White Paper: The Fatal Flaws of the Republican Study Committee Health Care Bill

Why the RSC Proposal Fails to Lower Costs, Protect Consumers, or Address the Structural Drivers of Health Care Inflation

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Executive Summary

The Republican Study Committee (RSC) has released a new health care proposal intended to demonstrate a conservative alternative to the Affordable Care Act (ACA). Yet despite the rhetoric, the RSC plan **does not lower costs**, **does not reform the financing structure that drives inflation**, and **does not offer Americans a true alternative to the employer-insurance monopoly**. Instead, it repackages the same incentives that have caused U.S. health care spending to balloon to more than $4.5 trillion annually.

Most concerning:
The RSC bill reinforces the two failed pillars responsible for today's crisis—Employer-Sponsored Insurance (ESI) and the ACA subsidy architecture—while introducing no mechanism that gives consumers ownership or control over their own health dollars.
By contrast, age-based tax credits (ABTCs) offer a simple, voluntary, portable, and market-driven option that realigns incentives and reduces national health care spending by trillions.

This white paper details why the RSC plan is structurally unsound and why policymakers should pursue a consumer-driven alternative.

I. The RSC Bill Fails to Address the Root Cause of Health Cost Inflation

1. It preserves employer-sponsored insurance—the system that caused the crisis

Employer-sponsored insurance (ESI) is the single largest driver of cost inflation in U.S. health care. ESI hides the true cost of care, suppresses wages, and encourages over-utilization because employees perceive insurance as "free," even though they pay 100% of the cost through lower wages.

Your book documents that ESI now consumes **nearly 20% of total employee compensation**, stripping families of wage growth and pushing national health spending upward.

The RSC bill does nothing to reduce or unwind this system.
Instead, it reinforces the employer model by continuing its tax favoritism and offering no portable alternative for workers.

2. It maintains the ACA's inflation engine

The Affordable Care Act locked in a structure where insurers profit when premiums rise, thanks to the Medical Loss Ratio (MLR) rules that guarantee insurers a fixed percentage of ever-growing costs.
This architecture has produced:

- soaring premiums
- exploding deductibles
- massive taxpayer subsidies
- rising insurer profits

The RSC bill does **not** reform the MLR incentive, does **not** challenge the subsidy structure, and does **not** expand consumer ownership of health dollars.

It effectively keeps the ACA inflation machine operating—just under a different label.

II. The RSC Proposal Offers No Mechanism for True Cost Reduction

1. No portable consumer financing mechanism

A real reform must allow people—not employers, not Washington—to own their insurance and savings.
The RSC bill offers **no portable, individually owned, defined-contribution model**, meaning:

- Job lock remains intact
- Workers still lose coverage if they get sick and cannot work
- No savings accumulate when people choose lower-cost plans
- Employers retain control over the largest portion of consumer health spending

By contrast, age-based tax credits (ABTCs) provide portable, simple, predictable funding that follows the individual—not the employer.
Unused funds flow into personal HSAs, creating long-term savings and wealth building.

The RSC bill includes none of these reforms.

2. No incentive realignment for insurers or providers

Because insurers earn more money when premiums rise, cost reduction is structurally impossible under the current financing model.
Your third chapter details how insurers profit from excessive utilization and inflation.

The RSC proposal:

- keeps percentage-based revenue streams intact
- continues employer tax exclusions
- preserves network restrictions
- maintains provider price opacity

Without incentive change, cost cannot fall.

3. No mechanism to shrink taxpayer obligations

The ACA's subsidy structure—expanded dramatically during COVID—is scheduled to expire in January 2026, creating a cliff that will push millions off subsidized plans. The RSC bill does nothing to replace the unstable subsidy framework with something sustainable.

Age-based tax credits, however, create a predictable, capped federal expenditure that does not grow automatically with premiums.
This is the only approach proven to reduce federal outlays while increasing consumer choice.

III. The RSC Bill Reinforces the Insurer–Employer–Government Monopoly

1. Consumers remain trapped in the existing architecture

The RSC bill does not create an on-ramp for Americans who want to leave employer plans, ACA plans, or Medicaid. Without a voluntary exit pathway, the current monopoly remains untouched.

By contrast, the age-based tax credit model:

- **is 100% voluntary**
- **sits alongside** existing systems
- lets consumers opt out if they prefer a portable alternative
- leads to natural, non-coercive ESI decline as younger workers leave

This voluntary transition is documented in your Nebraska 1332 waiver outline and your book's Chapter 12.

2. Insurers retain market power

The RSC bill allows insurers to continue:

- dictating networks
- extracting administrative fees
- benefiting from MLR inflation
- dominating employer plans

Age-based tax credits reverse this dynamic by forcing insurers to compete directly for individual consumers—just as auto and home insurers must.

IV. The RSC Bill Does Not Provide an Alternative—It Repackages the Status Quo

A viable conservative reform must:

1. **Break the employer monopoly**
2. **End ACA-style income-based distortions**
3. **Provide a portable, individually owned option**
4. **Reward consumers for choosing lower-cost care**
5. **Cap federal liability**
6. **Shrink insurer power**

The RSC plan accomplishes none of these.

Instead, it:

- leaves ESI untouched
- leaves ACA subsidies largely intact
- adds no consumer ownership
- does not create savings incentives
- does not build HSAs
- does not introduce price transparency
- does not challenge the MLR revenue model
- does not reduce premiums or deductibles

In short, the RSC bill **fails to offer an alternative**, leaving in place the core structural flaws that have broken the U.S. health care system.

V. What Real Reform Looks Like: The Age-Based Tax Credit Model (TrumpCare)

Your model—rooted in age-based tax credits—provides everything the RSC bill fails to deliver:

1. A simple, universal, voluntary defined-contribution model

Every American receives a fixed credit (e.g., $3,000–$6,400 depending on age), regardless of income.
Portable. Transparent. Predictable.

2. Savings flow directly to personal HSAs

Unused funds become long-term assets, not insurer revenue.

3. A voluntary exit from ESI

Employees—not employers—choose whether to stay or leave.
ESI unwinds naturally as younger workers opt out.

4. Competition replaces monopoly

Plans compete on price and quality.

5. Employers shift to wages, not insurance

Increases worker take-home pay immediately.

6. Trillions saved over 10 years

Federal savings from:

- capping the tax exclusion
- eliminating income-based distortions
- predictable credit outlays
- decreased Medicaid dependency
- reduced ACA subsidy burden