WHITE PAPER

Why Senator Bill Cassidy's "Pre-Funded Flexible Spending Account" Proposal Fails to Address Structural Health Care Costs

And Why It Falls Far Short of a Voluntary, Portable, Consumer-Owned Alternative

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Executive Summary

Senator Bill Cassidy has positioned himself as a policy-oriented physician seeking to "fix" Obamacare by lowering costs and empowering patients. His latest concept **— "Pre-Funded Flexible Spending Accounts" (Pre-Funded FSAs)** — claims to redirect subsidies away from insurers and into accounts controlled by individuals.

At first glance, this appears aligned with President Trump's call to send money directly to patients. But structurally, Cassidy's idea **does not reform the ACA**, **does not weaken employer-sponsored insurance (ESI)**, **does not change insurer incentives**, **does not introduce portability**, and **does not create a viable voluntary alternative to existing systems.**

Most importantly:

Cassidy's Pre-Funded FSA is NOT a defined-contribution model.

It is a repackaged version of income-based ACA subsidies — kept inside the ACA marketplace — with new administrative wrappers around it.

The result is predictable:
Cassidy's plan preserves the ACA subsidy structure, keeps the ESI monopoly intact, and fails to bend the cost curve.
It changes almost nothing.

By contrast, a voluntary, portable age-based tax credit model — as outlined in TrumpCare — provides **true ownership**, **real portability**, **defined contributions**, **HSA wealth-building**, and **a natural exit ramp from ESI.**

Cassidy's plan delivers none of this.

I. Cassidy Correctly Identifies the Problem — Then Proposes a Solution That Does Not Fix It

In his Senate floor remarks, Cassidy criticized the enhanced ACA subsidies because:

- They funnel billions to insurance companies
- They create no incentive to lower premiums
- They expand insurer profits
- They reinforce dependency on ACA-compliant offerings

Cassidy is absolutely right — this is the central flaw in ACA financing.
But his proposed solution does not solve any of these problems.

Instead, Cassidy takes the same subsidies, leaves the ACA structure untouched, and simply diverts those dollars into a quasi-FSA account **— but ONLY for use on ACA-approved plans.**

That means:

- The ACA's premium-setting structure remains intact
- The ACA's inflationary subsidy architecture remains intact
- Insurers still control pricing and benefits
- Networks stay narrow
- Premiums still rise because subsidies scale with cost

Cassidy identifies the disease — then prescribes a sugar pill.

II. Pre-Funded FSAs Are Not Real FSAs — and Not Real Reform

Traditional Flexible Spending Accounts (FSAs):

- Are employer-based
- Are "use it or lose it"
- Are not savings vehicles
- Cannot accumulate long-term health wealth
- Do not unbundle insurance from employment

Cassidy's "Pre-Funded FSA" is not actually an FSA at all.

It is simply an ACA subsidy paid into a restricted-use spending pool.

Key failures:

- **No rollover** (Congress has not signaled any intention to allow accumulation)
- **No ownership** (funds are not treated as personal assets)
- **No portability** (still tied to ACA marketplace plans)
- **No HSA integration**
- **No defined contribution structure**
- **No ability to choose non-ACA legal plans**

Compare this to the TrumpCare voluntary model:

- Defined, predictable, age-based credit amounts
- Savings automatically rolled into personal HSAs
- Plans can be ANY legal plan authorized by a state (not only ACA QHPs)
- Coverage owned by individuals permanently
- Portability across jobs, states, and life changes
- Voluntary opt-out of ACA, Medicaid, and ESI programs
- Ownership of accumulated, tax-free health wealth

Cassidy's idea is not transformative.
It is cosmetic.

III. Cassidy's Plan Does Not Break Employer-Sponsored Insurance — the True Engine of Inflation

Your book and white papers clearly demonstrate that ESI is the structural source of:

- Hidden premium costs
- Wage suppression
- Overutilization
- Premium inflation
- Loss of coverage when sick
- Massive taxpayer subsidy via the employer tax exclusion

Cassidy does nothing to address:

- The employer tax exclusion (the largest hidden entitlement in the federal budget)
- Job-lock

- The fact that workers “rent” insurance from employers
- The portability crisis
- ESI’s $30,000–$40,000 annual family premiums

No structural reform is possible without offering workers a **voluntary exit ramp**.

TrumpCare does this through **portable age-based credits** .
Cassidy provides no such option.

His plan **does not allow employees to leave ESI**, and therefore cannot lower national costs.

IV. Cassidy Leaves Insurer Incentives Completely Intact

Cassidy says insurers have “no incentive to lower premiums.”
He is correct — but his plan keeps those incentives exactly as they exist today.

Under Cassidy’s Pre-Funded FSA model:

- Insurers still set premiums within ACA constraints
- Subsidies still grow as premiums increase
- Insurers still earn more revenue when costs rise
- MLR rules still guarantee insurers a percentage of every dollar spent
- Risk pools remain distorted

This is the exact inflation loop your white paper critiques:
a system where insurers profit when premiums inflate .

Cassidy’s plan does nothing to remove this structural incentive.

V. Cassidy’s Plan Does Not Introduce Real Consumer Choice

Cassidy claims his plan:

- “Puts health care decisions in the hands of Americans”

But consumers under his proposal can only:

- Apply their Pre-Funded FSA dollars to ACA-qualified plans
- Shop within the exchange system he ostensibly wants to “fix”
- Choose among plans designed under ACA benefit rules

This is not free-choice.
It is **restricted choice within a government-defined marketplace**.

Compare to a voluntary TrumpCare model:

- Consumers may apply credits to *any legal state-approved plan* — catastrophic, indemnity, short-term, DPC, HSA-qualified, etc.
- Unused credit dollars accumulate in an HSA
- Plans can be purchased off-exchange
- Coverage belongs to the individual permanently
- ACA, Medicaid, and ESI remain available, but Americans may opt out voluntarily

Cassidy gives consumers **a new envelope**, not new choices.

VI. Cassidy Offers No Ownership, No Portability, No Wealth-Building

A central theme in your reform model is that **Americans should own both their coverage and their savings**.

Your TrumpCare model:

- Puts every unused credit dollar into a personal HSA
- Allows lifelong tax-free accumulation
- Builds $300,000–$2,000,000 in lifetime HSA wealth for many families
- Breaks employer control
- Breaks the insurer monopoly over health dollars

Cassidy’s plan:

- Does not use HSAs
- Does not allow compounding savings
- Does not accumulate money for long-term care or retirement medical needs
- Does not allow inheritance or wealth transfer
- Does not promote cost-conscious behavior, because savings are not retained

It is not an ownership model.
It is a spending account.

VII. Cassidy Preserves the ACA's Core Defects Instead of Offering a Voluntary Alternative

The ACA's fundamental problems — as documented in your petition to HHS and reform blueprint — include:

- Subsidies tied to income
- Benefit cliffs
- Unaffordable unsubsidized premiums
- Narrow networks
- Forced pricing structures
- A monopoly of QHPs
- No consumer ownership
- No incentive for cost control

Cassidy's concept:

- Keeps ACA subsidies
- Does not simplify eligibility
- Does not eliminate subsidy cliffs
- Does not allow consumers to choose non-ACA plans
- Does not reduce insurer administrative bloat
- Does not reduce federal spending
- Does not offer a voluntary escape from ACA or ESI

In fact, Cassidy's idea **deepens reliance on the ACA framework**, rather than providing an alternative to it.

This is the exact opposite of what your TrumpCare model achieves:

- A voluntary, parallel system that consumers can choose
- Not replacing ACA or ESI
- But making both obsolete over time because consumers prefer ownership, portability, and savings

Cassidy offers no such parallel system.

VIII. Conclusion: Cassidy’s Plan Is Symbolic, Not Structural — and Cannot Reduce Costs

Senator Cassidy deserves credit for acknowledging that current subsidies enrich insurers.
But acknowledgment is not reform.

Cassidy’s plan fails because it:

- Preserves the ACA exchange monopoly
- Preserves the employer-sponsored insurance monopoly
- Preserves insurer incentives to inflate costs
- Offers no real portability
- Offers no real ownership
- Offers no HSA wealth-building
- Offers no voluntary off-ramp from existing systems
- Offers no structural cost control
- Offers no defined contribution model
- Offers no reduction in federal spending

Cassidy repackages the ACA subsidy system in new language, but keeps every inflationary mechanism fully intact.

By contrast, a voluntary, portable age-based credit system — the foundation of TrumpCare — creates:

- Real choice
- Real ownership
- Real portability
- Real wealth-building
- Real competition
- Real downward pressure on premiums
- Real exit pathways from ESI, ACA, and Medicaid — by choice, not force

Cassidy’s plan cannot accomplish these outcomes because it does not change the system.
Your voluntary model does, without mandates, without disruption, and without replacing anything.