

Benefits BULLETIN



U.S. Supreme Court Decision Keeps Intact the ACA

● June 17, 2021 ●

On **June 17, 2021**, the U.S. Supreme Court (the Court) issued its decision in ***California v. Texas***, the latest challenge to the Affordable Care Act (ACA). Though the Court did not render an opinion on the substantive issues in the case, its decision leaves the entirety of the law intact and unchanged.

What Was the Case About?

The lawsuit originated in 2018 when several states, led by Texas (the Plaintiffs), argued that because the individual mandate penalty had been reduced to \$0, it is no longer a tax as earlier characterized by the Court and it is therefore unconstitutional.

Lower federal courts agreed with the Plaintiffs that the individual mandate is unconstitutional, but another critical question was then raised: whether the individual mandate can be severed from the rest of the ACA, or whether the entirety of the law will be invalid without it.

The Court agreed to hear the case on the issues of constitutionality and severability. Oral arguments were held in November 2020.

What is the Importance of the Court's Decision?

Interestingly, the Court did not directly rule on the issue of the constitutionality of the individual mandate or the question of whether the individual mandate can be severed from the ACA. Instead, the Court ruled that the Plaintiffs in the case lacked standing. In other words, the Court found that the Plaintiffs failed to demonstrate that they had suffered any injury or damage caused by the ACA and, consequently, lacked the necessary grounds to challenge the law.

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While the Court's decision does not address the core questions at issue in the case, it does put an end to this challenge to the ACA. As a result, the law remains wholly intact.

What Impact does the Decision have on Employers?

Because the Court's decision leaves the ACA unchanged, the impact on employers is minimal. Applicable Large Employers (ALEs) will continue to be subject to the ACA's employer mandate provisions, including the annual reporting requirements under Internal Revenue Code Sec. 6056. And although the ACA's individual mandate penalty remains \$0, similar individual mandate-like laws (and associated penalties) enacted by some states are unaffected. Employers in these states, including California and New Jersey, may have reporting obligations under these laws.