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Week 16

The Federal Market Alternative — Auto, Home, Banking, Insurance, Childcare, and Elder Care

"Stop letting private companies profit from what the government requires or makes essential."

1. The Problem

Americans are required by law or economic necessity to have auto insurance, home insurance, a bank account, a way to pay for things, prescription drugs, childcare, and elder care — and the private companies providing those products charge whatever the market will bear because no real alternative exists and the government has never competed. Visa and Mastercard together control approximately 80% of U.S. card transactions and collect \$160 billion per year in merchant processing fees that are ultimately built into the prices every American pays. The Credit Card Competition Act died in committee. The DOJ sued Visa in 2024 and the case is still in court. Congress has not acted because the financial industry's lobbying infrastructure is more powerful than the consumer's interest in lower prices.

2. The Governing Principle

Stop letting private companies profit from what the government requires or makes essential. The federal government enters each market as a non-profit competitor — not to replace private options but to set a price ceiling that forces the private market to compete on value. The public option in each market is the standard everything else is measured against.

3. The Specific Policy

I. Federal Payment Processor — FedPay

Visa and Mastercard control approximately 80% of U.S. card transaction volume. Merchants pay 1.5-3.5% interchange fees on every card transaction — \$160 billion per year total. Those fees are not absorbed by merchants. They are built into the prices every American pays for every purchase made with a card. The consumer who pays cash subsidizes the rewards program of the consumer who pays with a premium credit card. This is not a free market — it is a network monopoly that Congress has repeatedly failed to break up.

- **FedPay — federal payment processing at 0.5% flat:** a federal payment processing network operated by the Treasury Department. Merchants that accept FedPay pay a flat 0.5% transaction fee covering the actual cost of processing plus a small reserve. No interchange. No network fees. No rewards program funded by merchant margins. A merchant processing \$1 million per year

through FedPay saves \$10,000-30,000 compared to Visa/Mastercard rates. Those savings flow to lower prices, higher wages, or retained earnings — not to card network shareholders.

- **FedPay debit card:** every American with a postal banking account receives a FedPay debit card accepted at any merchant that enrolls in the FedPay network. Federal benefit payments — Social Security, SNAP, veterans benefits, disability — are loaded directly onto FedPay cards. No check cashing fee. No prepaid card fee. No third-party processing margin between the government and the recipient.
- **Merchant enrollment incentive:** federal contractors and federally regulated institutions are required to accept FedPay within 180 days. All other merchants may enroll voluntarily. The 0.5% rate creates a direct financial incentive — a merchant who processes \$500,000 per year saves \$5,000-12,500 annually by shifting transactions to FedPay.
- **The competitive mechanism:** FedPay does not need to replace Visa and Mastercard. It needs market share large enough to force the networks to reduce their fees to compete. Once the federal government is processing tens of millions of transactions per day at 0.5%, the private networks face pricing pressure they have never encountered.
- **Why Congress has not done this:** Visa and Mastercard spent approximately \$3.5 billion lobbying against the Credit Card Competition Act between 2022 and 2025. Week 18 lobbying reform and the platform's public financing structure remove the financial incentive that has blocked this reform for decades. The president who cannot be bought by the financial industry can do what Congress would not.

II. Federal Auto Insurance

- **Federal auto insurance available in all 50 states at cost plus 3%:** liability coverage at state minimums available to any American driver. No profit margin above operating costs plus a 3% administrative reserve. No denial for prior accidents beyond a defined threshold. No credit score rating. No zip code rating. Premium set annually by actuarial formula published publicly.
- **Rideshare and gig worker coverage:** federal auto policy explicitly covers commercial rideshare and delivery periods at the same rate, ending the coverage gap that leaves gig workers uninsured during the period between accepting a ride and picking up the passenger.

III. Federal Home Insurance

- **Federal home insurance for properties the private market abandons:** the private home insurance market is withdrawing from Florida, California, Louisiana, and other high-risk states — leaving homeowners without coverage or with unaffordable premiums. The federal program covers properties the private market abandons at actuarially sound rates that reflect real risk without the profit margin.

IV. Federal Banking Option — Postal Banking

- **Basic banking at every post office — checking, savings, small loans at Treasury rate plus 3%:** the 33 million unbanked Americans have a federal banking option at their nearest post office. No minimum balance. No monthly fees. No overdraft fees. FedPay debit cards and money orders. The Week 9 American Dream Credit Program is administered through postal banking.

V. Federal Pharmacy Benefit Manager

- **Federal PBM eliminates spread pricing — \$30-60 billion in annual savings:** PBMs currently charge federal programs more than the negotiated drug price and pocket the difference. The Federal PBM negotiates directly with manufacturers, charges only the negotiated price plus a published administration fee, and returns all savings to the Treasury and beneficiaries. Coordinates with Week 3 drug cost reform.

VI. Federal Childcare Centers

- **Federal childcare on a sliding scale in high-need areas:** sliding scale fees from zero for families at or below 100% FPL to market rate for families above 300% FPL. No work requirement takes effect in any jurisdiction until federal childcare capacity is verified as available in that jurisdiction. Staffed through Week 12 Career Incentive Program at living wages.

VII. Federal Elder Care

- **Federal elder care homes — non-profit alternative to private nursing facilities:** the average private nursing home costs \$8,000-10,000 per month. Federal elder care facilities provide long-term care at cost plus a small administrative margin — roughly 40-60% of private facility costs. Staffed with Week 12 Career Incentive Program participants. Week 19 prison workforce training agriculture program produces food for federal elder care facilities.

4. Estimated Cost

FedPay merchant savings: \$160 billion per year currently paid in interchange fees — FedPay captures a portion at 0.5%, generating modest Treasury revenue while saving merchants and consumers tens of billions annually. Federal benefit payment delivery savings: eliminates third-party processing fees on approximately \$1.5 trillion per year in federal benefit payments — estimated \$5-15 billion per year in eliminated fees. Federal PBM: \$30-60 billion per year in federal drug cost savings. Federal auto and home insurance: self-funding at cost plus 3% after Year 2 startup. Postal banking: self-funding within 3 years. Federal childcare and elder care: partially offset by Medicaid savings. Net federal investment after offsets: approximately \$20-30 billion per year.

5. Year 1 Implementation and Measurable Result

Year 1 measurable result: FedPay network operational for federal benefit payments within 180 days; all federal contractors required to accept FedPay within 180 days; FedPay merchant enrollment open to all businesses within 180 days; Federal PBM operational and publishing all negotiated drug prices publicly within 180 days; postal banking accounts available at 10,000 post office locations within 180 days; federal auto insurance available in all 50 states within 180 days; 500 federal childcare center locations open or under active construction by end of Year 1.