

Medical Savings Account Qualified Medical Expenses

Qualified medical expenses are the same types of services and products that otherwise could be deducted as medical expenses on your yearly income tax return. Not all qualified medical expenses as defined by the Internal Revenue Service (IRS) will count toward your Medicare medical savings account (MSA) plan's annual deductible (see lists below).

Only Medicare-covered Part A and Part B services will count toward your Medicare MSA plan's annual deductible. Please consult the *Medicare and You* handbook for a complete list of Medicare-covered services.

MSA plans do not include prescription drug coverage, but funds from Medicare MSAs can be used toward drug copays. However, these expenses will not count toward the Medicare MSA plan's annual deductible. If you join a Medicare MSA plan, you can also join a Medicare prescription drug plan (standalone PDP) to obtain drug coverage.

Below is a quick reference list of qualified medical expenses that can be reimbursed from a Medicare MSA and will count toward your annual deductible on MSA plans.

- Ambulance services
- Blood
- Cardiac rehabilitation
- Chiropractic services (to correct subluxation only)
- Clinical laboratory services
- Contact lenses (after cataract surgery only)
- Defibrillator (implantable, automatic)
- Diabetes supplies*
- Doctor services
- Durable medical equipment
(also known as DME; includes but not limited to hospital beds, oxygen, walkers, wheelchairs, etc.)
- Emergency services
- Eyeglasses (after cataract surgery only)
- Flu shots
- Hearing exams (must be medically necessary)
- Home care (excludes custodial care)
- Hospital bills
- Kidney disease services and supplies (end-stage renal disease patients only)
- Mental health care
- Physical exams
- Physical therapy
- Preventive services
(see the *Medicare and You* handbook for a complete list of services covered)
- Pneumococcal shot
- Prosthetic/orthotic items
- Pulmonary rehabilitation (COPD patients only)
- Tests, other than lab tests (includes, but is not limited to X-rays, MRIs, CT scans, EKGs)
- Transplants and immunosuppressive drugs**
- Urgent care

* Some diabetes supplies are covered under Part D and would not count toward your annual deductible. See the *Medicare and You* handbook for more information.

**Organ transplant needs to be performed in a Medicare-approved facility

Below is a quick reference list of qualified medical expenses that can be reimbursed through a Medicare MSA and will **NOT** count toward the annual deductible on MSA plans.

- Acupuncture
- Artificial teeth
- Chiropractor (routine)
- Contact lenses (not related to cataract surgery)
- Dental services
- Eyeglasses (not related to cataract surgery)
- Hearing aids
- Insurance premiums
- Long-term care
- Medicines
- Transportation
- Wigs

The above lists do not include all qualified medical expenses as defined by the IRS.

For a complete list of qualified services and products and for other tax information, call the IRS at 1-800-TAX-FORM (1-800-829-3676). Ask for a free copy of the IRS publication #502, *Medical and Dental Expenses*.

You can also request the IRS publication #969 to get more information about the tax Form 8853, or visit www.irs.gov on the web and select *Forms and Publications* to view or print copies of the publications.

You must file Form 1040, U.S. Individual Income Tax Return, along with Form 8853, *Archer MSA and Long-Term Care Insurance Contracts*, with the IRS for any distributions made from your Medicare MSA account to ensure you are not taxed on your MSA account withdrawals. You must file these tax forms for any year in which an MSA account withdrawal is made, even if you have no taxable income or other reason for filing a Form 1040. MSA account withdrawals for qualified medical expenses are tax-free; account withdrawals for non-medical expenses are subject to both income tax and a fifty (50) percent tax penalty.

Non-Qualified Medical Expenses

The following list includes items that the IRS deems as non-qualified expenses and cannot be included in calculating your annual medical expense deduction. For a complete list and clarification regarding these items, call the IRS at 1-800-TAX-FORM (1-800-829-3676). Ask for a free copy of the IRS publication #502, *Medical and Dental Expenses*. You can also request the IRS publication #969 to get more information about the tax Form 8853, or visit www.irs.gov and select *Forms and Publications* to view or print copies of the publications.

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

- Babysitting and childcare
- Controlled substances
- Cosmetic surgery
- Dancing lessons
- Diaper service
- Electrolysis or hair removal
- Flexible spending account (FSA)
- Funeral expenses
- Future medical care
- Hair transplant
- Health club dues
- Health coverage tax credit
- Health savings account (HSA)
- Household help
- Illegal operations and treatments
- Maternity clothes
- Archer medical savings account (MSA)
- Medicine and drugs from other countries
- Non-prescription drugs and medicines
- Nutritional supplements
- Personal use items
- Swimming lessons
- Teeth whitening
- Veterinary fees

BlueCross BlueShield of Western New York is an MSA plan with a Medicare contract. Enrollment in BlueCross BlueShield of Western New York depends on contract renewal.