



eBenefits Alert: Court Strikes Down Affordable Care Act as Unconstitutional

December 19, 2018

On Friday, December 14, 2018, Texas federal judge Reed O'Connor ruled that the entire Affordable Care Act (ACA) is invalid, as a key funding piece of the legislation, the individual mandate, is unconstitutional.

The holding that the individual mandate is unconstitutional rests on Judge O'Connor's conclusion that the mandate will no longer be an appropriate exercise of congressional taxing power when the penalty disappears in 2019. The tax law overhaul of 2018 removed the penalty beginning in 2019.

Judge O'Connor further found that the remaining parts of the ACA are inseverable from the critical individual mandate feature of the ACA, and, therefore, are also invalid.

While this is a surprising development in the chain of legal challenges to the law, the immediate result is that there is no impact upon current coverage or coverage in a 2019 plan. The ruling was issued as a declaratory judgment, and not an injunction.

The decision is expected to be appealed to the Fifth Circuit Court of Appeals and could eventually wind up in the Supreme Court.

What do employers need to know now? For now, employers must continue to comply with the employer mandate and reporting requirements. ACA compliance will be business as usual unless and until further action occurs that provides change to those processes.

For more information, reach out to your Gray Plant Mooty attorney.