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United States Supreme Court Upholds the Patient Protection and Affordable Care Act

Yesterday, the Supreme Court issued its opinion on the Patient Protection and Affordable Care Act (PPACA or Act), holding the primary parts of the Act constitutional. This E-Alert provides a brief overview of the decision and the impact that it will have on group health plans and employers. We will provide more detailed information in the near future.

Background

The Supreme Court reviewed the constitutionality of the individual mandate—the PPACA provision that generally requires all people to buy health insurance or pay a penalty. The opponents of PPACA argued that Congress can regulate only "activity" under the Constitution, and the failure to purchase health insurance is "inactivity." The Government countered by arguing that the failure to purchase health insurance has a substantial impact on commerce such that it rises to the level of being considered "activity" that could be regulated by Congress. The Government also argued, in the alternative, that the mandate and its penalty represented a valid exercise of Congress' taxing power. The Justices also heard arguments about whether the individual mandate could be separated from the rest of the Act to allow other PPACA sections to remain effective. PPACA opponents argued that the individual mandate is inextricably bound with the other provisions in PPACA and therefore cannot be severed.

The Decision

Although the Supreme Court agreed with PPACA's opponents that Congress can regulate only activity and the failure to purchase health insurance did not constitute "activity," the Court still upheld the Act. The Court held that the individual mandate was a valid exercise of Congress' taxing power, generally reasoning that the mandate could reasonably be seen as an increased tax on those individuals who did not purchase health insurance. Because the Court ruled that the individual mandate is constitutional, the Court did not consider whether the mandate was severable.

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Impact

Because the portions of PPACA applicable to group health plans and employers were upheld in their entirety, Plan Sponsors should continue complying with those aspects of the Act that are currently in effect (e.g., coverage for adult children until age 26, no lifetime dollar limits on essential health benefits and only restricted annual dollar limits on essential health benefits). Additionally, Plan Sponsors should prepare for upcoming compliance items, such as providing summaries of benefits and coverage and applying the $2,500 limit on flexible spending accounts. Also, some Plan Sponsors must report the cost of coverage on employees' upcoming Forms W-2.

Conclusion

Unless and until PPACA is revised by Congress, Plan Sponsors must continue to comply with the Act's requirements and continue preparing to satisfy the upcoming compliance items.

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