

Publications

Supreme Court Decision Preserves the Affordable Care Act

Related Attorneys

Jacquelyn Meng Abbott

Jennifer Bibart Dunsizer

Wendy M. Swary

Christine M. Poth

Dawne McKenna Parrish

Margaret "Peggy" M. Baron

Related Services

Employee Benefits and Executive Compensation

Labor and Employment

CLIENT ALERT | 6.21.2021

In the 7-2 decision in [California v. Texas](#) handed down by the U.S. Supreme Court on June 17th, the third constitutional challenge to the Patient Protection and Affordable Care Act (ACA) that reached the Supreme Court was dismissed without reaching the merits of the constitutional arguments.

In 2017, Congress amended the ACA lowering the penalty on taxpayers who fail to have in place minimum essential health insurance coverage (the individual mandate) from \$695 to \$0 zero starting in 2019. This change led to a constitutional challenge. Texas and 17 other states sued the United States and federal officials claiming that without the penalty, the individual mandate was no longer equivalent to a tax, and that the ACA's individual mandate, as well as the rest of the ACA, was unconstitutional. The lawsuit was later joined by two individual plaintiffs. The 18 states and the two individuals claimed that without the "tax," the ACA's individual mandate was unconstitutional.

The decision in [California v. Texas](#) was the result of an appeal from a Fifth Circuit Court of Appeals decision. The Fifth Circuit's decision held that the individual mandate was unconstitutional if there was no financial penalty, because the individual mandate could no longer be classified as a tax. The Court of Appeals then remanded the case to the district court for further deliberations on whether the remaining provisions of the ACA were constitutional without the individual mandate. See our December 31, 2019 Benefits Alert: [The Impact on Health & Welfare Plans in the New Year based on the Fifth Circuit's ACA Ruling and the Further Consolidated Appropriations Act, 2020](#)

The Supreme Court in this third decision did not reach the issue of the constitutionality of the individual mandate or how much of the ACA would fall if the individual mandate was not constitutional, but instead determined that neither the states nor the individual plaintiffs had standing to sue under Article III, section 2 of the United States Constitution. The Court determined that, in order to have standing, the plaintiffs were required to show "a concrete, particularized injury fairly traceable to the defendants' conduct in enforcing the specific statutory provision." The Supreme Court ruled that the plaintiffs did not meet this

test.

Although there is a challenge still in courts about the application of certain benefit mandates contained in the ACA to religious groups, the ACA generally now stands as the law of the land and plan sponsors should continue to comply with the ACA.