



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 4, 2012

### **H.R. 5842** **Restoring Access to Medication Act of 2012**

*As ordered reported by the House Committee on Ways and Means on May 31, 2012*

#### **SUMMARY**

H.R. 5842 would amend the Internal Revenue Code to repeal the provisions that disqualify expenses for over-the-counter medicine under health savings accounts (HSAs), Archer medical savings accounts (Archer MSAs), health flexible spending arrangements (FSAs), and health reimbursement arrangements (HRAs). The bill would thus allow costs for over-the-counter medications to be eligible for reimbursement by funds in those tax-favored accounts.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 5842 would reduce revenues by about \$4 billion over the 2012-2022 period. Of that reduction, about \$3 billion would result from changes in on-budget revenues, and about \$1 billion would result from changes in off-budget revenues (from Social Security payroll taxes, which are categorized as off-budget). Pay-as-you-go procedures apply because enacting the legislation would affect on-budget revenues.

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 5842 is shown in the following table.

	By Fiscal Year, in Millions of Dollars											2012-	2012-
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022
<b>CHANGES IN REVENUES</b>													
Estimated Revenues	0	-223	-305	-332	-361	-390	-419	-448	-479	-511	-544	-1,611	-4,012
On-budget	0	-169	-232	-252	-274	-296	-319	-340	-364	-388	-414	-1,224	-3,049
Off-budget	0	-54	-73	-80	-87	-94	-100	-108	-115	-123	-130	-387	-963

Source: Staff of the Joint Committee on Taxation.

Note: Components may not sum to totals because of rounding.

## **BASIS OF ESTIMATE**

H.R. 5842 would allow taxpayers to be reimbursed for purchases of over-the-counter drugs from their HSAs, Archer MSAs, FSAs and HRAs. Under current law, expenses for over-the-counter medications are not eligible for reimbursement from these accounts unless the medicine is prescribed by a physician. The bill would expand the expenses eligible for reimbursement under these health accounts, which provide tax-favored treatment for medical expenses. JCT estimates that enacting H.R. 5842 would reduce on-budget revenues by about \$3 billion and off-budget revenues by about \$1 billion between 2013 and 2022, thereby increasing federal budget deficits by about \$4 billion over that period.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in revenues that are subject to those pay-as-you-go procedures are shown in the following table. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

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**CBO Estimate of Pay-As-You-Go Effects of H.R. 5842, as ordered reported by the House Committee on Ways and Means on May 31, 2012**

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	By Fiscal Year, in Millions of Dollars												2012-	2012-
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022	
<b>NET INCREASE IN THE ON-BUDGET DEFICIT</b>														
Statutory Pay-As-You-Go Impact	0	169	232	252	274	296	319	340	364	388	414	1,224	3,049	

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**INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in UMRA.

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