



## ***POSITION STATEMENT***

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# **Tax Policy Should Encourage Consumers to Make Smart Healthcare Choices Using Dietary Supplements**

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## **Tax-Free Health Accounts Encourage Consumers to Make Cost-Effective Decisions for Their Healthcare**

- Tax-Free Health Accounts like Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs) provide consumers with incentives to make smarter decisions and to take greater control over their healthcare. With the rising costs of healthcare, consumers should be encouraged to use products and services that are cost-effective and that focus on prevention and wellness. Tax policies should incentivize the use of dietary supplements containing such beneficial nutrients as calcium, vitamin D, omega-3 fatty acids, a multivitamin with folic acid and more.

## **Dietary Supplements Provide Health Benefits to Millions of Americans**

- More than 170 million Americans use dietary supplements each year. Dietary supplements are a cost-effective way for consumers to take an active role in managing their healthcare. Combined with other healthful practices, dietary supplements are a component of smart lifestyle choices, playing a key role in preventative healthcare and overall good health.
- A growing body of scientific research demonstrates the health benefits of dietary supplements. The Food and Drug Administration (FDA), one of the government agencies that regulates the dietary supplement industry, has approved specific health claims, based on the scientific literature, for a number of dietary supplements.
- Recent economic research demonstrates that using dietary supplements saves billions of dollars annually by reducing health conditions that lead to emergency room visits, in-patient hospital stays and long-term care. Incentivizing supplement usage will save the healthcare system money.
- Research shows that consumers who take dietary supplements also are more likely to engage in other health-promoting activities such as eating a well-balanced diet, exercising regularly, visiting the doctor, and getting enough sleep.

## **Dietary Supplements Should Be Considered Allowable, Deductible Expenses for HSAs and FSAs**

- The Internal Revenue Code defines “medical care” (Section 213d) as expenses “for the diagnosis, cure, mitigation, treatment, or prevention of disease or for the purpose of affecting any structure or function of the body.” Dietary supplements fit into this definition and therefore should be recognized as medical expenses in the tax code associated with HSAs and FSAs.
- Consumers benefit when the government recognizes the substantial health benefits of dietary supplements products. Expanding the coverage of HSAs and FSAs to include those products will provide economic incentives for consumers to practice preventative healthcare.

## Health Savings Act of 2017

### **S. 403 in the Senate**

**Sponsor:** Sen. Orrin Hatch (R-UT); co-sponsor: Sen. Marco Rubio (R-FL)

**Referred:** Finance Committee

### **H.R. 1175 in the House of Representatives**

**Sponsor:** Rep. Erik Paulsen (R-MN); co-sponsors: Reps. Mike Kelly (R-PA), Lynn Jenkins (R-KS)

**Referred:** Ways and Means, Judiciary and Energy and Commerce Committees.

**What:** Section 502, in both S. 403 and H.R. 1175, would allow consumers to purchase herbs, vitamins, minerals, homeopathic remedies, meal replacement, and dietary supplement products as medical care, and therefore be considered deductible medical expenses under Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs). The legislation would also allow married individuals to make catch-up contributions, remove restrictions on the use of HSA and FSA dollars for the purchase of over-the-counter drugs, and promote wellness by expanding the definition of qualified medical expenses to encourage more exercise and a better diet.

**Background:** Both HSAs and FSAs offer consumers tax benefits that would provide incentives for positive behavior in the area of healthcare. By encouraging consumers to “plan ahead,” these programs focus on keeping good health top-of-mind and they empower consumers to be more active participants in their own well-being. HSAs are designed to help individuals save for qualified medical and retiree health expenses by providing tax incentives for participating in an HSA. FSAs are employer-sponsored programs that encourage employees to voluntarily put pre-tax money aside in a non-taxable account that can be used to pay for healthcare-related expenses not reimbursed by insurance.

Currently, dietary supplements that are “prescribed” by a doctor for a specific medical condition may be covered under HSAs and FSAs. But when a consumer makes a personal decision to practice wellness and preventative healthcare using dietary supplements, those expenses are not covered. S. 403 and H.R. 1175 would provide taxpayers with additional options for saving money on health-promoting products that are used by millions of consumers.

The health benefits of dietary supplements are well-documented by scientific research. It just makes sense that tax policy should give consumers the same incentive to protect their well-being with preventative health-conscious choices as it does for curing and treating conditions after they occur.