
Supreme Court Issues Landmark Decision on Healthcare Reform

Gray Reed & McGraw Legal Alert

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In a long-awaited decision, the Supreme Court upheld the constitutionality of the Affordable Care Act. The debate centered on the constitutionality of two provisions of the ACA: the highly-publicized individual mandate, and the lesser-known Medicaid expansion provision. In a 5-4 vote, the Court upheld the individual mandate on the basis that it is a tax that Congress can impose using its power under the Taxing Clause of the Constitution. The individual mandate, as it is popularly known, requires most Americans to have "minimum essential" health insurance coverage by 2014, and those who do not comply with the law must make a "shared responsibility payment" to the federal government. The Court interpreted the mandate "not as ordering individuals to buy insurance, but rather as imposing a tax on those who do not." There were not enough votes to uphold the individual mandate under the Commerce Clause, under which Congress can regulate commerce among the states. Chief Justice Roberts wrote that the Constitution gives Congress "the power to regulate commerce, not to compel it." Because the mandate would compel individuals "to become active in commerce," it cannot be upheld under the Commerce Clause.

In reaching its decision, the Court held that the Anti-Injunction Act did not bar the suit in the first place. The Anti-Injunction Act prevents a party from challenging a tax before it is collected, and thus would have barred the suit if it applied. However, in an apparent inconsistent statement that it is a tax the Court held it did not apply in this case because Congress intended the tax to be treated as a penalty, not a tax, for purposes of the Act.

The second provision of the ACA addressed by the Court requires states to expand their Medicaid programs or risk losing all federal Medicaid funding. The Court upheld the Medicaid provision, but only on a limited basis. The federal government cannot withdraw existing Medicaid funds if states refuse to comply with the new requirements. Therefore, if states choose not to expand their Medicaid programs, they will continue to receive existing Medicaid funds but will lose out on additional funding that is conditional upon compliance with the new requirements.

Gray Reed & McGraw is preparing an analysis with greater detail which will be made available. If you have any questions regarding today's decision, Gray Reed Healthcare attorneys are available at your request.

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