Appellate Court Invalidates ACA’s Individual Mandate

Background
Beginning in 2019, the individual mandate penalty/tax was reduced to $0.00.

Republican attorneys general from 20 states filed a lawsuit, Texas v. the United States, arguing that the mandate could no longer be considered a tax and was therefore unconstitutional. Democratic attorneys general from 16 states and the District of Columbia intervened as defendants of the law.

In December 2018, a US District Court judge in Texas agreed with the plaintiffs, ruling that the individual mandate was unconstitutional. Further, the judge expanded the ruling to state that the entire Affordable Care Act is invalid because Congress found the individual mandate “essential” to the ACA’s plan to reshape health insurance markets.

In January 2019, the Department of Justice, Democratic attorneys general, and the U.S. House of Representatives appealed the District Court’s decision to the Fifth Circuit. The appellate court upheld ruling by the U.S. District Court judge that the individual mandate is unconstitutional. However, the appellate court did not rule on whether this means the entire ACA is invalid. Instead, the appellate court remanded the case back to the District Court to further explain how the unconstitutional status of the individual mandate was evidence that the entire ACA is invalid.

Summary
The appellate court ruling has no immediate effect on the ACA. Employer groups’ health plans are still subject to the Employer Shared Responsibility penalties and the ACA reporting requirements.

While it’s likely this case will be appealed to the Supreme Court, there is no guarantee the Supreme Court will agree to hear the case, and in any event, it’s unlikely the case will be resolved before next year’s presidential election.

Please contact your Oswald client team representative for further information.