

Health Care Reform Update—Supreme Court Upholds Premium Tax Credits for All States

The U.S. Supreme Court today issued its decision in *King v. Burwell*—holding that premium tax credits (PTCs) are available in all states, including states where the federal government runs the Exchange (i.e., the Health Insurance Marketplace). The petitioners in *King v. Burwell* had challenged the legitimacy of premium tax credits for individuals who obtain health coverage through the federally facilitated Exchange in states that do not operate their own Exchanges. This challenge was based on a few words (“an Exchange established by the State”) from nearly 1,000 pages of the Affordable Care Act (ACA).

The Court’s ruling upholds PTCs for all 50 states—regardless of state or federal Exchange. The Court rejected the petitioners’ interpretation that PTCs only apply to state-based Exchanges.

Impact

The Court’s ruling that the statute should be interpreted to allow subsidies in all states means that premium subsidies will continue to be available as they have been since 2014. This will be helpful for modest-income clergy and lay employees in conferences that have decided to terminate their sponsorship of group health plans or who work for other UMC employers that do not offer health coverage. If the Court had invalidated the rule, then those employees might have found coverage on the Exchange unaffordable without the subsidies. Today’s ruling means their Exchange-based coverage can continue uninterrupted.

Background

The Court had granted a petition for certiorari on **November 7, 2014**, to review a decision issued by the Fourth Circuit Court of Appeals on **May 14, 2014**. The Fourth Circuit had upheld an Internal Revenue Service (IRS) Rule interpreting the ACA. The IRS Rule in question stated that premium tax credits would be available for individuals who purchased insurance on any Exchange, “regardless of whether the Exchange is established and operated by a State ... or by HHS (U.S. Department of Health and Human Services).”

One section of the ACA required each State to set up an Exchange. Another section of the ACA provided that, if the State failed to do so, the Secretary of HHS will set up “such an Exchange within the State.” A third section, describing the calculation of the premium tax credit as the sum of the assistance for all “coverage months,” defines “coverage months” as those in which the taxpayer is enrolled in a plan through an Exchange “established by a State” under the first provision above.

In *King v Burwell*, some residents of Virginia sued the IRS and various other agencies and officials, claiming that the IRS Rule was invalid because the premium tax credit language referred only to Exchanges *established by a State*. The government lawyers argued that an Exchange set up by HHS was “such an Exchange,” within the language of the ACA, so the IRS Rule should not be invalidated.

Currently, more than half of U.S. states rely on the federally facilitated Exchange (Marketplace) or partnership Exchanges.

Further background was provided in December and September 2014.