

Insurers can cancel exchange plans if subsidies ruled illegal

October 23, 2014
By Dina Overland

Insurers that sell plans on the federal health insurance exchange can cancel the policies if the Affordable Care Act subsidies are ruled illegal, which would price many consumers out of the plans, *CNBC* [reported](#).

The Centers for Medicare & Medicaid Services added the opt-out clause to 2015 contracts that insurers must sign to sell on HealthCare.gov after courts started hearing challenges to the legality of ACA subsidies.

The U.S. Supreme Court was asked to decide whether the subsidies are legal after appeals courts reached opposite conclusions. [The D.C. Circuit Court of Appeals ruled subsidies are illegal on federal exchanges, but the 4th Circuit Court of Appeals decided that state- and federal-run exchanges can provide subsidies](#). Then, [a federal judge in Oklahoma ruled last month that subsidies can't be issued to residents living in states that don't operate their own exchanges](#), *FierceHealthPayer* previously reported.

"I'm not surprised that, at a certain point, companies that have money riding on the outcome of these lawsuits have protected themselves," Michael Cannon, director of health policy studies at the libertarian Cato Institute, told *CNBC*.

Although the Supreme Court could decide whether it will hear the subsidy challenge by the end of the month, it won't decide the case before exchange plans become effective in January.

The wording in the contract clause shows CMS is aware that the Supreme Court could invalidate the subsidies, the article notes. And it clearly indicates that state laws could still require insurers to continue providing coverage, regardless of any Supreme Court rulings.

Meanwhile, [a new study from Rand Corp. found that removing subsidies would increase premiums by nearly 45 percent, causing more than 11 million consumers to lose their coverage](#).