

## Michael Cannon: Insurance subsidies could be ACA's undoing

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By [Brian Eastwood](#)

The insurance subsidies available in the federally run insurance marketplaces are not authorized by the Affordable Care Act (ACA) and are therefore illegal, according to Michael Cannon, director of health policy studies at the libertarian Cato Institute.

Cannon's claim is the centerpiece of the forthcoming King v. Burwell Supreme Court case, [Vox reported](#). He outlined his argument in a 2012 [paper](#) co-written with Jonathan Adler, a Case Western Reserve University law professor.

At issue, Cannon said, is the phrase "through an exchange established by the State." The way the law is written, Cannon and the Supreme Court plaintiffs argue, the insurance subsidies are only available on the state-run exchanges in 14 states and the District of Columbia, not the 36 states that use the federally run Healthcare.gov exchange. As many as 5 million Americans receive insurance subsidies through Obamacare, and most of them reside in those 36 states, [according to the National Journal](#).

The question of federal subsidies is one of [three factors affecting the ACA's future](#). According to the Rand Corp., the [insurance subsidies and the individual mandate serve as a "carrot and stick" for ACA success](#). Without subsidies, Rand said, "many people simply could not afford to enroll."

[If the Supreme Court strikes down the ACA subsidies, states could step in](#) and establish their own health insurance exchanges--potentially helped by incentives from the Obama administration. State efforts could take on added importance, since the Centers for Medicare & Medicaid Services has said that [private insurers can cancel exchange plans if the ACA subsidies are ruled illegal](#).