

EMPLOYEE BENEFITS LAW INFORMATION MEMO

JUNE 25, 2021

U.S. Supreme Court Strikes Down Third Challenge to the Patient Protection and Affordable Care Act

On June 17, 2021, the Supreme Court of the United States struck down a lawsuit challenging the constitutionality of the Patient Protection and Affordable Care Act (ACA) for the third time. The ACA is a comprehensive healthcare law enacted by President Obama in March 2010 that contains numerous provisions intended to expand individuals' access to health insurance. For example, the ACA created the employer mandate, provided for the creation of a health insurance marketplace, mandated that individuals obtain health insurance and prohibited the denial of coverage due to pre-existing conditions.

Third ACA Challenge

One component of the ACA required most individuals to obtain minimum essential health insurance coverage and imposed a monetary penalty upon individuals who failed to do so (the "individual mandate"). In 2012, the U.S. Supreme Court upheld the individual mandate by characterizing the penalty as a tax, which Congress has the power to impose. However, in 2017, Congress enacted an amendment to the ACA that set the penalty for not buying health insurance to \$0, but left the rest of the ACA in place. Subsequently, Texas (along with 17 other states and two individuals) filed a lawsuit in federal court, claiming that because the individual mandate penalty was zero, it could no longer be characterized as a tax and is, therefore, unconstitutional. California (along with several other states) joined the lawsuit to defend the ACA.

Supreme Court Holding

In *California v. Texas*, the U.S. Supreme Court struck down a challenge to the ACA by a 7-2 vote and ruled that Texas (along with the other plaintiffs), did not have the legal standing to challenge the law. The Court ruled that neither the states nor the individuals challenging the ACA could prove the ACA's zero individual mandate penalty could hurt them.

Importantly, the Court avoided addressing the merits of whether the ACA was unconstitutional when Congress eliminated the individual mandate penalty.

Takeaway

While the individual mandate penalty remains at zero, this decision confirms that the other requirements of the ACA remain in effect. Notably, employers must continue to comply with the employer mandate, as well as the applicable reporting requirements.

Although intact for now, lawsuits over the ACA remain active in the federal courts, suggesting legal challenges to the ACA are far from over.

If you have any questions about this information memo, please contact [Daniel J. Nugent](#), any attorney in our [Employee Benefits and Executive Compensation practice](#) or the attorney at the firm with whom you are regularly in contact.

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