

# Anchin Compensation and Benefits Services Group



July 23, 2014

## **Federal Court Rules Against Key Provision in the Affordable Care Act; Second Court Upholds It**

To Our Clients and Friends:

On July 22, two federal appellate courts rendered conflicting decisions regarding a key component of the Affordable Care Act:

- The DC Circuit Court of Appeals ruled that residents of states that have not established a health insurance exchange are ineligible for subsidies on health insurance purchased from the federal exchange. Currently the law does not explicitly state that purchases of insurance on the federal exchange are eligible for such subsidies.
- The Fourth Circuit Court ruled that such persons are eligible for federal subsidies, reasoning that this was Congress' intent when drafting the legislation, and that the IRS has the authority to establish federal subsidies by granting tax credits to individuals purchasing insurance on the federal exchange.

*As it stands now, the law is unchanged and subsidized policies are unaffected.* While some may view this as the beginning of the end of the Affordable Care Act, in reality this is step one of an ongoing conflict that is likely to be decided by the U.S. Supreme Court.

For more information, please contact your Anchin Relationship Partner, Deborah de Vries or Clarence Kehoe, Co-Practice Leaders of Anchin's Compensation and Benefits Services Group, at 212.840.3456.

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