterans Affairs.
- You get benefits (like an employer or union group health plan) that cover all or part of the yearly MSA deductible permanently.
- You move outside of the service area of the plan, or are temporarily out of the service area for longer than 6 months.

### **What happens to the money in my account if I leave the plan before the end of the year?**

If you leave your Medicare MSA Plan before the end of the year, no more money will be added to your account. You will need to pay part of the most recent yearly deposit (based on the number of months left in the current calendar year) back to Medicare.

### **Will my spouse be able to use money in the account if I die?**

Any funds in your account that were deposited before the current calendar year are part of your estate. Part of the most recent deposit (based on the number of months left in the current calendar year) will have to be paid back to Medicare.

### **What if my beneficiary isn't my spouse?**

If you name a beneficiary for your account who isn't your spouse, the money in it after your death is counted toward that person's gross income when he or she files that year's income tax return. If your estate gets the money in your account, it's counted as gross income on your final tax return.

## SECTION

# 3 Medicare MSA Plan Examples

## General Examples

Mr. Jones and Mrs. Martinez are interested in joining Medicare MSA Plans. Plans ABC and XYZ are available in their area.

	Plan ABC	Plan XYZ
Yearly Deposit	\$2,500	\$1,500
Yearly Deductible	\$4,000	\$3,000
What You Pay after the Deductible	0%	0%
Out of Pocket Maximum	\$4,000 same as deductible	\$3,000 same as deductible

### If Mr. Jones joins Plan ABC

- Plan ABC deposits \$2,500 into his account at the beginning of the year.
- If he uses the money in his account for Medicare-covered Part A and Part B services, he will have to spend \$1,500 out-of-pocket on Medicare-covered Part A and Part B services before he meets his **deductible** and before the Medicare MSA Plan will begin paying for his health care.
- Once Mr. Jones has met his deductible, Plan ABC pays all of his Medicare-covered Part A and Part B health care costs, and he pays nothing.\*

\*Mr. Jones and Mrs. Martinez must continue to pay the monthly Part B premium.

### General Examples (continued)

Mr. Jones and Mrs. Martinez are interested in joining Medicare MSA Plans. Plans ABC and XYZ are available in their area.

	Plan ABC	Plan XYZ
<b>Yearly Deposit</b>	\$2,500	\$1,500
<b>Yearly Deductible</b>	\$4,000	\$3,000
<b>What You Pay after the Deductible</b>	0%	0%
<b>Out of Pocket Maximum</b>	\$4,000 same as deductible	\$3,000 same as deductible

#### If Mrs. Martinez joins Plan XYZ

- Plan XYZ deposits \$1,500 into her account at the beginning of the year.
- If she uses the money in her account for Medicare-covered Part A and Part B services, she will have to spend \$1,500 out-of-pocket on Medicare-covered Part A and Part B services before she meets her **deductible** and before the Medicare MSA Plan will begin paying for her health care.
- Once Mrs. Martinez has met her deductible, Plan XYZ pays all of her Medicare-covered Part A and Part B health care costs, and she pays nothing.\*

\*Mr. Jones and Mrs. Martinez must continue to pay the monthly Part B premium.

These are only examples. Plans vary and actual deposit and deductible amounts may be different from these examples. Contact the plan in your area to get actual deposit, deductible, **copayments**, and out-of-pocket maximum information.

## Using Your Account for Different Types of Expenses

The chart below shows how a Medicare MSA Plan works when you use your account for different types of expenses.

Type of Expense	Can I use the money in my account for this expense?	Does this expense count toward my deductible?	Is the money that I use from my account for this expense taxed?
Medicare-covered Part A/Part B services  Examples* <ul style="list-style-type: none"> <li>• Doctor's visit</li> <li>• Inpatient hospital</li> </ul>	Yes	Yes	No
Qualified Medical Expenses that aren't Medicare-covered Part A/Part B services  Examples** <ul style="list-style-type: none"> <li>• Dental</li> <li>• Vision</li> <li>• Part D prescription drugs</li> </ul>	Yes	No	No
Non-medical spending  Examples <ul style="list-style-type: none"> <li>• Groceries</li> <li>• Utilities</li> </ul>	Yes	No	Yes

\* These are only examples of Medicare-covered Part A and Part B services. To find out what Medicare covers, look at your "Medicare & You" handbook.

\*\* These are only examples of Qualified Medical Expenses. See IRS publication #969 for the year that you're filing to get a complete list of the services and products that count as Qualified Medical Expenses.

**Detailed Example 1**—Medicare-covered expenses count towards the plan deductible.

Mrs. Chang joins a Medicare MSA Plan. The plan has a \$3,000 yearly deductible and deposits \$1,500 into her account. The plan pays for all Medicare-covered services once Mrs. Chang meets the deductible. Look at how Mrs. Chang uses her account.

- Mrs. Chang has a \$500 doctor’s visit. She uses her account to pay for this expense. Since the expense is a Medicare-covered service, the \$500 is credited toward her deductible.

Account Balance	Deductible
\$1,500	\$3,000
- \$500	-\$500
= \$1,000	= \$2,500

- Mrs. Chang gets an MRI. The cost is \$1,000. She uses her account to pay for this expense. Since the expense is a Medicare-covered service, the \$1,000 is credited toward her deductible.

Account Balance	Deductible
\$1,000	\$2,500
- \$1,000	-\$1,000
= \$0	= \$1,500

- Mrs. Chang visits specialists. The total cost of the specialist visits and additional tests is \$1,500. Mrs. Chang has used all of the money in her account, and she must now pay out-of-pocket until she reaches her deductible. Since the expense is a Medicare-covered service, the \$1,500 is credited toward her deductible.

Account Balance	Mrs. Chang’s Out-of-Pocket Costs	Deductible
\$0	\$1,500	\$1,500
		-\$1,500
		= \$0 (deductible is met)



### Detailed Example 1 (continued)

- Mrs. Chang is admitted to a hospital for surgery. The cost for her hospital stay is \$12,000. Since she has met her **deductible**, the plan pays all of her Medicare-covered Part A and Part B services for the remainder of the year.

Mrs. Chang's Out-of-Pocket Costs	Plan Pays
\$0	\$12,000

**Detailed Example 2**—Non-Medicare-covered expenses don't count towards the deductible.

Mr. Anderson joins a Medicare MSA Plan. On January 1, the plan deposits \$1,500 into his account. The plan's yearly deductible is \$3,000. The plan pays for all Medicare-covered services once Mr. Anderson meets the deductible. Look at how Mr. Anderson uses his account.

- Mr. Anderson has a \$500 doctor's visit. He uses his account to pay for this expense. Since the expense is a Medicare-covered service, the \$500 is credited toward his deductible.

Account Balance	Deductible
\$1,500	\$3,000
- \$500	-\$500
= \$1,000	= \$2,500

- Mr. Anderson visits the dentist. The dentist charges \$600 for the service. He uses his account to pay for this expense. The dental service is a Qualified Medical Expense, but it's not a Medicare-covered service. He may use his account for the dental service, but the expense isn't credited toward his deductible.

Account Balance	Deductible
\$1,000	\$2,500
- \$600	-\$0
= \$400	= \$2,500

- Mr. Anderson's electric bill is due. He uses money in his account to pay the \$200 bill. He is allowed to use his account to pay for this non-medical expense, but it isn't credited toward his deductible. **Note:** He will also pay income tax and a 50% tax penalty on this non-medical expense.

Account Balance	Deductible
\$400	\$2,500
- \$200	-\$0
= \$200	= \$2,500

### Detailed Example 2 (continued)

- Mr. Anderson falls and goes to the emergency room. The emergency room visit and other costs related to his fall total \$3,500. He uses the remaining \$200 in his account and must then pay \$2,300 out-of-pocket until he meets his deductible. After he meets his deductible, the plan pays the remaining cost of his emergency room visit and for all of his Medicare-covered costs for the remainder of the year.

Account Balance	Mr. Anderson's Out-of-Pocket Costs	Deductible	Plan Pays
\$200	\$2,300	\$2,500	\$1,000
-\$200		-\$2,500	
=\$0		= \$0 (deductible is met)	

**Note:** If you use the money in your account for Qualified Medical Expenses, they won't be taxed. However, only Medicare-covered medical expenses will count towards the deductible. If you use the money in your account for non-qualified expenses, it will be taxed as part of your income and will also be subject to an additional 50% tax penalty.



## SECTION

# Additional Information to Consider

# 4

## Things to Consider Before Choosing a Medicare MSA Plan

- Medicare pays your monthly MSA Plan premium, but you must still pay your Medicare Part B premium amount.
- If you use all of the money in your account, you will have to pay out-of-pocket for all of your health care costs until you meet your **deductible**. You need to be aware of which expenses count towards the deductible (only Medicare-covered Part A and Part B services count).
- Medicare MSA Plans must cover all Medicare Part A and Part B services once you meet your deductible.
- Some plans may offer additional benefits for an extra cost.
- You must generally stay with the plan for a full calendar year, except in certain cases, like when you permanently move out of the plan's service area.
- You have flexibility in choosing your health care services and providers.
- Some plans may help you get information on the cost and quality of providers in your area.

Words in **blue** are defined on pages 33–34.

### **Things to Ask When Choosing a Plan**

- How much will be deposited in my account each year?
- What's the plan's [deductible](#)?
- How are services counted against the deductible? Is there a limit on the charges that will count toward the deductible?
- What am I responsible for paying after I meet the plan's deductible?
- Is other insurance offered to work with my plan, like dental, vision, or long-term care?
- Is there any coverage of [preventive services](#) before meeting the deductible?

### **Things to Ask When Considering an Alternative Bank or Financial Institution**

- Are there any custodial fees? If so, how much are they and how are they collected?
- Is there a minimum amount that I have to keep in my account?
- How do I withdraw money from my account? Will I get a debit card?
- Will my account earn interest and, if so, how much?
- Will I get a monthly statement

## Where Can I Get More Information?

Important Questions	Where to Find Answers
<p>What Medicare MSA Plans are available in my area?</p>	<p>Visit <a href="http://www.medicare.gov/find-a-plan">www.medicare.gov/find-a-plan</a>. You can also call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048. Or, look at your “Medicare &amp; You” handbook.</p>
<p>What services does my plan cover?            What’s the grievance and appeals process for my plan?            What’s my account balance?            What expenses count toward my deductible?</p>	<p>Contact the plan to get this information.</p>
<p>How can I find a doctor?</p>	<p>To find doctors in your area who participate in Medicare, visit <a href="http://www.medicare.gov/find-a-doctor">www.medicare.gov/find-a-doctor</a>.</p>
<p>What’s considered a “Qualified Medical Expense?”</p>	<p>Call 1-800-TAX-FORM (1-800-829-3676) and ask for IRS publication #969 for the year that you’re filing. This publication is also available at <a href="http://www.irs.gov">www.irs.gov</a>.</p>
<p>What are the advantages and risks to me if I choose a Medicare MSA Plan?</p>	<p>Contact your <a href="#">State Health Insurance Assistance Program (SHIP)</a> for individual counseling and help in comparing health plan options. Visit <a href="http://www.medicare.gov/contacts">www.medicare.gov/contacts</a> to get the number for your state, or call 1-800-MEDICARE.</p>
<p>How will choosing a Medicare MSA Plan affect my financial situation?</p>	<p>Contact a personal financial advisor for counseling and advice.</p>





## SECTION

# Glossary

# 5

**Assignment**—An agreement by your doctor or other supplier to be paid directly by Medicare, to accept the payment amount Medicare approves for the service, and not to bill you for any more than the Medicare deductible and coinsurance.

**Coinsurance**—An amount you may be required to pay as your share of the cost for services after you pay any deductibles. Coinsurance is usually a percentage (for example, 20%).

**Copayment**—An amount you may be required to pay as your share of the cost for a medical service or supply, like a doctor's visit, hospital outpatient visit, or a prescription. A copayment is usually a set amount, rather than a percentage. For example, you might pay \$10 or \$20 for a doctor's visit or prescription.

**Deductible**—The amount you must spend on medical bills before your insurance begins to pay.

**Medicare Advantage Plan**—A type of Medicare health plan offered by a private company that contracts with Medicare to provide you with all your Medicare Part A and Part B benefits. Medicare Advantage Plans include Health Maintenance Organizations, Preferred Provider Organizations, Private Fee-for-Service Plans, Special Needs Plans, and Medicare Medical Savings Account Plans. If you're enrolled in a Medicare Advantage Plan, Medicare services are covered through the plan and aren't paid for under Original Medicare. Most Medicare Advantage Plans offer prescription drug coverage.

**Medicare-approved Amount**—In Original Medicare, this is the amount a doctor or supplier that accepts assignment can be paid. It may be less than the actual amount a doctor or supplier charges. Medicare pays part of this amount and you're responsible for the difference.

**Medicare Prescription Drug Plan (Part D)**—A stand-alone drug plan that adds prescription drug coverage to Original Medicare, some Medicare Cost Plans, some Medicare Private-Fee-for-Service Plans, and Medicare Medical Savings Account Plans. These plans are offered by insurance companies and other private companies approved by Medicare. Medicare Advantage Plans may also offer prescription drug coverage that follows the same rules as Medicare Prescription Drug Plans.

**Medigap Policy**—Medicare Supplement Insurance sold by private insurance companies to fill “gaps” in Original Medicare coverage.

**Original Medicare**—Original Medicare is fee-for-service coverage under which the government pays your health care providers directly for your Part A and/or Part B benefits.

**Preventive Services**—Health care to prevent illness or detect illness at an early stage, when treatment is likely to work best (for example, preventive services include Pap tests, flu shots, and screening mammograms).

**State Health Insurance Assistance Program (SHIP)**—A state program that gets money from the Federal government to give free local health insurance counseling to people with Medicare.

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**U.S. DEPARTMENT OF HEALTH AND  
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