

United States Supreme Court Upholds PPACA

Today, the U.S. Supreme Court (Court) issued its long awaited decision on the Patient Protection and Affordable Care Act (the Act), upholding the constitutionality of the individual mandate provision of the Act as a valid exercise of Congress' power under the Taxing Clause¹ and limiting the Medicaid expansion by striking, as an unconstitutional exercise of Congress' power under the Spending Clause,² the provision of the Act that authorizes the U.S. Department of Health and Human Services Secretary (the Secretary) to withdraw existing Medicaid funds from States that fail to implement the expanded Medicaid coverage requirements in the Act.³

Signed into law by President Obama on March 23, 2010, the Act is one of the most comprehensive pieces of health care reform legislation ever enacted. Among the more controversial provisions of the Act is the individual mandate, which requires most individuals to maintain a minimum level of health insurance coverage for themselves and their tax dependents in each month beginning in 2014 or make a payment to the Internal Revenue Services with their taxes.⁴ Since its enactment, numerous lawsuits challenging various provisions of the Act have been filed in the federal courts. Opponents argued the Act is an unprecedented expansion of federal power that seeks to change the fundamental relationship between the citizens and the federal government, while proponents characterized the Act as a permissible exercise of the Commerce Clause power, being necessary and proper to address the country's current health care challenges. Many of those cases were dismissed, but at least seven federal appellate courts have issued decisions on the merits of these cases.⁵

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	Plaintiff's Standing	Anti-injunction Act	Individual Mandate	Medicaid Expansion
3rd Circuit	No Standing			
4th Circuit		Act cases barred		
6th Circuit			Upheld	

	Plaintiff's Standing	Anti-injunction Act	Individual Mandate	Medicaid Expansion
8th Circuit	No Standing			
9th Circuit	No Standing			
11th Circuit			Struck Down	Upheld
D.C. Circuit			Upheld	

The Decision

In the 5-4 decision, delivered by Chief Justice Roberts, the Court held that the individual mandate in the Act must be construed as a tax on those who do not have health insurance and, therefore, may be upheld as within Congress' power under the Taxing Clause. Noting that it was not prevented from characterizing the mandate as a tax merely because of Congress' choice of language in the Act that individuals "shall" obtain insurance or pay a "penalty," the Court stated the individual mandate could reasonably be seen as a tax because "neither the Affordable Care Act nor any other law attaches negative legal consequences to not buying health insurance, beyond requiring a payment to the IRS."⁶ The Court upheld, but limited, the Medicaid expansion provision of the Act finding that the Secretary's authority under the Act to withdraw existing Medicaid funds if States fail to comply with the requirements of the expansion was an unconstitutional exercise of the Spending Clause power because Congress cannot threaten "to terminate . . . grants as a means of pressuring the States to accept a Spending Clause program."⁷

Interestingly, the Court held that the individual mandate requirement was not a valid exercise of Congress's power under the Commerce Clause to regulate commerce and the Necessary and Proper Clause. In so finding, the Court held that Congress' Commerce Clause power is limited to regulation of "activity" and cannot be used as a basis to compel "individuals to become active in commerce by purchasing a product, on the ground that their failure to do so affects interstate commerce."⁸ The Court went on to find that the individual mandate also could not be upheld under the Necessary and Proper Clause because that Clause



is limited to the exercise of authorities "derivative of, and in service to," another enumerated power and, in this case, the mandate could not be upheld as an essential component of insurance regulation under the Commerce Clause.⁹

Finally, the Court found that the challenge to the individual mandate was not barred by the Anti-Injunction Act, which provides that individuals cannot challenge a tax prior to paying it. The Court held that Congress' decision to label the payment imposed on those who do not comply with the individual mandate as a "penalty," while not dispositive of whether the payment is a tax for purposes of the Constitution, does determine, and in this case, prevent, the application of the Anti-Injunction Act.

The Court's decision is available [here](#) as well as a summary of the ACA provisions. If you have any questions, please contact your Reinhart attorney or any Reinhart Health Care attorney.

¹ U.S. CONST. art. I, § 8, cl. 1.

² U.S. CONST. art. I, § 8, cl. 1.

³ The Court granted certiorari to hear portions of three petitions from the Eleventh Circuit arising out of *National Federation of Independent Business v. Sebelius* 11-393 and *Department of Health and Human Services, et al., v. Florida, et al.* Co. 11-11021, 11-11067.

⁴ See Section 5000A(b)(1) of the Act.

⁵ Summary of Circuit Court of Appeals Decisions

⁶ *Nat'l Fed'n of Indep. Bus. v. Sebelius*, No. 11-393, slip. op. at 4 (U.S. June 28, 2012).

⁷ *Id.* at 5

⁸ *Id.* at 3

⁹ *Id.*

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