Cost Analysis of Potential Changes to Tax-Preferred Health Accounts to Permit Expenditures for Dietary Supplements

(Including a Review of An Analysis of This Proposal by the Joint Committee on Taxation)

Prepared by
John Dunham & Associates

JOHN DUNHAM
& ASSOCIATES

September 24, 2025

Cost Analysis of Potential Changes to Tax-Preferred Health Accounts to Permit Expenditures for Dietary Supplements

Background

On September 23, 2024, the Joint Committee on Taxation (JCT) provided Representative Darin LaHood with an estimate of the revenue effects of H.R. 4794, the *Dietary Supplements Access Act*, which was introduced July 20, 2023.[1] H.R. 4794 would expand reimbursements from health Flexible Spending Accounts (health FSAs), Health Savings Accounts (HSAs), Health Reimbursement Accounts (HRAs), and Archer Medical Savings Accounts (Archer MSAs) to include amounts paid for dietary supplements (as defined in section 201(ff) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321(ff)).[2] These accounts provide tax-preferred treatment for contributions made either by the employee or by their employer, allowing the beneficiary to be reimbursed from this pre-tax money for certain qualified medical expenses.

According to the Federal Food, Drug, and Cosmetic Act, a dietary supplement is a product (other than tobacco) intended to supplement the diet that bears or contains one or more of the following ingredients: a vitamin, a mineral, an herb or botanical, an amino acid, a dietary substance used to supplement the diet by increasing the total dietary intake, or a concentrate, metabolite, constituent, extract, or combination of any of the aforementioned ingredients. A dietary supplement product is not to be represented for use as a conventional food, or as a sole item of a meal or the diet and must be labeled as a dietary supplement.[3] Label statements made for dietary supplements "may not make claim to diagnose, mitigate, treat, cure, or prevent a specific disease or class of diseases."[4]

The JCT Estimate

According to the JCT letter, the cost of this proposal to the federal government in terms of reduced income tax revenues is estimated to be $41.7 billion (in nominal terms) over the 11-year period from FY 2024 to FY 2034. Of this, JCT reported that $10.3 billion came from "off-budget effects." [5]

JCT is tasked with providing estimates of off-budget effects when estimating the budgetary effects of proposed tax changes. This is to help policymakers, and the public, understand the full impact of tax legislation and its implications for future budgets. In the case of allowing the use of health FSAs and HSAs to pay for dietary supplements, JCT would be estimating how reduced revenues from taxpayers increasing their contributions to such accounts could increase deficits, and debt service payments. Since JCT did not provide a methodology, it is impossible to know what other off-budget effects might have been considered in this case.

However, in its letter to Representative LaHood, JCT may have incorrectly calculated the total estimated cost of the legislation in Table 1 on page 3 of that letter.[6] While JCT reports a total cost of $41.7 billion between FY 2024 and FY 2034, the annual figures presented for those years sum to $49.4 billion, and the off-budget effects sum to $12.4 billion. Whether this is the result of miscalculation, or other error, is not apparent from the JCT letter.

In this analysis, $49.4 billion is used as the JCT projection based on reported annual costs between 2024 and 2034, and $12.4 billion, or 25.1 percent, is considered to be an off-budget effect. Since JCT does not provide the methodology it

1 Letter from Thomas A. Barthold, Joint Committee on Taxation to Representative Darin LaHood, September 23, 2024.
2 H.R. 4794, *Dietary Supplements Access Act*, July 20, 2023, at: https://www.congress.gov/118/bills/hr4794/BILLS-118hr4794ih.pdf.
3 21 U.S. Code § 321 - Definitions; generally, at: https://www.law.cornell.edu/uscode/text/21/321.
4 21 U.S. Code § 343(r)(6) 21 – Misbranded Food, at: https://www.law.cornell.edu/uscode/text/21/343.
5 Off-budget effects refer to financial activities or transactions that are not included in the official budget of the federal government. According to the Office of Management and Budget, these include effects on items such as Social Security trust funds, the Postal Service fund and debt service.
6 Letter from Thomas A. Barthold, Joint Committee on Taxation to Representative Darin LaHood, September 23, 2024.

Types of Tax-Preferred Health Accounts

Health Flexible Spending Account (health FSA): A health FSA allows employees to be reimbursed for medical expenses. Health FSAs are usually funded through voluntary salary reduction agreements with an employer. No employment or federal income taxes are deducted from this contribution. Health FSAs have a "use it or lose it" rule, where account holders typically forfeit unused funds at the end of the calendar year. There are no reporting requirements for health FSAs on employees' income tax returns. Self-employed persons are not eligible for health FSAs.

Health Savings Account (HSA): An HSA is a tax-exempt trust or custodial account set up by an individual taxpayer with a qualified HSA trustee (such as a bank, insurance company, or trustee of an IRA). The HSA can be used to pay or reimburse certain medical expenses. Unlike FSAs, funds in HSAs roll over to the following year. Only eligible individuals may contribute to an HSA. An HSA is also "portable," meaning that it stays with an individual even if they change employers or leave the workforce.

Health Reimbursement Arrangement (HRA): An HRA must be funded solely by an employer. The contribution cannot be paid through a voluntary salary reduction agreement on the part of an employee. Employees are reimbursed tax free for qualified medical expenses up to a maximum dollar amount for a coverage period. There are no reporting requirements for HRAs on income tax returns. Any unused amounts in the HRA can be carried forward for reimbursements in later years.

Archer Medical Savings Account (Archer MSA): Archer MSAs were created to help self-employed individuals and employees of certain small employers meet the medical care costs of the account holder, the account holder's spouse, or the account holder's dependent(s). These plans began to phase out in 2007 and are rare today. A Medicare Advantage MSA is an Archer MSA designated by Medicare to be used solely to pay the qualified medical expenses of the account holder who is eligible for Medicare. The interest or other earnings on the assets in an Archer MSA are tax free, and distributions are tax free if used to pay for qualified medical expenses.

used to calculate these numbers, this analysis will assume that the off-budget effects would continue to equal 25.1 percent of any direct income tax revenue impacts, meaning the direct impact on income tax revenue was projected by JCT to be $31.4 billion over the 11-year period.[7]

Regardless of the source of that error, according to the analysis below, which examines the ten-year period from 2025-2034, the JCT letter substantially overestimates the cost of this legislation. This analysis finds that the most likely income tax effect of the provisions outlined in H.R. 4794 would lead to a total net effect of just over $12.2 billion, or roughly 24.8 percent of the cost outlined by JCT. Of this, nearly $2.5 billion consists of off-budget effects, meaning that the proposal would reduce actual income tax collections by $9.8 billion over a 10-year period. These calculations are shown in Table 6.

This analysis is based on the limited data that are publicly available. JCT has access to additional data from sources such as the Internal Revenue Service (IRS) that might be used to augment its analysis; however, to suggest that a change such as that outlined in H.R. 4794 might lead to a reduction in tax revenue over ten years equal to about 75.9 percent of the total annual sales of the supplement industry seems excessive,[8] particularly considering that the average tax rate across all taxpayers is in the neighborhood of 15 or 16 percent.[9] To reach that level would necessitate that almost half of all dietary supplements purchased in the U.S. over that timeframe be acquired via funds from these accounts (health FSAs, HSAs, HRAs or Archer MSAs).[10]

---

7 From Table 6 on page 9, the total cost of the bill to the federal government between 2024 and 2034 based on JCTs analysis is $49.40 Billion, and the off-budget cost is $12.40 billion. 49.40-12.40 = $37.00. This means that $37.00 is the budgetary loss, and $12.40 is the off-budget expense. 12.40/49.40 = 25.1 percent. The $31.4 billion figure is equal to the total cost *reported* by JCT less the off-budget effects (41.7-10.3=31.4).

8 Total sales of supplements were calculated to be $64.6 billion in 2023, see: *2023 Economic Impact of the Dietary Supplement Industry Methodology and Documentation*, Prepared for Council for Responsible Nutrition by John Dunham & Associates, January 2024, at: www.crnusa.org/resources/economic-impact-study-dietary-supplement-industry.

9 *Table A. All Individual Income Tax Returns: Selected Income and Tax Items in Current and Constant 1990 Dollars, Tax Years 1990-2022*, Internal Revenue Service, at: https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-line-item-estimates-publications-4801-and-5385.

10

Cost of Tax Reduction JCT ($b)	$	49.20
Assumed Tax Rate		15.5%
Estimated Spending on OTC ($ b)	$	317.42
Multiply to Billions	$	317,419,354,839
Divide By 10 to get Annualized Spend	$	31,741,935,484
Supplement Industry Annual Sales	$	64,852,484,600
Estimated FSA/HSA Spend as % of Sales		48.9%

There is no basis for that assumption. A recent consumer survey revealed that only 27 percent of HSA holders, and 36 percent of health FSA holders, used their accounts to purchase medical products for home use like OTC medicines, first aid supplies and feminine hygiene products (all of which are currently allowable with these accounts).[11]

Table 1 below summarizes available data forecast for 2024. The IRS provides detailed data on HSAs and Archer MSAs, but federal data are not available for either health FSA or HRA plans. These figures were based on survey data.[12] Based on these data, about $49.1 billion was put into 34.2 million of these accounts during 2024, for an average contribution of $1,436. Using a tax rate of 16 percent as a proxy, the federal government foregoes nearly $7.9 billion annually in tax revenues as a result of these accounts. Even without the inclusion of dietary supplements, the use of these accounts is projected to continue to grow by about 3.6 percent annually. (See Table 2 on page 5.)

Methodology

A forecast of the cost of H.R. 4794 depends on four data elements, each of which is described in detail below. These are:

1. An estimate of the annual number of active health FSAs, HSAs, HRAs or Archer MSAs;
2. An estimate of the amount of non-taxable income diverted to existing or new accounts by year;
3. The rate of price inflation;
4. The change in net contributions per account resulting from the provisions outlined in H.R. 4794. In other words, does the inclusion of dietary supplements in these arrangements further increase the amount of funds placed in these accounts?

Table 1
2024 Estimated Accounts and Tax Savings

Account Type	Number of Accounts	Average Contribution per Account	Total Contributions	Taxes Avoided*
HSA	2,487,784	$3,086	$7,677,119,240	$1,228,339,078
MSA (Archer)	3,062	$2,638	$8,075,764	$1,292,122
Other**	31,716,146	$1,307	$41,446,172,766	$6,631,387,643
Total	34,206,992	$1,436	$49,131,367,770	$7,861,018,843

* Assumes 16 percent tax rate.
** Detailed data are not available for health FSA and HRA accounts.

1. Number of Accounts

The IRS provides data on the number of income tax returns filed by year from 2010 through 2022, along with data on the amount of income and income tax paid. In addition, IRS data provides information on the number of returns reporting either Archer MSA[13] or HSA deductions.[14] From these data, the percentage of returns with HSA deductions reported was calculated, as was the average deduction. The IRS did not report on the number of employer sponsored health FSAs;

[11] Paustian, Shawn, *Understanding HSA & FSA Trends in Consumer Spending*, Numerator, November 19, 2024, at: https://www.numerator.com/resources/blog/fsa-hsa-consumer-spending/?utm_source=chatgpt.com.

[12] *2023 HSA & FSA Reimbursement Study,* prepared by IPSOS, prepared for the Council for Responsible Nutrition and the Consumer Healthcare Products Association, April 14, 2023, and *2023 Flexible Spending Account and Health Savings Account Consumer Research Study,* prepared for Visa, conducted by Material, April 2023. FSA survey among 1,200 consumers and HSA survey among 1,032 consumers.

[13] Archer MSAs and HSAs are both designed to assist with medical expenses but differ significantly in structure. Archer MSAs, established under the Health Insurance Portability and Accountability Act of 1996, were intended for self-employed individuals and employees of small businesses. These accounts are now largely obsolete, as HSAs, introduced by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, have become the more accessible and flexible option.

[14] *Table A. All Individual Income Tax Returns: Selected Income and Tax Items in Current and Constant 1990 Dollars, Tax Years 1990-2022*, Internal Revenue Service, at: https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-line-item-estimates-publications-4801-and-5385.

however, this figure was estimated through the use of survey data.[15] According to these data, about 22 percent of Americans have a health FSA or HRA. Applying this percentage to the total number of taxpayers suggests that there was a total of about 36.0 million of these accounts as of the base year of the analysis (2025). Based on extrapolations of the data from the IRS on Archer MSAs and HSAs, this would mean that there were a total of 33.4 million health FSA and HRA accounts in the base year. Table 2 outlines the data and forecasts used in this analysis for the number of each type of account by year.

A paper published in 2020 suggests that there would be about 32.6 million health FSAs by 2022, as well as about 15.8 million HSAs.[16] These larger estimates may indicate that IRS return data reflects multiple accounts in each return. In effect, a husband, wife, and dependent child may each have some sort of Tax-Preferred Health Accounts, but they are all reported on a single tax return.

Table 2
Actual and Estimated Number of Accounts

Year	FSA/HRA	HSA	Archer MSA	Total
2010	12,406,263	1,004,561	6,276	13,417,100
2011	13,147,698	1,019,297	7,460	14,174,455
2012	14,474,201	1,083,379	4,740	15,562,320
2013	16,513,926	1,194,511	3,391	17,711,828
2014	16,870,808	1,361,357	5,355	18,237,520
2015	20,839,807	1,391,655	4,593	22,236,055
2016	22,489,336	1,721,015	3,712	24,214,063
2017	23,679,508	1,857,859	3,385	25,540,752
2018	24,479,895	1,953,488	6,256	26,439,639
2019	24,323,880	2,022,903	3,082	26,349,865
2020	23,387,221	2,008,708	4,365	25,400,294
2021	24,704,602	1,933,557	1,997	26,640,156
2022	28,734,518	2,041,587	2,995	30,779,100
2023	30,096,794	2,374,942	3,161	32,474,896
2024	31,716,146	2,487,784	3,062	34,206,992
2025	33,425,903	2,621,874	2,992	36,050,769
2026	35,227,830	2,763,437	2,930	37,994,198
2027	36,631,305	2,873,741	2,838	39,507,884
2028	38,039,089	2,984,380	2,750	41,026,218
2029	39,472,287	3,097,008	2,667	42,571,963
2030	40,928,082	3,211,407	2,589	44,142,078
2031	42,403,339	3,327,329	2,515	45,733,184
2032	43,886,488	3,443,869	2,444	47,332,801
2033	45,345,404	3,558,505	2,374	48,906,283
2034	46,813,684	3,673,873	2,307	50,489,864
2035	48,283,541	3,789,363	2,241	52,075,146

Note that only the figures for HSA and Archer MSA plans for the period between 2010. and 2022 come from the IRS. All other figures are estimates.

Archer MSAs have been trending downward over the period of time for which data are available, and in fact as of 2003 have become largely obsolete.[17] Analysis shows that the number of reported accounts have been declining logarithmically, and if that trend were to continue, would stabilize to the point that they would be reported on about 0.001 percent of all income tax returns.[18] On the other hand, health FSAs as a percent of total income tax returns have been rising at a linear

15 *2023 HSA & FSA Reimbursement Study,* prepared by IPSOS, prepared for the Council for Responsible Nutrition and the Consumer Healthcare Products Association, April 14, 2023, and *2023 Flexible Spending Account and Health Savings Account Consumer Research Study,* prepared for Visa, conducted by Material, April 2023. FSA survey among 1,200 consumers and HSA survey among 1,032 consumers.

16 *HBA Market Forecast: A Close-Up on FSAs, HRAs, ICHRAs, and COBRA*, Datos Insights, October 20, 2020, at: https://datos-insights.com/reports/hba-market-forecast-a-close-up-on-fsas-hras-ichras-and-cobra/

17 *Medical Savings Accounts (MSAs) Including Archer MSAs – Medicare+Choice MSAs,* Internal Revenue Service Publication 969, at: https://www.scribd.com/document/546065/US-Internal-Revenue-Service-p969-2003.

18 Archer Percent = -0.0000108ln(year) + 0.0000481

rate of about 0.64 percentage points per year.[19] These trends are assumed to continue through the next 10 years were there to be no changes in tax regulations.

Available data from the IRS does not allow for a forecast of health FSA or HRA accounts. To forecast these, the total amount of relevant accounts for 2025 was calculated based on the survey total of 22 percent of taxpayers. From this, the number of HSA and Archer MSA plans was deducted, providing a base estimate of taxpayers with HSA deductions. Growth in these plans was forecast based on overall growth rates in HSA/Archer MSA plans.

2. Non-Taxable Income

As is the case with the number of accounts, the IRS reports the nominal amount of both HSA and Archer MSA plan deductions. Deductions for health FSA and HRA accounts are estimated based on the methodology below. These data allow for the calculation of the average plan deduction by year for each of these account types. IRS data are only available through calendar year 2022, after which the nominal value of Archer MSA plan deductions is estimated to grow at a linear rate, based on the percentage growth between CY 2021 and 2022.[20] Spending for HSAs has varied over the time period for which data are available. The best estimates are made based on real (or inflation adjusted) deductions.[21] These are then calculated back to nominal amounts based on either actual Consumer Price Index (CPI) or estimated CPI from the Congressional Budget Office (CBO).[22]

With no data available from the IRS, projected health FSA and HRA contributions are calculated based on current rates of $1,219 per year.[23] This figure is adjusted each year based on CBO's inflation forecast (see following section). Based on earlier survey results, this may be an overestimation as nominal contributions have been generally flat over time.[24] In addition, while IRS restrictions currently limit health FSA contributions to no more than $3,300 ($4,300 for HSAs) per year (as of 2025), actual contributions across all account types average $1,219.[25] This suggests that employees do not fully fund their accounts each year. The reasons for this discrepancy are multiple, including a lack of understanding about the benefits of these accounts, a limited amount of annual deductible spending, and a lack of financial resources.[26] In the case of health FSAs, there may be anxiety related to "overfunding," as unused funds are lost.

3. Inflation and Economic Conditions

JCT is required to use nominal dollars in all of its estimates and is required to use inflation and other economic expectations developed by CBO. These data are released by CBO on a semi-annual basis, generally at the beginning of each year and around the middle of the year. The latest estimates are from January 2025 and are presented in Table 3 below.[27]

4. Changes in Net Contributions

The forecast of how participants in these plans might change their contributions due to the provisions of H.R. 4794 is based on actual participant changes following a change in the restrictions on HSA/FSA use in 2020. Beginning that year,

---

19 FSA Percent = 0.0006(year) + 0.0064. $R^2 = 0.8675$

20 Note that tax law changes in 2020 led to a significant jump in contributions following that year. Also note that while Archer plans are largely obsolete outside of California (where they have certain tax advantages), the overall deduction from such plans has been increasing.

21 Amount=-0.2802*(period)^4+8.8852*(period)^3-96.055*(period)^2+380.9*(period)+2558.8, where period is the numeric of the data year beginning with 1.

22 *January 2025 Baseline Forecast—Data Release (Calendar Year)*, Congressional Budget Office, at: www.cbo.gov/publication/60870.

23 *2023 Flexible Spending Account and Health Savings Account Consumer Research Study,* prepared for Visa, conducted by Material, April 2023.

24 In real terms based on IRS data.

25 The Internal Revenue Service (IRS) limits how much an account holder can put into a health savings account. In 2025, an account holder can contribute up to $4,300 as an individual or up to $8,550 if the high-deductible health plan covers the account holder's whole family. Once an account holder turns 55, an extra $1,000 each year can also be added. This is sometimes called a catch-up contribution. However, an account holder cannot add more money to an HSA upon receiving Medicare. Internal Revenue Service. *Health Savings Accounts and Other Tax-Favored Health Plans*, IRS Publication 969, January 13, 2025, pages 5-6, at: https://www.irs.gov/pub/irs-pdf/p969.pdf.

26 *2023 HSA & FSA Reimbursement Study,* prepared by IPSOS, prepared for the Council for Responsible Nutrition and the Consumer Healthcare Products Association, April 14, 2023.

27 *January 2025 Baseline Forecast—Data Release (Calendar Year)*, Congressional Budget Office, at: www.cbo.gov/publication/60870.

provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act allowed consumers to use funds from these accounts to purchase OTC medicines, medical supplies and feminine hygiene products.[28]

Table 3
Actual and Estimated Economic Conditions

Year	CPI	Labor Force	Income (% chg)
2010	1.000	153,885,000	
2011	1.031	153,624,000	
2012	1.021	154,974,000	
2013	1.015	155,398,000	
2014	1.016	155,920,000	
2015	1.001	157,138,000	
2016	1.013	159,188,000	
2017	1.021	160,319,000	
2018	1.024	162,078,000	
2019	1.018	163,537,000	
2020	1.013	160,763,000	
2021	1.047	161,214,000	
2022	1.080	164,292,000	
2023	1.041	167,123,000	
2024	1.030	168,243,000	
2025	1.022	170,662,000	5.5%
2026	1.021	173,375,000	4.8%
2027	1.020	174,006,000	4.2%
2028	1.020	174,614,000	3.9%
2029	1.020	175,295,000	3.8%
2030	1.020	176,030,000	3.8%
2031	1.020	176,801,000	3.8%
2032	1.020	177,558,000	3.8%
2033	1.020	178,176,000	3.9%
2034	1.020	178,795,000	3.9%
2035	1.020	179,386,000	3.8%

Note: Figures for 2025 through 2035 are estimated based on the model.

Determining the Size of the Dietary Supplement and OTC Industries

The relative size of the dietary supplement industry and the over the counter (OTC) medical product industry is an important input to this model, acting as a scaling factor. If the amount of OTC sales is larger than sales of supplements, then the estimated tax revenue impact of H.R. 4794 would fall. Likewise, if the OTC market is smaller than that for supplements, the estimate of tax revenue loss would rise.

Sales data for dietary supplements is not available from the federal government. These sales are considered part of the food industry in government statistics. The most recent comprehensive analysis of the supplement industry was conducted in 2023. This analysis found that supplement sales were about $64.852 billion. Inflating this to 2025 dollars would suggest that baseline industry sales are about $68.562 billion.

Based on data from NielsenIQ (now NIQ), a market research firm, sales of OTC products in 2024 were about $44.252 billion. NIQ data are generally used for marketing and cover only limited markets through the collection of scanner data from a number of major retailers, supplemented with survey data. These data do not include online sales of these products which may also be paid for using Medical Savings Account funds.

The US Department of Commerce, Bureau of Economic Analysis (BEA) also releases data on personal consumption expenditures by product type. According to these data, Americans purchased $122.605 billion in OTC medicines and an additional $8.772 billion in other OTC medical products in 2024, for a total of $131.377 billion.

Applying the 6.68 percent of medical product sales to the NIQ data would increase that figure to $47.207 billion.

As government statistics are nearly 3 times greater than those provided by NIQ, a sensitivity analysis will be performed using the NIQ data as a high estimate.

Sources:
OTC Sales Statistics, Consumer Health Care Products Association, 2024 Data, at: https://www.chpa.org/about-consumer-healthcare/research-data/otc-sales-statistics.
Table 2.4.5U. Personal Consumption Expenditures by Type of Product, 4th Quarter 2024, US Department of Commerce, Bureau of Economic Analysis, July 30, 2025, at: https://apps.bea.gov/iTable/?reqid=19&step=2&isuri=1&categories=underlying. Accessed August 8, 2025.

Based on IRS data, following this change, there was a sizable jump in real (inflation adjusted) deductions from Archer MSA and health FSA plans of roughly 2.2 percent.[29] This is a change in the overall amount contributed irrespective of the number of accounts. Controlling for the difference in the size of the supplement industry (which is much smaller than the over-the-counter medicine and medical products industry) the expected change in contributions would likely be a 1.1 percent one-time increase.[30] This is then adjusted by inflation to account for the nominal dollar increases. The total nominal amount estimated to be deposited in Archer MSA and health FSA plans over the next ten years, with and without the change, is shown in Table 4 on the following page.

---

28 Coronavirus Aid, Relief, and Economic Security Act, Public Law 116–136, 134 STAT. 281, March 27, 2020, at: https://www.govinfo.gov/content/pkg/PLAW-116publ136/pdf/PLAW-116publ136.pdf.

29 *Table A. All Individual Income Tax Returns: Selected Income and Tax Items in Current and Constant 1990 Dollars, Tax Years 1990-2022*, Internal Revenue Service, at: https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-line-item-estimates-publications-4801-and-5385.

30 Note that the entire over-the-counter medicine and medical products industry had about $126.6 billion in sales, while the supplement industry had $64.6 billion in sales in 2023. *Table 2.4.5U. Personal Consumption Expenditures by Type of Product*, 4th Quarter 2024, U.S. Department of Commerce, Bureau of Economic Analysis, July 30, 2025, at: https://apps.bea.gov/iTable/?reqid=19&step=2&isuri=1&categories=underlying. Accessed August 8, 2025.

Table 4
Estimated Change in Medical Savings Programs by Year With and Without Supplement Deductibility

Year	HSA/FSA Without Supplements ($ Nominal)	HSA/FSA With Supplements ($ Nominal)	Difference
2025	$48,856,930,452	$52,529,380,245	$3,672,449,793
2026	$47,614,586,463	$51,541,029,393	$3,926,442,930
2027	$52,621,267,675	$56,473,833,792	$3,852,566,116
2028	$58,751,559,965	$62,972,841,167	$4,221,281,202
2029	$66,795,974,837	$71,503,040,975	$4,707,066,137
2030	$77,316,325,762	$82,661,003,510	$5,344,677,748
2031	$91,099,787,455	$97,278,495,661	$6,178,708,206
2032	$109,240,450,910	$116,511,780,968	$7,271,330,058
2033	$133,248,656,806	$141,957,627,986	$8,708,971,179
2034	$165,551,216,090	$176,162,202,211	$10,610,986,121

The 1.1 percent increase is based on the 2.2 percent inflation adjusted increase in overall Archer MSA and health FSA plans, following the addition of OTC products to these accounts in 2020. Since the total sales of products for which deductions were allowed under the CARES Act is larger than the dietary supplement market, the 2.2 percent estimate was reduced by 56.0 percent to account for the difference in size between the OTC medicine and the supplement market.

Model of Tax Effect

The total expected cost was calculated for each of the four health savings account tax deductions. Based on the data elements and estimates calculated above, the total expected volume of each plan type was multiplied by the expected income tax deduction. These were then added together and multiplied by the expected percentage increase in deductions. This provides the total expected value for each year's cost.

Table 5
Estimated Reduction in Tax Revenues by Year Based on Estimated Total Number of Accounts Including HSAs, Health FSAs, HRAs, and Archer MSAs

Year	Number of Accounts	Average Contribution Per Account	Total Contributions	Taxes Avoided
2025	36,050,769	$1,457	$52,529,380,245	$8,404,700,839
2026	37,994,198	$1,507	$57,267,810,436	$9,162,849,670
2027	39,507,884	$1,588	$62,748,704,213	$10,039,792,674
2028	41,026,218	$1,705	$69,969,823,519	$11,195,171,763
2029	42,571,963	$1,866	$79,447,823,305	$12,711,651,729
2030	44,142,078	$2,081	$91,845,559,455	$14,695,289,513
2031	45,733,184	$2,363	$108,087,217,402	$17,293,954,784
2032	47,332,801	$2,735	$129,457,534,409	$20,713,205,505
2033	48,906,283	$3,225	$157,730,697,762	$25,236,911,642
2034	50,489,864	$3,877	$195,735,780,234	$31,317,724,838
Total	433,755,243	$2,317	$1,004,820,330,981	$160,771,252,957

Assuming a 16 percent Tax Rate.

All results were checked for consistency and are presented by calendar (tax) year, and in nominal dollars. Table 6 on the following page outlines the baseline estimated budgetary impacts of H.R. 4794.

Table 6 also shows these results of JDA's analysis across the following 10 years, along with JCT forecasts. Note that JCT assumed that the bill would be passed in 2024, while this analysis assumes that 2025 would be the first full year of the deduction. Other than this, and the prior caveat, the analysis follows JCT's recommended methodology as closely as possible.[31]

[31] *Summary Of Economic Models and Estimating Practices of The Staff of The Joint Committee on Taxation*, Document JCX-46-11, Staff of the Joint Committee on Taxation, September 19, 2011.

Table 6
Estimate of the Fiscal Impact of H.R. 4794 JCT vs. John Dunham & Associates (JDA)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-2034
Jct Budget Impact	$ (0.20)	$ (0.50)	$ (1.40)	$ (2.50)	$ (3.60)	$ (4.10)	$ (4.40)	$ (4.60)	$ (4.90)	$ (5.30)	$ (5.50)	$ (36.80)
Jct Off-Budget Impact	$ -	$ (0.20)	$ (0.50)	$ (0.80)	$ (1.20)	$ (1.40)	$ (1.50)	$ (1.60)	$ (1.70)	$ (1.70)	$ (1.80)	$ (12.40)
Jct Total Impact	$ (0.20)	$ (0.70)	$ (1.90)	$ (3.30)	$ (4.80)	$ (5.50)	$ (5.90)	$ (6.20)	$ (6.60)	$ (7.00)	$ (7.30)	$ (49.20)
JDA Budget Impact	$ -	$ (0.56)	$ (0.60)	$ (0.65)	$ (0.71)	$ (0.79)	$ (0.90)	$ (1.04)	$ (1.23)	$ (1.47)	$ (1.79)	$ (9.75)
JDA Off-Budget Impact	$ -	$ (0.16)	$ (0.16)	$ (0.16)	$ (0.18)	$ (0.20)	$ (0.23)	$ (0.27)	$ (0.32)	$ (0.36)	$ (0.44)	$ (2.47)
JDA Total Impact	$ -	$ (0.72)	$ (0.75)	$ (0.81)	$ (0.89)	$ (1.00)	$ (1.13)	$ (1.31)	$ (1.54)	$ (1.83)	$ (2.23)	$ (12.22)
Difference Budget Impact		$ (0.06)	$ 0.80	$ 1.85	$ 2.89	$ 3.31	$ 3.50	$ 3.56	$ 3.67	$ 3.83	$ 3.71	$ 27.05
Difference Off-Budget Impact		$ 0.04	$ 0.34	$ 0.64	$ 1.02	$ 1.20	$ 1.27	$ 1.33	$ 1.38	$ 1.34	$ 1.36	$ 9.93
Difference Total Impact		$ (0.02)	$ 1.15	$ 2.49	$ 3.91	$ 4.50	$ 4.77	$ 4.89	$ 5.06	$ 5.17	$ 5.07	$ 36.98

Figures are in billions of nominal (not adjusted for inflation) dollars.

Potential Implications of One Big Beautiful Bill Act

On July 4, 2025, the President signed into law H.R.1, known as the *One Big Beautiful Bill Act.* As the bill was making its way through Congress, the Senate version stripped out many of the provisions related to HSAs and health FSAs. While the enacted law contains some provisions related to these accounts, these do not directly address what health-related items are eligible for reimbursement as qualified medical expenses (like dietary supplements) but rather increase the number of individuals able to qualify for these accounts and amounts that can be deducted for dependent care FSAs.[32]

None of these provisions appear to impact this specific analysis; however, a larger number of HSA plans would modestly increase the 10-year cost estimates. This is unlikely to change the conclusion of the analysis, namely that JCT dramatically overestimated the loss of income tax revenues which might result from the inclusion of supplements under the provisions of HSA plans.

Sensitivity Analysis

The above analysis represents what JDA believes to be the most likely outcome on tax revenues of provisions allowing taxpayers to use various types of tax-preferred health accounts to pay for dietary supplements. This estimate is highly dependent on the assumptions made in the analysis. Changes to these assumptions could lead to higher or lower estimates than reported.

A sensitivity analysis is used to determine a practical range between high and low estimates of the fiscal cost of the proposal based on different, but still practical assumptions. For example, if the actual market size of the OTC medicine and medical supply industry is equal to the estimates provided by NIQ, the resulting impact of H.R. 4794 would be significantly higher. On the other hand, unfavorable economic conditions, such as a deep recession, might cause individuals to reduce their contributions to these plans even if they were able to purchase dietary supplements using these accounts, the impact could be lower.

To examine these possibilities two different models were developed. The first assumes that the current OTC market is $47.2 billion, based on the NIQ data. This is 64.1 percent smaller than the baseline figure. A lower bound estimate is then calculated assuming that the growth in real contributions to the accounts would be 10 percent slower than historical trends. The results of these two assumptions, as well as the baseline loss in tax revenue, are shown in Table 7 on the following page.

[32] For more information see: *One Big Beautiful Bill Act Includes HSA, FSA Provisions*, Sentinel Group website, July 7, 2025, at: https://www.sentinelgroup.com/resource-center/2025/one-big-beautiful-bill-act-hsa-fsa-provisions. See also, Myers, Damian, et. al., *The One Big, Beautiful Bill Act's impact on employee benefits,* Nixon Peabody website, July 9, 2025, at: https://www.nixonpeabody.com/insights/articles/2025/07/09/the-one-big-beautiful-bill-acts-impact-on-employee-benefits.

Table 7
Estimate of the Fiscal Impact of H.R. 4794: Sensitivity Analysis

	2025	2026	2027	2026	2029	2030	2031	2032	2033	2034	2025-2034
High Impact	$ (2.00)	$ (2.10)	$ (2.25)	$ (2.48)	$ (2.77)	$ (3.15)	$ (3.65)	$ (4.30)	$ (5.09)	$ (6.21)	$ (34.00)
Baseline Impact	$ (0.72)	$ (0.75)	$ (0.81)	$ (0.89)	$ (1.00)	$ (1.13)	$ (1.31)	$ (1.54)	$ (1.83)	$ (2.23)	$ (12.22)
Low Impact	$ (0.72)	$ (0.75)	$ (0.73)	$ (0.80)	$ (0.90)	$ (1.02)	$ (1.18)	$ (1.39)	$ (1.64)	$ (2.01)	$ (11.14)

As Table 7 demonstrates, even under a high impact scenario, where it is assumed that the actual size of the OTC market in 2024 was just $47.2 billion, the estimated tax cost would still be substantially lower than JCT estimates. In other words, even using the most moderate estimates, the analysis still suggests that the JCT analysis significantly overestimates the tax impact of these proposed provisions.

Conclusion

Americans purchased roughly $68.6 billion in dietary supplements in 2023 (the last year for which data are available).[33] These include supplements recommended by health care professionals. Unlike over-the-counter medicines, dietary supplements cannot be purchased using various types of tax-preferred health accounts. Were the federal government to allow for the use of these accounts to pay for dietary supplements in the same manner as they can be used to purchase medications recommended by their doctors, it is likely that taxpayers would increase their use of tax-preferred accounts. This could likely help to increase the use of dietary supplements and also encourage more people to seek basic health care.

While this would lead to costs (in terms of lost tax revenues and other off-budget effects) for the federal government, those losses would be minimal. JDA estimates that over the next ten years, the total cost would be about $12.2 billion, or about $1.2 billion annually, or just $3.56 annually per resident of the United States.

While this is a reduction to the federal government's tax revenues, it is far lower than the $49.2 billion estimate made by the Joint Committee on Taxation in 2024.

[33] *2023 Economic Impact of the Dietary Supplement Industry Methodology and Documentation*, Prepared for Council for Responsible Nutrition by John Dunham & Associates, January 2024, at: www.crnusa.org/resources/economic-impact-study-dietary-supplement-industry.

About John Dunham & Associates

John Dunham & Associates (JDA) is a leading economic consulting firm specializing in the economics of fast-moving issues. JDA is an expert at translating complex economic concepts into clear, easily understandable messages for a wide range of audiences. JDA's clients have included a wide variety of businesses and organizations, including some of the largest Fortune 500 companies in America.

John Dunham is a professional economist with 40 years of experience. He holds a Master of Arts degree in Economics from the New School for Social Research as well as a Master of Business Administration from Columbia University. He also has a professional certificate in Logistics from New York University. Mr. Dunham has worked as a manager and an analyst in both the public and private sectors. He has experience in conducting cost-benefit modeling, industry analysis, transportation analysis, economic research, and tax and fiscal analysis. As a senior economist for one of the largest companies in the Fortune 500, he developed tax analysis programs, increased cost-center productivity, and created economic research operations. He has presented testimony on economic and technical issues in federal court and before federal and state agencies.

Prior to this, John was an economist with the Port Authority of New York and New Jersey, the Philadelphia Regional Port Authority, and the City of New York's Department of Ports & Trade.