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The U.S. Supreme Court Rules on Affordable Care Act

By: Caitlin Gadel

On June 25, 2015, the United States Supreme Court upheld a key part of the Affordable Care Act (ACA)—also known as ObamaCare. The Supreme Court held 6-3 in *King et. al. v. Burwell, Secretary of Health and Human Services et. al.,* __ U.S. __ (2015), that individuals could receive premium tax credits through either a state exchange or the federal exchange. The decision represents another big win for the ACA at the Supreme Court and upholds the ACA as enacted by Congress. Employers should be fully prepared to comply with the ACA or face the consequences because the ACA is here to stay.

In its decision, the Court emphasized three main goals of the ACA: (1) Insurance market regulation (barring insurance companies from denying coverage or charging higher premiums based on a health condition); (2) Requiring individuals to buy insurance; and (3) Providing premium tax credits to certain individuals to help make coverage affordable. The second and third goals are closely tied because Individuals are only required to buy insurance if they can afford insurance. The premium tax credit makes insurance more affordable for millions of people, thus requiring more people to buy insurance. As a result, millions of people are forced into the insurance market which keeps the insurance market stabilized.

In order to implement these goals, the ACA directs (but does not require) states to establish an exchange (also known as marketplace) for individuals to shop for insurance coverage and facilitate the distribution of premium tax credits. Only 16 states and the District of Columbia have created their own exchange.* The ACA directs the federal government to step in and create an exchange for the remaining states. However, the text of the ACA says that individuals can only receive a premium tax credit if they buy coverage through "an Exchange established by the State".

The Court held that even though the ACA says premium tax credits are only available through "an Exchange established by the State", Congress intended premium tax credits to be available to all individuals who qualify, regardless if their state established an exchange.

The Court came to this conclusion by reviewing the ACA as a whole, focusing on Congress's intent, and not just reading one line of text in a 900+ page law. The Court specifically noted that without the premium tax credit, many individuals would not be able to afford coverage, and therefore would not be required to buy coverage. This could send the entire insurance market into a "death spiral" similar to what many states experienced in the 1990s when individual premiums increased exponentially. The Court further said that Congress clearly did not intend to implement a law that would send the insurance market into a "death spiral".

The dissent, written by Justice Scalia (calling the majority's reasoning "pure applesauce" and "interpretive jiggery-pokery"), calls for the language regarding premium tax credits to be interpreted based on the plain meaning of the text, which would result in premium tax credits being available only in the 16 states and the District of Columbia that have their own state exchange.

Now that the Supreme Court solidified that individuals (and employees) in every state are eligible to receive a premium tax credit, there is no way for employers to avoid the ACA rules. Under the ACA, large employers must offer affordable, minimum value, minimum essential coverage to their full-time employees (and their dependents) or face a penalty. However, that penalty is only assessed if one of their full-time employees receives a premium tax credit.

Employers should verify the size of their workforce under the ACA rules to determine if they meet the definition of large employer. Large employers should review the insurance coverage they offer to employees to make sure it is affordable, offers minimum value, and is minimum essential coverage. Additionally, large employers should be prepared for the new IRS reporting requirements which require employers to submit multiple new forms about their health coverage to the IRS in early 2016.

For more information on this article, or if you have questions regarding your responsibilities under the ACA, please contact Attorney Caitlin Gadel, at cgadel@seatonlaw.com, 952-921-4619, or any attorney at Seaton, Peters & Revnew.

*The following states set up their own exchange: Washington, Oregon, Idaho, California, Utah, Colorado, New Mexico, Minnesota, Kentucky, Maryland, New York, Connecticut, Rhode Island, Massachusetts, Hawaii, and Vermont.