



## Frequently asked questions

### What is a Medicare Medical Savings Account (MSA) Plan?

MSA Plans combine a High Deductible Medicare Advantage Health Plan (“HDHP”) and a tax-advantaged Medical Savings Account (MSA). The HDHP insurer deposits money from Medicare into your MSA. You can use the money in this account to pay for your health care costs tax-free, but only Medicare-covered expenses count toward your HDHP deductible. The amount deposited in the MSA is usually less than your HDHP deductible amount, so you will generally have out-of-pocket costs before your HDHP coverage begins.

If you elect to join an MSA Plan:

- You must continue to pay your Medicare Part B premium.
- You can also join a Medicare Prescription Drug Plan (Standalone PDP) to get prescription drug coverage because MSA Plans do not cover prescription drugs.

### How does the MSA work?

Your MSA is a special type of savings account. Medicare pays a set amount of money to private insurance companies that offer MSA Plans. The insurance company deposits the money **from Medicare** into the enrollee’s MSA at the beginning of each year. Enrollees **cannot** deposit their own money into the MSA, but they do retain control of the account and unused funds automatically rollover from year to year.

- The amount deposited in the MSA is usually less than the HDHP deductible amount, so beneficiaries will generally have to pay out-of-pocket before their HDHP coverage begins.

### What can I use my MSA to pay for?

Enrollees can use their MSA funds to pay for any qualified medical expense, including non-Medicare covered services.

- Account withdrawals are not taxed when used for “Qualified Medical Expenses”, as outlined in IRS Publication 969. MSA enrollees **must** file Form 1040 and Form 8853 annually to report MSA withdrawals.
- Non-Medicare expenses do not count towards the plan HDHP deductible, even if the non-Medicare expense is a Qualified Medical Expense.
- Enrollees would owe both income taxes and a penalty on any MSA withdrawals that are used for non-Qualified Medical Expenses.

### How do I access my MSA funds?

You may access your MSA funds through your MSA debit card or your MSA checkbook. You can also pay for eligible expenses with other forms of payment, such as a personal check or credit card, and reimburse yourself from your MSA.

Be sure to retain all receipts and other documentation related to your MSA distributions in the event you are later asked to substantiate an expense for tax purposes.

## What if I do not use all the money in my MSA?

Any amount left over at the end of the calendar year automatically rolls over and can be used the following year to pay the HDHP deductible and/or Qualified Medical Expenses. **The deposit amount is subject to change each year.**

## If I re-enroll in an MSA plan for 2016, will the deposit that Medicare makes on my behalf once again be deposited in my BenefitWallet MSA?

Yes, your 2016 deposit will once again be placed in your BenefitWallet MSA.

## What happens to my MSA if I dis-enroll from the MSA Plan?

In general, any remaining funds can continue to be used for Qualified Medical Expenses tax-free in future years.

However, if you dis-enroll outside of the Medicare open enrollment period, you may be required to return a portion of the current year's deposit to your HDHP insurer.

## What happens to my Medicare Medical Savings Account when I die?

Your MSA is an inheritable account. What happens to your MSA when you die depends on who you named as your account beneficiary.

**Spouse designated beneficiary.** If your spouse is your designated beneficiary, the account will be treated as your spouse's MSA after your death. The account will continue to be tax-free for qualified medical distributions.

**Non-spouse designated beneficiary.** If you designate someone other than your spouse as the beneficiary of your MSA:

- The account stops being an MSA on the date of your death;
- The fair market value of the MSA becomes taxable to the beneficiary in the year in which you die; and
- The amount taxable to a beneficiary (other than your estate) is reduced by any Qualified Medical Expenses you incurred prior to your death that are paid from the Medicare Medical Savings Account by the beneficiary within one year after the date of your death.

**Your estate is the beneficiary.** If your estate is the beneficiary of your MSA, the value of your account is included on your final income tax return.

**No designated beneficiary on file.** If you do not designate a beneficiary, or if all of the beneficiaries you have designated die before you, your account will be paid to your spouse if he or she is living. If your spouse is not living, then your account will be paid to your estate.

### Contact us

For additional information, please contact  
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Monday – Friday, 8:00 a.m. – 11:00 p.m. Eastern Time



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