

The U.S. Supreme Court Rules on the ACA – The Individual Mandate is Constitutional

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This morning, June 28, 2012, the U.S. Supreme Court released their decision upholding the constitutionality of the individual mandate - the centerpiece of President Obama's health care law.

The individual mandate requires that all Americans maintain "minimum essential" health insurance coverage. Beginning in 2014, individuals that do not comply with the mandate must make a "shared responsibility payment" to the Federal Government. The amount of the payment varies with household income, subject to a floor and a ceiling based on the average annual premium that the individual would have to pay for private health insurance.

Interestingly, the Supreme Court rejected the Obama administration's argument that the individual mandate was permissible under the Commerce Clause, instead concluding that the individual mandate was permissible under Congress' taxing authority.

Another key provision of the Affordable Care Act is the expansion of the Medicaid program. The Affordable Care Act expands the scope of the Medicaid program and increases the number of individuals that states must cover. For example, the Act requires state programs to provide Medicaid coverage to adults that earn up to 133 percent of the federal poverty level. Many states only provide Medicaid to individuals whose incomes are significantly lower.

While the Act increases federal funding to cover the states' costs in expanding coverage, it also threatened to withdraw all federal Medicaid funds for failure to comply. This morning, the Supreme Court ruled that while it was permissible to expand the Medicaid program, the Act could not withdraw existing Medicaid funds for states that opt out of the expansion.

Additional Information

For more information on the U.S. Supreme Court's decision, please feel free to contact any member of our health care practice group for a further discussion.

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