

20.3 - Medical Savings Account (MSA) Plans

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The BBA authorized MSA plans on a demonstration basis when it created the M+C program. The MMA of 2003 made Medicare MSAs a permanent type of MA plan option and extended the beneficiary protection from balance billing by non-contracting providers to include MSA enrollees (42 U.S.C. § 1395w-28(b)(3)(A); 42 CFR 422.4(a)).

An MSA has two parts: 1) A high deductible MA plan and 2) a Medical Savings account (42 CFR 422.4(a)(2)).

1. In a high deductible MA plan:

- a. Enrollees pay no premiums to the MSA plan except as required to cover supplemental benefits (42 CFR 422.262(b)(2));
- b. Enrollees pay out of pocket for all services until they reach the deductible amount (42 CFR 422.103(a); 42 U.S.C. § 1395w-28(b)(3)(A)(i)); and
- c. The MSA plan pays for all Medicare covered services, after the high-plan deductible is met (42 CFR 422.103(c); 42 U.S.C. § 1395w-28(b)(3)(A)(iii)).

2. Medical Savings Account: The organization offering the MSA plan deposits money

into a special savings account at the beginning of each calendar year. Only the plan can make deposits into the MSA account; plan enrollees cannot deposit their own money. The amount of deposit can change each year and may also earn interest. Any money left in the account at the end of the year will remain in the account and will be added to the new deposit the following year if the enrollee chooses to continue enrollment.

Enrollees are responsible for handling the money in their account, including deciding whether to pay for health care services using medical savings account funds or other funds.

An MSA plan:

- Must, after the enrollee has met the plan deductible, cover in full all original Medicare Part A and B services subject to the requirements at 42 CFR 422.101 and section 1852(a)(1). (See also section 1859(b)(3) of the Act and 42 CFR 422.103(a));
- May offer supplemental benefits but may not apply the patient portion of the cost of those services to the patient's deductible (Section 1859(a)(3)(B)(ii)); and
- May not offer a Part D benefit. However, plan enrollees may choose to simultaneously enroll in a Prescription Drug Plan (PDP) (42 CFR 422.4(c)(1)–(2)).

MSA plans must meet all other requirements of MA plans.

For further information on MSA plans including special tax requirements see: <https://www.medicare.gov/Pubs/pdf/11206.pdf>