



## Judge Rejects Lawsuit Against Subsidies for Federal Exchange

Thursday, January 16, 2014

U.S. District Judge Paul Friedman on Wednesday rejected a lawsuit challenging the legality of federal subsidies to help U.S. residents purchase health coverage through the Affordable Care Act's federal health insurance exchange, the [Washington Post](#) reports (Somashkhar, *Washington Post*, 1/15).

The lawsuit, *Halbig v. Sebelius*, targets a May 2012 Internal Revenue Service rule governing the federal exchange and the subsidies. The 12 plaintiffs -- ranging from a hospital chain to a restaurant franchise -- argue that the IRS rule should be invalidated because it contradicts what Congress originally intended. Numerous ACA opponents have said that the IRS exceeded its legal authority by establishing a rule permitting the subsidies to be available through the federal exchange. Friedman heard oral arguments in the case last month ([California Healthline](#), 5/3/13).

[In his ruling](#), Friedman said the plaintiffs' argument that a literal reading of the ACA allowed only for subsidies in states running their own exchanges appeared intuitive when "viewed in isolation" because "the federal government, after all, is not a state." However, he said, such a reading of the law would lead to "strange or absurd results," adding that when issuing a ruling, courts must interpret statutes as a whole, not just as isolated provisions (Pear, [New York Times](#), 1/15).

Friedman wrote that both the text of the ACA and the law's structure "make clear that Congress intended to make premium tax credits available on both state-run and federally facilitated exchanges" (Millman, [Politico](#), 1/15).

According to the [Wall Street Journal](#), a ruling for the plaintiffs could have crippled the ACA by making health coverage more costly in the 36 states that opted for the federal exchange (Kendall, *Wall Street Journal*, 1/15).

### Reaction

A Department of Justice spokesperson said federal officials were happy with the ruling (Ingram, [Reuters](#), 1/15).

Families USA Executive Director Ron Pollack also praised the ruling, telling reporters, "We are thrilled with this outcome." He added, "This [suit] was probably the most significant existential

threat to the Affordable Care Act. All the other lawsuits that have been filed really don't go to the heart of the ACA, and this one would have."

Michael Cannon -- who helped shape the legal argument against the law and is director of health policy at the Cato Institute -- said the plaintiffs would appeal the decision to the U.S. Court of Appeals for the District of Columbia. He said, "This ruling will not be the last word" (Viebeck, "[Healthwatch](#)," *The Hill*, 1/15).