
Country: United States  
Region:  
Year: 2012  
Court: Supreme Court of the United States  
Health Topics: Health systems and financing

Facts

This case had started in a suit brought before the Federal District Court by twenty-six States, several individuals, and the National Federation of Independent Business against the Secretary of the Department of Health and Human Services (the Secretary) questioning the constitutionality of two provisions of the Patient Protection and Affordable Care Act (the Act) of 2010. One of the key provisions (the individual mandate) required Americans to have the minimum essential health insurance coverage. This was to be realized either through an employer or government’s coverage or a purchase from private insurance companies with the exception of exemption. The Act required individuals who didn’t comply with such mandate to share payments with the Federal government beginning in 2014, in the form of individual tax penalties to be paid to the Internal Revenue Service. The other provision (the Medicaid expansion) mandated federal funding for States in enabling vulnerable groups in the society, such as the elderly, the blind, pregnant women, children, the disabled and needy families to receive medical services. The Act expanded the coverage of the Medicaid program and increased the number of the population under States’ coverage. If a State failed to comply with the requirements of the Act, they would lose the whole Medicaid funding from the Federal government. The District Court held that Congress exceeded its Constitutional power when it enacted the individual mandate. And because the individual mandated couldn’t be severed from the remaining parts of the Act, the district court held that it should be nullified as a whole.

The Court of Appeals for the Eleventh Circuit held, on appeal, confirmed and reversed the decision in parts. The Court of Appeals held that Congress validly enacted the Medicaid expansion provision as part of its spending power but didn’t have the power to enact the individual mandate under the Commerce Clause and the Necessary and Proper Clause of the Constitution. The individual mandate didn’t regulate commercial activities already on the market; it instead forced individuals to actively engage in commercial activities by purchasing a service as their failure to do so would affect interstate commerce. The Court of Appeals also stated that Congress was compelling Commerce while its power was limited to regulating it, which was against the principle that the Federal government was a government with limited and enumerated powers. Because the individual mandate gave Congress the extraordinary ability to create the necessary predicate to the exercise of an enumerated power and draw within its regulatory scope those who would otherwise be outside of it, it wasn’t valid under the Necessary and Proper Clause either. The Court of Appeals also stated that the individual mandate wasn’t the proper means for achieving the reforms of the Act even though it was necessary. In light of Congress power in laying and collecting taxes, the Court of Appeals held that the individual mandate was within Congress power under the Taxing Clause.

The Court of Appeals held that the Medicaid expansion violated the Constitution by threatening States with the loss of their existing Medicaid funding if they decline to comply with the expansion. Although Congress had the power to pay the debts and provide for the general welfare of the United States under the Spending Clause, it didn’t legitimately threaten States in complying with certain programs which would run against the Nation’s Federal system. The Court of Appeals further held that this Constitutional violation could be made good by stopping the Secretary from applying the specific section of the Act that mandated the withdrawal of Medicaid funding for non-compliance of States with its requirements. The Court of Appeals noted that States had the right to choose whether or not they should participate in the Medicaid expansion program.

Decision and Reasoning
The question on the Constitutionality of the two provisions was then brought before the Supreme Court of the United States. As regards the individual mandate provision of the Act, the Supreme Court held that the Federal government lacked the power to command people to buy insurances and it would be unconstitutional for the Act to do so. However, because the Federal government had the power to impose tax on individuals without health insurance, the individual mandate is constitutional when read as a tax. Regarding the Medicaid expansion provision, the Supreme Court held that Congress couldn’t give the Secretary the power to impose a penalty on States that chose not to participate in the Medicaid expansion program by withdrawing their Medicaid funding. The judgment of the Court of Appeals, thus, had been upheld in part and reversed in part by the judgment of the Supreme Court.

Decision Excerpts

The Framers created a Federal Government of limited powers, and assigned to this Court the duty of enforcing those limits. The Court does so today. But the Court does not express any opinion on the wisdom of the Affordable Care Act. Under the Constitution, that judgment is reserved to the people.