

# National Federation Of Independent Business V. Sebelius

Posted on May 12, 2020

In 2010, the US Congress approved the Patient Protection and Affordable Care Act in an effort to improve the American population under health insurance and partially to limit health care expenses. The primary provision, in this case, concerns the individual mandate that demands a significant number of American citizens be able to maintain the least essential coverage on health insurance. Based on those citizens who are not exempted for particular circumstances or those who are not offered health insurance by means of an employer or a government program, beneficiaries are expected to purchase insurance through private companies. Citizens who fail to maintain this law are supposed to make a payment of shared responsibility which will be directly funded to the Internal Revenue Service and treated as a casual tax penalty.

The Act also primarily focused on the Medicaid expansion, which offered State funding to help children, needy families, and the elderly, among others. With the enactment of this act, the scope of Medicaid would expand by including adults whose earnings were categorized under the poverty level. In response to this new act, twenty-six states, a few persons, and the National Federation of Independent Business brought up a suit challenging the key provisions outlined.

## Case Brief

National Federation of Independent Business v. Sebelius, 567 U.S. 519 (2012), was a milestone case determined by the Court upholding the power of Congress to influence the provisions under the Patients' Act, commonly known as Obamacare. The constitutional provision of the Affordable Care Act was viciously challenged by the individual mandate, and all citizens were required to ensure they acquired health coverage. The synopsis of the rule of law, in this case, was that the individual mandate portion in this act is seemingly a tax and, therefore, does not violate the Constitution.

In the midst of intense public interest, Congress apprehended the Patient Protection and Affordable Care Act. The intent behind this move was to solve the problem that a large population of Americans did not have any health insurance, although they were very active in the healthcare market (Buckley, 2018). Also, many Americans were making use of the available services of health care but did not pay.

The act entailed the minimum coverage provision through amendment of the tax code and the individual mandate. It was agreed that all citizens who were not exempted from this regulation but failed to abide by the regulations would have to pay a tax penalty. Medicaid was also expanded in that it was essential for states to accept this order unless they would stop receiving Federal Funds

(Buckley, 2018). Employers were expected to obtain health coverage for the employees or else fined too.

After Congress approved the act, Florida and the other twenty-five states moved to the United States District Court in Florida in an attempt to prove that the ACA was not constitutional on particular grounds. The National Federation of Independent Businesses also joined. Again, there were individual plaintiffs like Mary Brown who argued that the individual mandate was an aspect beyond the powers of Congress as stipulated in the Commerce Clause. They also argued that the Medicaid expansions were not constitutionally coercive. Finally, the mandate involving employers, in this case, interfered with the sovereignty of the state.

The first move by the District Court was to assess whether the plaintiffs were capable of bringing the lawsuit. According to the court, plaintiff Brown had legal grounds to challenge the mandate on the least health coverage since there was no record history found of her health insurance. She was among the population that had to make key financial arrangements to comply with the law that would start being effective in 2014. Also, the Court found out that Idaho and Utah had standing as they had earlier proposed a statute for their residents to be freed from the obligation of the minimum coverage provision.

The Court equally explored the constitutional questions. As a final verdict, it was ruled that the individual mandate provision was an invalid exercise of Congress. In fact, the entire act was determined as being invalid based on the fact that the mandate could not be severed from other provisions. The challenge made by the states regarding employer mandates was dismissed, and judgment was imposed on the federal government concerning the expansion of Medicaid. There was no sufficient support that the legislation having to do with spending was unconstitutionally coercive.

The Court of Appeals for the Eleventh Circuit affirmed the District Court's judgment in part and reversed in part. It concluded that Congress is not validated on the individual mandate. Despite the fact that the Constitution allows Congress to regulate commerce, individual mandate is not related to commercial activity. The interpretation of Congress' involvement in this act is influencing individuals to become active in commerce through making purchases of products on the view that if they fail to uphold this law affect commerce at the state level.

The court also concluded that individual mandate needs to be critically assessed to determine whether it imposes a tax on people who lack health insurance only if it is reasonable. The message a person will be comprehending from the individual mandate is directly commanding persons to purchase insurance. However, Congress does not have this power according to the Commerce Clause. Therefore, it is essential to explore the alternative argument as made by the government about it being possible for the congress to uphold the mandate under its power to infiltrate taxes. On this basis, the government seeks to convince the court to view the mandate as a tax fine due to failure to acquire a particular product.

Equally, it concluded that the individual mandate might be upheld within the constraints of Congress's

power under the tax provision. A shared responsibility payment may be perceived as tax given that the payment was not as high and persons had to acquire health insurance (Buckley, 2018).

The court upheld the District Court's provisions on the Medicaid expansions and the individual mandate. The panel also contrasted the rulings on the basis that the individual mandate could potentially be treated separately without invalidation of the remainder of the ACA.

## Case Analysis

The U.S. Supreme Court faced several critical issues in this case especially on the limits of the capabilities of the federal government to create commerce between states besides simply regulating it. Chief Justice Roberts reviewed this case and argued that the concept of creation of commerce rather than simply regulating it was an extension of the authority as provided under the Commerce Clause. Roberts commenced his opinion by referring to Chief Justice Marshall, who once claimed that as long as the government existed, the issue of the amount of power granted by the Federal Government was perpetual. He explained that some powers cannot be enumerated and are probably not within the power of the federal government.

A similar case between *Gibbons v. Ogden* involved the Congress regulatory power as provided under the Commerce Clause. In this case, the disagreement concerned the party which would be allowed to conduct business in interstate waterways. The conflict was between New York and New Jersey. The Supreme Court was expected to make a determination whether the federal government had the potential to limit the authority of the state and administer the federal policies. It was decided that New York had no right to inflict state taxes on interstate commerce since this was under the obligations of the federal government.

Article 1, Section 8, Clause 3 of the US Constitution concerns the Commerce Clause. Under this provision, the Congress has the power to manage commerce within nations and states (Pagnattaro, Reed, Magid, Cahoy, & Shedd, 2015, p. 718). Although the specific words used in the commerce clause are not as complex, the definition of the term commerce is subject to a chain of debates. The Courts have already faced the challenge of determining whether the Constitution implied the financial exchange of products and services. Probably, the particular persons who framed this definition had the intent to allow commerce to be as diverse as possible and include various aspects, whether social or fiscal.

Basically, the issue of the ACA was to come up with a solution for the large population of Americans who did not have any form of health insurance. This was an issue since hospitals have a duty to provide a specific degree of care to patients without considering the status of health insurance. As a result, hospitals were only receiving a limited portion of the compensation for the services they provided. Additionally, not only hospitals were affected by these specific events. Hospitals were finding it challenging to assist uninsured patients and were forced to increase the rates for insurers.

Consequently, insurers also had to increase the cost of their policies. In the end, citizens were the ones being expected to carry the burden while families continued experiencing an increase in premiums each year.

There were two justifications given by Congress as it passed the ACA. First, the Commerce Clause authorized the federal government to oversee the activities that impact interstate commerce. Roberts expressed concern about passing the ACA due to the individual mandate. He analyzed previous cases and gave a warning that the absence of comparable decisions was interpreted as a critical problem with the Constitution. The chief justice provided that the government had the mandate to regulate but not to create commerce. If, in case, the government wished to regulate commerce, it must have existed prior to the regulation.

Two powers were being contrasted in this case. Notably, the main point had to do with the regulation of money and its power. On the condition that the government would be allowed to create things it was charged with, then the power of regulation would be concluded as being flippant (Buckley, 2018, p. 26). This is the same case related to the power of bringing together and managing the armed forces for the purpose of protecting the country. In the case that this power is included in the ability to bring armies and navies into existence, then there is definitely no need to have the potential to regulate them.

When a person decides that they do not want to acquire health insurance, the only possible way to explain this is that they are not interested in a specific market. Compared with the *Sebelius* case, *Filburn* was one of the most reaching cases in the commerce clause. *Filburn* was responsible for producing wheat meant for personal consumption, and the ACA had no action. The nature of the proposal concerning the individual mandate made the government appear forceful on people buying wheat at a time when they also wanted to regulate the same. *Filburn* would not have been a matter of great concern because the people who were not purchasing wheat and not affecting the environment would have been forced to get involved in the market. There is no specific argument about how people buying and not buying influences the market, although the Commerce Clause was not implemented to control the lack of action.

The key issue to note is that the Court determined the Medicaid expansion as being unconstitutional. It was also acknowledged that ACA was composed of several parts intended to achieve one unified goal. However, when the Court discovered that this legislation was inseparable, it could not void the entire Act. As such, there would be uncertainty concerning future legislation that is present prior to the Supreme Court. Among other reasons the US uses a system dependent on precedent is to make people reasonable in their expectations of the results they would receive.

Despite that it clearly looked as if the Chief Justice's decision was strategic and politically motivated, the analysis of the Court especially on the Commerce Clause contrasts this idea. Justice Roberts seemingly sided with liberal justices, although it was in the interest of the conservative party (Esposito, 2013, p. 29). Through siding with the liberal justice, also, the chief justice gave the

Congress, as well as the states, the mandate to provide the final word on how successful the act would be.

This decision also entailed some flaws since allowing Congress to tax citizens without any activity indicated a slippery slope. The Congress seemingly had a rational basis for enacting the tax. It was also claimed that the amount of tax would be reasonable and would be restricted to the tax policies as provided in the constitution. The critical part is the fact that Congress had the liberty to force individuals to purchase all kinds of products, including unwanted ones.

## Conclusion

The *National Federation of Independence v. Sebelius* case identified three major issues: Medicaid expansion, issues surrounding individual management, and the political influence in the judiciary. Obviously, it is not appealing to any citizen whatsoever to be penalized, taxed, and charged for unwanted products. Based on the opinion of the court, the Chief Justice accounted for most of the aspects before giving the final verdict. Justice Roberts avoided technicalities such as the use of the word “penalty” in place of tax. Given that the mandate acts and is collected by tax, payment of the shared responsibility is tax. The framers of the Constitution believed that the existence of two governments would serve to protect the democracy of the people. The invalidation of the Medicaid expansion acted in the best interest, as federal funding should not be allowed to control state decisions.

## References

Buckley, J. (2018, February 18). *National Federation of Independent Businesses v. Sebelius*. Retrieved from Oyez: [www.oyez.org/cases/2011/11-393](http://www.oyez.org/cases/2011/11-393)

Esposito, D. (2013, March 16). *The lasting effects and analysis of the Supreme Court's Decision in the National Federation of Independent Business v. Sebelius*. Retrieved from University of Central Florida: <https://stars.library.ucf.edu/cgi/viewcontent.cgi?article=2398&context=honorstheses1990-2015>

Pagnattaro, M. A., Reed, L. O., Magid, J. M., Cahoy, D. R., & Shedd, P. J. (2015). *The Legal and Regulatory Environment of Business*. New York, NY: McGraw-Hill Education.