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Summary of the June 25, 2015, U.S. Supreme Court Decision in *King v. Burwell*

What Was at Stake in the Case?

The issue before the Supreme Court was whether the Patient Protection and Affordable Care Act (ACA) allows for premium tax credits to be made available to assist qualifying individuals with the cost of purchasing health insurance in states that have a federally-facilitated exchange (FFE) rather than a state exchange. Currently, 16 states and the District of Columbia operate state exchanges; the remaining 34 states rely on a FFE.

What Did the Court Decide?

In a 6-3 opinion, authored by Chief Justice Roberts, the Court found that individuals in every state are eligible to receive tax credits from the federal government to offset the cost of health insurance purchased on a healthcare exchange, independent of whether the individual resides in a state with a state-run exchange or an FFE.

How Did the Court Come to Their Decision?

In implementing the ACA, the Internal Revenue Service (IRS) issued a rule providing that credits be made available to anyone "enrolled in one or more qualified health plans through an Exchange." The IRS adopted a definition of "Exchange," which includes both state-run exchanges and FFEs. The argument before the Court was whether the IRS was permitted to make this rule because of an ambiguous phrase in the ACA. Generally speaking, when a statute is ambiguous, courts ask whether an agency's interpretation is reasonable. This approach is based on the theory that a statute's ambiguity constitutes an "implicit delegation from Congress to the agency to fill in any statutory gaps" and is used frequently by agencies to effectuate rules when statutory language is unclear.

In this case, the Court found that the statute's ambiguity did not constitute an implicit delegation of authority to the IRS; stating, whether tax credits are available on FFEs is a question of such "deep economic and political significance" that "had Congress wished to assign that question to an agency, it surely would have done so expressly." Thus, the Court looked back to the statutory text and the core purpose of the ACA to determine if tax credits could be made available to individuals residing in states with an FFE. In doing so, the Court found that Congress clearly intended for tax credits to be available in all states. The Court stated that while the ACA "contains more than a few examples of inartful drafting," if tax credits were not made available in all states "it would destabilize the individual insurance market in any State with a Federal Exchange" and "it is implausible that Congress meant the Act to operate in this manner" because "Congress passed the Affordable Care Act to improve health insurance markets, not to destroy them."

What Does the Decision Mean?

Individuals in all states can continue to receive tax credits to purchase health insurance on a health exchange; effectively, what was permitted before today is still permitted. However, the Court's opinion is a significant win for the Obama Administration, in that it broadly solidifies the legal validity of the ACA. While legislative proposals may amend or eliminate the law in the future, it is unlikely the major provisions of the ACA will succumb to a legal challenge in the near future. In addition, the reasoning and strong language of the opinion will likely make it difficult for a subsequent administration to reverse any tax credits available in FFE states.