

King v. Burwell: Supreme Court Upholds ACA Subsidies in Federal Exchange States

By Jessica Summers

On June 25, 2015, in the eagerly anticipated case of *King v. Burwell*, the Supreme Court (in a 6-3 vote) ruled in favor of the Obama Administration, upholding the IRS' authority to provide federal subsidies to individuals in states where the health insurance exchange is run by the federal government (rather than the state). This decision prevents what Chief Justice Roberts referred to in his majority opinion as the "death spirals" that an adverse ruling could have caused in the state individual insurance markets. The *King v. Burwell* decision resolves the last significant legal challenge to the ACA on the horizon and is a major win for the Obama Administration.

The *King v. Burwell* case challenged whether the IRS can make federal subsidies available to individuals in states that did not establish their own state insurance exchanges but instead rely on federally run exchanges. The ACA directs states to establish health insurance exchanges and permits the federal government to establish exchanges for states that fail to establish their own exchanges. The ACA furthers provides subsidies for individuals with certain household incomes who obtain health insurance through an exchange "established by the state." However, the ACA is silent on whether subsidies are available for individuals who enroll in health insurance in states where the exchange is run by the federal government.

Though affirming the Fourth Circuit's holding allowing the subsidies, the Supreme Court took a different route to reach the same conclusion. The Fourth Circuit applied what is known as "Chevron deference" and, in the face of the statutory ambiguity, deferred to the IRS' interpretation of the subsidy provision. The Supreme Court declined to take this approach. The Court concluded that Congress certainly did not intend to implicitly delegate such an integral part of the law as the subsidies to the IRS, an agency with "no expertise in crafting health insurance policy of this sort." Instead, the Court looked to the full text and purpose of the statute to address the acknowledged ambiguity of the subsidy provision. The Supreme Court noted that the availability of subsidies is one of the three integral pillars of the ACA. The Court went on to conclude that the subsidies are so intertwined throughout the ACA that Congress clearly intended subsidies to be available to any eligible person purchasing health insurance on an ACA exchange, whether administered by the state or the federal government.