In 6-3 decision the Supreme Court ruled today that health insurance tax credits are available on the 34 Federal Exchanges. The Court’s opinion focused largely on the consequences of ruling to the contrary: the destruction of health insurance markets.

Chief Justice Roberts, writing for the majority, began his opinion by pointing out that the Affordable Care Act relies on three reforms: making sure health insurance is available to everyone regardless of their health and not charging higher premiums depending on health, requiring everyone to be insured, and offering tax credits to those with low-income so they can afford insurance. If only the first reforms were implemented a well-documented economic “death spiral” occurs, where health insurance premiums skyrocket, because only the sick buy insurance.

The ACA allows the states and the federal government to sell insurance on health care exchanges. The ACA states that tax credits are available when insurance is purchased through “an Exchange established by the State.”

So the technical legal question in this case was whether a Federal Exchange is “an Exchange established by the State” that may offer tax credits.

The Supreme Court said yes. The Court first concluded that above language is ambiguous. But by looking at it in the context of the entire statute the meaning of the language became clearer. Specifically, if tax credits weren’t available on Federal Exchanges “it would destabilize the individual insurance market in any State with a Federal Exchange, and likely create the very ‘death spirals’ that Congress designed the Act to avoid.”

The Chief Justice’s analysis is simple and pragmatic:

Congress passed the Affordable Care Act to improve health insurance markets, not to destroy them. If at all possible, we must interpret the Act in a way that is consistent with the former, and avoids the latter. [The statutory language at issue] can fairly be read consistent with what we see as Congress's plan, and that is the reading we adopt.

As a result of this decision the status quo remains. If an individual otherwise eligible for a tax credit buys health insurance on a State Exchange or a Federal Exchange the tax credit will be available.


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