

No. 11-398

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In the  
**Supreme Court of the United States**

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DEPARTMENT OF  
HEALTH AND HUMAN SERVICES, et al.,  
*Petitioners,*

v.

STATE OF FLORIDA, et al.,  
*Respondents.*

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On Writ of Certiorari to  
The United States Court of Appeals  
For The Eleventh Circuit

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**BRIEF OF SENATE MAJORITY LEADER  
HARRY REID, HOUSE DEMOCRATIC LEADER  
NANCY PELOSI, AND CONGRESSIONAL  
LEADERS AND LEADERS OF COMMITTEES  
OF RELEVANT JURISDICTION AS *AMICI  
CURIAE* IN SUPPORT OF PETITIONERS  
(Minimum Coverage Provision)**

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## INTEREST OF *AMICI CURIAE*<sup>1</sup>

*Amici* are Senate Majority Leader Harry Reid, House Democratic Leader Nancy Pelosi, and the following congressional leaders and leaders of the relevant committees of jurisdiction:

Sen. Dick Durbin (Assistant Majority Leader)	Rep. Steny H. Hoyer (Democratic Whip)
Sen. Charles Schumer (Conference Vice Chair)	Rep. James E. Clyburn (Democratic Assistant Leader)
Sen. Patty Murray (Conference Secretary)	Rep. John B. Larson (Chair of Democratic Caucus)
Sen. Max Baucus (Chair, Committee on Finance)	Rep. Xavier Becerra (Vice Chair of Democratic Caucus)
Sen. Tom Harkin (Chair, Committee on Health, Education, Labor, and Pensions)	Rep. John D. Dingell (Lead Sponsor of House Health Care reform legislation)
Sen. Patrick Leahy (Chair, Committee on the Judiciary)	Rep. Henry A. Waxman (Ranking Member, Committee on Energy and Commerce)

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<sup>1</sup> Counsel for all parties have consented to the filing of *amicus* briefs, and their consents are reflected on the docket. No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amici curiae* or its counsel made a monetary contribution to its preparation or submission.

Sen. John D. Rockefeller IV (Chair, Committee on Commerce)	Rep. Frank Pallone, Jr. (Ranking Member, Commerce Subcommittee on Health)
Rep. Fortney Pete Stark (Ranking Member, Ways and Means Subcommittee on Health)	Rep. Sander M. Levin (Ranking Member, Committee on Ways and Means)
Rep. Robert E. Andrews (Ranking Member, Education and the Workforce Subcommittee on Health, Employment, Labor and Pensions)	Rep. George Miller (Ranking Member, Education and the Workforce Committee)
Rep. Jerrold Nadler (Ranking Member, Judiciary Subcommittee on Constitution)	Rep. John Conyers, Jr. (Ranking Member, Committee on the Judiciary)

*Amici* file this brief for two reasons. First, as elected Members of Congress, *amici* have a duty to support the Constitution, and in exercise of that duty they write to defend the constitutionality of the Patient Protection and Affordable Care Act. The Act is a landmark accomplishment of the national Legislature, which brings to fruition a decades-long effort to guarantee comprehensive, affordable, and secure health care insurance for all Americans. *Amici* paid careful attention to Supreme Court precedents defining the proper bounds of Congress's constitutional authority, and relied upon these established rules, in formulating, debating, and voting on the Act. They wish to put before the Court

their views on why the Act is a valid exercise of Congress's Article I powers.

Second, *amici* believe that the legal theories advanced by the Act's challengers, if embraced by the courts, would seriously undermine Congress's constitutional authority and its practical ability to address pressing national problems. Congress regularly relies on its enumerated powers to protect American consumers and workers, keep families safe, and ensure civil rights. *Amici* take seriously their oath to "support and defend the Constitution of the United States," and write in their constitutional role as Members of a coequal branch of government.

#### **INTRODUCTION AND SUMMARY OF ARGUMENT**

The central and dispositive fact in this case is that the Patient Protection and Affordable Care Act ("the Act" or "ACA"), including the provision that individuals maintain minimum health insurance coverage, is a congressional regulation of the interstate health insurance market. The effective regulation of health insurance, moreover, is critical to the effective functioning of the enormously important national health care market. The assertion that Congress lacks the legislative authority to regulate these national, commercial markets is an astonishing proposition. Its acceptance would mean that the Commerce Clause falls short of authorizing the full and effective regulation of interstate commerce. That novel claim is inconsistent with the Constitution and contrary to longstanding Supreme Court precedent. *See Gibbons v. Ogden*, 22 U.S. (9 Wheat.) 1, 196 (1824) (the commerce power is "complete in itself, may be

exercised to its utmost extent, and acknowledges no limitations, other than are prescribed in the constitution ... in plain terms”).

The ACA includes a minimum coverage requirement (“MCR”) as part of its comprehensive regulatory plan designed to ensure that affordable health insurance coverage is widely available. The MCR is accompanied by a penalty provision applicable to most taxpayers that encourages individuals who lack adequate health insurance to obtain coverage that meets minimum standards. Congress determined after exhaustive hearings that without this financial incentive for individuals to maintain adequate coverage, it would not be financially practicable to prohibit insurance companies from denying coverage to those with pre-existing conditions or otherwise to regulate effectively the national markets in health insurance and health care.

The State Respondents and other challengers (“challengers”) of the MCR, however, urge this Court to carve out an unprecedented exception to Congress’s plenary authority to regulate interstate commerce. They contend that even matters vital to the national economy may not be regulated if they fall within an artificial category that the challengers call “inactivity.” This is descriptively inaccurate, because (1) the penalty for failing to maintain minimum coverage applies only to those who participate in the economy by earning sufficient taxable income that they are otherwise required to file federal income tax returns and (2) virtually everyone subject to the penalty participates in some way in the health care market in any given year even

if they choose not to purchase health insurance. Moreover, the Supreme Court long ago rejected using arbitrary characterizations to constrain Congress's power to regulate the national economy. *See, e.g., United States v. Lopez*, 514 U.S. 549, 556 (1995).

There is nothing unprecedented about Congress imposing requirements on citizens who would prefer to be left alone, when those regulations are necessary to accomplish an objective wholly within the powers assigned to Congress. Nor is there anything so surprising or severe about the provision in question that would suggest that it crosses some constitutional boundary and must thus be judicially excised. The provision is no more intrusive than Social Security or Medicare. The Social Security Act requires individuals to make payments to provide for their retirement. Medicare requires individuals to make payments to provide for their health coverage after they are 65 years of age or if they meet other criteria. The ACA requires individuals to obtain health coverage before they are 65. Under Medicare, individuals choose between privately insured plans or a government-administered plan. Under the ACA, individuals are given an option to choose among insurers in the private market. Neither Social Security nor Medicare nor the ACA is such a novel intrusion into liberty that judges would be justified in overriding the considered judgment of the elected branches that adopted those laws.

As members of Congress, we are mindful of the Supreme Court's concern, stated in cases such as *Lopez* and *United States v. Morrison*, 529 U.S. 598 (2000), that Congress not use the commerce power to

regulate matters that are local and non-economic.<sup>2</sup> Those cases involved the attempt to regulate local crime (guns near schools and violence against women) because of a presumed ultimate effect on interstate commerce. The MCR, in contrast, is itself a regulation of an interstate commercial matter—health insurance. The effective functioning of that major commercial activity is critical to the national health care market in which virtually every American participates.

This case tests no limits and approaches no slippery slope. Notwithstanding the challengers' improbable hypotheticals, Congress never has required Americans to exercise or eat certain foods – and in our view it never would. Were Congress ever to consider laws of that kind infringing on personal autonomy, the judiciary would have ample tools under the liberty clause of the Fifth Amendment to identify and enforce constitutional limits. *See*

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<sup>2</sup> Indeed, the Senate expressly acknowledged its independent responsibility to address and determine the constitutionality of enactments in adopting the ACA. In response to a constitutional point of order questioning “Congress’s authority under Constitution to enact” the ACA, Senator Leahy stated that such authority exists under the Commerce Clause, the Necessary and Proper Clause, and the General Welfare Clause (which includes the “Power To lay and collect Taxes”). 155 Cong. Rec. S13,751 (daily ed. Dec. 22, 2009). Following substantial further debate on these sources of authority, the Senate upheld the Act’s constitutionality as both a proper exercise of these enumerated powers and as consistent with the limitations on federal power imposed by the Tenth Amendment. *See* 155 Cong. Rec. S13,830-31 (daily ed. Dec. 23, 2009) (vote upholding the ACA as within Congress’s enumerated powers); 155 Cong. Rec. S13,832 (daily ed. Dec. 23, 2009) (vote upholding the ACA as consistent with the Tenth Amendment).

*Cruzan v. Director, Mo. Dept. of Health*, 497 U.S. 261 (1990). What the ACA regulates is not personal autonomy, but commercial transactions.

Suggestions that sustaining the MCR would mean that Congress could mandate the purchase of cars, vegetables, or other items are also disingenuous. The provision requiring minimum health insurance cannot be viewed in isolation. In this case, Congress has regulated a unique market, insurance that provides a means of paying for health care services. Health care is a unique product that no one can be certain he or she will never utilize, as the district court in *Liberty University, Inc. v. Geithner* noted “[r]egardless of whether one relies on an insurance policy, one’s savings, or the backstop of free or reduced-cost emergency room services” to address the financial risks. 753 F. Supp. 2d 611, 633 (W.D. Va. 2010).

The MCR regulates participation in this singular market, which plays a central role in the nation’s commerce. And were there any doubt that the MCR is a valid exercise of Congress’s commerce power, the Necessary and Proper Clause provides a reinforcing and independent basis for the provision’s constitutionality. The minimum coverage provision is a valid means to the full and effective exercise of Congress’s regulation of interstate commerce in the larger Act.

The challengers’ disagreement with the manner Congress has chosen to regulate the health insurance market is an occasion for political debate, not a matter for judicial imposition. *Amici* stand by the wisdom of the Act, which expands quality, affordable insurance to millions of Americans while



limiting costs and reducing the deficit. But, as Justice Benjamin Cardozo wrote for the Supreme Court nearly 75 years ago:

Whether wisdom or unwisdom resides in the scheme of [the statute in question], it is not for us to say. The answer to such inquiries must come from Congress, not the courts.

*Helvering v. Davis*, 301 U.S. 619 (1937) (rejecting a constitutional challenge to the Social Security Act of 1935).

## ARGUMENT

### **I. THE PATIENT PROTECTION AND AFFORDABLE CARE ACT, INCLUDING ITS MINIMUM COVERAGE REQUIREMENT, IS A VALID EXERCISE OF CONGRESS'S ENUMERATED CONSTITUTIONAL POWER TO REGULATE COMMERCE AMONG THE SEVERAL STATES.**

#### **A. Congress Has Plenary Authority To Regulate Interstate Markets, Including Matters Affecting The Prices Of Commodities Traded In Interstate Commerce.**

The Constitution provides that “Congress shall have Power ... To regulate Commerce...among the several States.” Art. I, § 8, cl. 3. In decisions reaching back to the early years of the Republic, the Supreme Court has recognized that this crucial provision grants Congress plenary power to regulate the nation’s commercial affairs. For, as the Supreme Court recently observed, “The Commerce Clause emerged as the Framers’ response to the central

problem giving rise to the Constitution itself: the absence of any federal commerce power under the Articles of Confederation.” *Gonzales v. Raich*, 545 U.S. 1, 16 (2005).

Almost two hundred years ago, the Supreme Court stated that Congress’s regulatory authority under the Commerce Clause “is plenary as to [its] objects” and “co-extensive with the subject itself.” *Gibbons*, 22 U.S. at 197. Numerous decisions establish that when Congress regulates an interstate market it acts within the core of the Commerce Clause – and that “the power to regulate commerce ... extends” not just to the literal commercial transactions of the relevant market but also to behavior or acts “which interfere with, obstruct, or prevent the due exercise of the power to regulate commerce” in that market. *United States v. Coombs*, 37 U.S. (12 Pet.) 72, 78 (1838); *see also Gibbons*, 22 U.S. at 189-90. Thus, “Congress, of course, can do anything which, in the exercise by itself of a fair discretion, may be deemed appropriate to save the act of interstate commerce from prevention or interruption, or to make that act more secure, more reliable, or more efficient.” *Second Employers’ Liab. Cases*, 223 U.S. 1, 48 (1912). Congress’s commerce power is “complete in itself, may be exercised to its utmost extent, and acknowledges no limitations, other than are prescribed in the constitution.” *Gibbons*, 22 U.S. at 196 (quoted in *Hodel v. Va. Surface Mining Ass’n*, 452 U.S. 264, 276 (1981)).

In the D.C. Circuit’s recent *Seven-Sky* decision, Judge Silberman described those limitations succinctly: “Today, the only recognized limitations [on the commerce power] are that (1) Congress may

not regulate non-*economic* behavior based solely on an attenuated link to interstate commerce, and (2) Congress may not regulate intrastate economic behavior if its aggregate impact on interstate commerce is negligible.” *Seven-Sky v. Holder*, 661 F.3d 1, 16 (D.C. Cir. 2011) (“*Seven-Sky*”). The D.C. Circuit found, however, that “[t]hose limitations are quite inapposite to the constitutionality of the individual mandate.” *Id.* Indeed, the challengers do not seriously question that the MCR “certainly is focused on economic behavior . . . that does substantially affect interstate commerce.” *Id.* at 16-17.

Two recent cases, *Lopez* and *Morrison*, illustrate the specific limitations set forth by Judge Silberman. In those cases, the Court found that Congress cannot use an *attenuated* connection to interstate commerce to enact laws governing purely local, *non-commercial* matters. *Lopez* and *Morrison* involved provisions governing *non-commercial* (criminal) behavior – possessing guns near a school and gender-motivated violence – with *no* immediate connection to *any* market, interstate or intrastate. The Court cautioned against reasoning that would permit congressional regulation of matters unrelated to the national economy by “pil[ing] inference upon inference in a manner that would bid fair to convert congressional authority under the Commerce Clause to a general police power of the sort retained by the States.” *Lopez*, 514 U.S. at 567. In order to maintain the constitutional principle that Congress is a legislature of limited and enumerated powers, *Lopez* and *Morrison* concluded that the gap between some local, non-economic matter that Congress wishes to regulate and interstate commerce cannot

be bridged by pointing to a remote causal relationship. *See Morrison*, 529 U.S. at 617-18.

The Court has made clear, however, that the limitations set forth in *Lopez* and *Morrison* do not detract from Congress's plenary authority to regulate interstate commerce itself. In *Raich*, the Court reaffirmed that where "the [act under review] is a statute that directly regulates economic, commercial activity, our opinion in *Morrison* casts no doubt on its constitutionality." 545 U.S. at 26. Indeed, the "case law firmly establishes Congress' power to regulate purely local activities" as part of interstate commerce regulation. *Id.* at 17; *see also Lopez*, 514 U.S. at 558 (confirming Congress's unquestioned regulatory authority "where a general regulatory statute bears a substantial relation to commerce" (emphasis omitted)). As Justice Kennedy explained, "Congress can regulate in the commercial sphere on the assumption that we have a single market and a unified purpose to build a stable national economy." *Lopez*, 514 U.S. at 574 (Kennedy, J., concurring).

**B. The Act, Of Which The Minimum Coverage Requirement Is An Integral Part, Is A Constitutional Regulation Of Interstate Commerce.**

**1. The Commerce Clause authorizes the minimum coverage requirement as congressional regulation of the national health insurance market.**

The Supreme Court recognized long ago that the Commerce Clause authorizes Congress to regulate "the business of insurance": "[t]hat power, ... is vested in the Congress, available to be exercised for

the national welfare as Congress shall deem necessary.” *United States v. South-Eastern Underwriters*, 322 U.S. 533, 552-53 (1944).

In the Act, Congress set forth findings about the central role of health insurance in the U.S. economy. In 2009, the U.S. spent more than 17% of its gross domestic product on health care. ACA § 10106(a). Despite that expense, some 45 million Americans lacked health insurance for at least part of the year before enactment of the ACA. One reason so many Americans lack health insurance is that historically—and until the ACA is fully implemented in 2014—insurers’ practices have excluded many of those most in need of medical care, often by avoiding coverage of people with pre-existing conditions. Given that as many as 129 million Americans under 65 have some pre-existing condition, Dept. of Health & Human Services, *At Risk: Pre-Existing Conditions Could Affect 1 in 2 Americans* (2011), <http://www.healthcare.gov/center/reports/preexisting.html>, these practices place numerous families at risk for loss of health insurance.

Uninsured Americans are not immune from injury, sickness, and the need for medical services. According to recent reports, 94% of the long-term uninsured have received some medical care. June E. O’Neill & Dave M. O’Neill, *Who Are the Uninsured? An Analysis of America’s Uninsured Population, Their Characteristics, and their Health* 20-22, Employment Policies Institute (2009). When Americans lack health insurance, they often resort to treatment in emergency rooms: according to one study, in 2007, 62.6% of the uninsured at a given point in time had made at least one visit to a doctor

or emergency room within the year. National Center for Health Statistics, *Health, United States, 2009* 318.

America is a generous and caring nation, and the uninsured are, in many instances, provided basic health care with the cost passed on to other participants in the market. A federal statute requires as much. See Emergency Medical Treatment and Labor Act, 42 U.S.C. § 1395dd. The cost of medical care for the uninsured is shifted through the interstate market. In 2008, such cost-shifting amounted to \$43 billion, see Congressional Budget Office, *Key Issues in Analyzing Major Health Insurance Proposals* 114 (Dec. 2008), creating a hidden burden passed along to other market participants through increased fees and premiums and to taxpayers through burdens on the public fisc. Congress, in passing the Act, understood that barriers to full coverage in the health insurance market have substantial economic effects extending beyond the health care sector. See, e.g., ACA § 10106 (medical expenses contribute to 62% of personal bankruptcies).

The Act regulates the health insurance market to protect the American people by barring insurers from refusing or rescinding coverage based on pre-existing conditions, establishing new insurance markets, and promoting access to affordable insurance. It also requires individuals, with certain specified exceptions, to maintain minimum levels of health insurance coverage or (in some cases) pay a tax penalty. The Act as a whole is thus a core exercise of Congress's Commerce Clause power to regulate the interstate health insurance industry.

The challenged component of the Act, the MCR, fits within Congress’s enumerated Commerce Clause authority because (1) on its own it regulates this interstate market, and (2) it is an integral part of Congress’s broader regulatory scheme of assuring affordable health care insurance coverage for all Americans.

*First*, the MCR directly addresses the affordability of health insurance and therefore (in light of the basic principle that insurance rests on the pooling of risks) its availability in the private market. As Congress explained, the MCR “regulates activity that is commercial and economic in nature: economic and financial decisions about how and when health care is paid for, and when health insurance is purchased.” ACA § 1501(a)(2)(A). Congress acted for the purposes of “giv[ing] protection to sellers [and] purchasers” and stabilizing “the price structure” of the health care insurance market – regulatory purposes the Supreme Court has long recognized as within the core of the commerce power. *See Currin v. Wallace*, 306 U.S. 1, 11 (1939); *Perez v. United States*, 402 U.S. 146, 151 (1971). As with the law in *Raich*, the MCR regulates commerce by addressing “supply and demand in the national market” for health insurance. *See Raich*, 545 U.S. at 19.

As a matter of economic fact, whether an individual purchases health insurance, self-insures, or ignores the issue altogether is one element in the mass of decisions (and failures to decide) that determine the cost, and thus availability, of health insurance in the market. It is “economic” in a common-language or business sense: health

insurance, unlike carrying guns near schools, is a product which people buy and sell. The Court employs a “practical conception of commercial regulation.” *Id.* at 25 n.35 (quoting *Lopez*, 514 U.S. at 574 (Kennedy, J., concurring)). It is “well established” that the commerce power “includes the power to regulate the prices at which commodities in that commerce are dealt in.” *Wickard v. Filburn*, 317 U.S. 111, 128 (1942). The failure to obtain health insurance affects the cost of health insurance for others and, in the future, for oneself.

*Second*, in the Act, Congress expressly found that the MCR “is an essential part of this larger regulation of economic activity,” the absence of which “would undercut Federal regulation of the health insurance market.” ACA § 10106. Congress found that the MCR is “essential” for a simple reason: otherwise, the new regulations would encourage individuals to delay or forgo insurance, knowing that they could not be excluded later for pre-existing conditions. That would cause higher insurance prices and greater cost-shifting. The MCR, however, will “significantly reduce[] the uninsured” and “together with the [Act’s] other provisions ... lower health insurance premiums.” *Id.*

When Congress creates a “comprehensive regulatory regime,” it may regulate a particular matter if the “failure to regulate ... would leave a gaping hole in the” statutory regime. *Raich*, 545 U.S. at 22, 27. Without the MCR, the objective of the Act’s regulation of interstate commerce would be far more difficult, if not impossible, to attain. “[L]eaving [individuals who do not purchase health care insurance although financially able to do so] outside



the regulatory scheme would have a substantial influence on price and market conditions,” *id.* at 19, and so undermine Congress’s objectives. The Court thus explained in *Raich* that, “[a]s we have done many times before, we refuse to excise individual components of th[e] larger scheme.” *Id.* at 22. The same rule holds here.

Viewed through the lens of recent cases, the Act and its MCR exercise the core of Congress’s Commerce Clause authority. See *Lopez*, 514 U.S. at 558 (commerce power encompasses “the channels of interstate commerce ... the instrumentalities of interstate commerce, or persons or things in interstate commerce” and “activities affecting commerce”). The Act regulates the channels of interstate commerce, which permit the existence of insurance markets. It also regulates “things in interstate commerce” – insurance contracts and transactions. See *South-Eastern Underwriters*, 322 U.S. at 550 (insurance “involve[s] the transmission of great quantities of money, documents, and communications across dozens of state lines”). Finally, health insurance makes up a significant interstate market itself and provides a means of payment for participants in the unique national health care market, and so the MCR regulates matters “substantially affecting interstate commerce.”

**2. The minimum coverage requirement is fully consistent with limits on the Commerce Clause described in recent Supreme Court decisions.**

The MCR, as a regulation of an economic market, also complies with the limits on Congress's authority articulated in *Lopez* and *Morrison*. The Act regulates interstate commerce, not in order to reach some further, non-commercial behavior but precisely in order to regulate a commercial market to achieve national purposes. There is thus no gap between the regulation and interstate commerce. As the Supreme Court concluded in *Raich*, where Congress's clear purpose is to regulate an interstate market, the limiting principles of *Lopez* and *Morrison* are irrelevant. *See Raich*, 545 U.S. at 26.

We are sensitive to the Court's concern that Congress not overstep its authority by using its national commercial powers to regulate truly local or non-economic matters that do not sufficiently affect commerce. But that is simply not this case—here, the challengers “do not question that Congress can regulate the interstate health care and health insurance markets, or that Congress reasonably could conclude that decisions about whether to purchase health insurance substantially affect interstate commerce.” *Seven-Sky*, 661 F.3d at 16. No chain of inferences is necessary to relate the MCR to the regulation of interstate commerce; instead, Congress is regulating a national market – the very subject matter and purpose of the Commerce Clause. *See also Thomas More Law Ctr. v. Obama*, 651 F. 3d 529, 545 (6th Cir. 2011) (“*Thomas More*”) (The effects on interstate commerce here “are not at all

attenuated as were the links between the regulated activities and interstate commerce in *Lopez* and *Morrison*. Similar to the causal relationship in *Wickard*, self-insuring individuals are attempting to fulfill their own demand for a commodity rather than resort to the market and are thereby thwarting Congress's efforts to stabilize prices.”)

The relevant limitation to the MCR is that expressed by the terms of the Commerce Clause itself, and the MCR's constitutionality rests on the fact that what it regulates is interstate commerce. See *Prudential Ins. Co. v. Benjamin*, 328 U.S. 408, 423 (1946) (“The only limitation [the Clause] places upon Congress' power is in respect to what constitutes commerce, including whatever rightly may be found to affect it sufficiently to make Congressional regulation necessary or appropriate”). Upholding a regulation of commerce itself poses no danger of transforming the Commerce Clause into a federal police power.

**C. There Is No Constitutional Basis For Carving Out A Novel Exception To Congress's Recognized Power To Regulate Interstate Commerce.**

- 1. Whether the minimum coverage requirement should be categorized as activity or inactivity is an artificial distinction irrelevant to the question of the Act's constitutionality.**

The challengers repeatedly proclaim a constitutional rule limiting the Commerce Clause to regulations affecting economic “activities.” But the

challengers have manufactured this supposed “rule” out of whole cloth. To put it simply, as Judge Silberman wrote in *Seven-Sky*, “[n]o Supreme Court case has ever held or implied that Congress’s Commerce Clause authority is limited to individuals who are presently engaging in an *activity* involving, or substantially affecting, interstate commerce,” *Seven-Sky*, 661 F.3d at 16; *see also Florida ex rel. Atty. Gen. v. U.S. Dept. of Health and Human Serv.*, 648 F.3d 1235, 1286 (11th Cir. 2011) (“Florida”) (“[W]e are not persuaded that the formalistic dichotomy of activity and inactivity provides a workable or persuasive enough answer in this case. ... The Court has never expressly held that activity is a precondition for Congress’s ability to regulate commerce ...”); *Thomas More*, 651 F.3d at 547 (“As long as Congress does not exceed the established limits of its Commerce Power, there is no constitutional impediment to enacting legislation that could be characterized as regulating inactivity.”)

The challengers’ claim is simply wordplay with the terminology found in some judicial opinions, none of which concern a difference between action and inaction. The challengers’ claim rests on the happenstance that some opinions have used that language,<sup>3</sup> even though the Court has never

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<sup>3</sup> The Court uses other terms elsewhere. *See, e.g., Bd. of Trade of Chicago v. Olsen*, 262 U.S. 1, 37 (1923) (commerce power authorizes regulation of “[w]hatever amounts to more or less constant practice and threatens to obstruct or unduly to burden” interstate commerce) (quoting with approval *Stafford v. Wallace*, 258 U.S. 495, 521 (1922)). The challengers’ theory is as futile as it would be to argue that the Court’s use in *Olsen* and *Stafford* of the word “practice” limited the commerce power to “practices” as opposed to “non-practices.”

suggested the existence of any *per se* limitation on the commerce power based on such conceptual categories. “[S]uch formulas are not provided by the great concepts of the Constitution.” *Lopez*, 514 U.S. at 573 (Kennedy, J., concurring) (internal quotation marks omitted). It is implausible that without saying so, and contrary to its long-standing acknowledgment that the commerce power is plenary, the Court’s choice of wording established a new category of matters related to commerce but beyond congressional regulation because someone might not label them an “activity.” See *Raich*, 545 U.S. at 22. As Judge Silberman explained in *Seven-Sky*:

To be sure, a number of the Supreme Court’s Commerce Clause cases have used the word “activity” to describe behavior that was either regarded as within or without Congress’s authority. But those cases did not purport to limit Congress to reach only *existing* activities. They were merely identifying the relevant conduct in a descriptive way, because the facts of those cases did not raise the question—presented here—of whether “inactivity” can also be regulated.

661 F.3d at 17 (footnote omitted). In short, as the D.C. Circuit correctly concluded, the cases upon which the challengers rely simply do not “endorse the view that an existing activity is some kind of touchstone or a necessary precursor to Commerce Clause regulation.” *Id.*

Moreover, while the challengers incorrectly claim that upholding the MCR would lead down a slippery slope, their proposed line between activity and inactivity is itself a slippery one: “[W]ere ‘activities’ of some sort to be required before the Commerce Clause could be invoked, it would be rather difficult to define such ‘activity.’” *Seven-Sky*, 661 F.3d at 17. After all, laws criminalizing “mere possession” of child pornography or drugs have been consistently upheld on the theory that passive possession makes active trade more likely in the future. *See, e.g., Raich*, 545 U.S. at 19; *United States v. Sullivan*, 451 F.3d 884, 891-92 (D.C. Cir. 2006). And perhaps more importantly, this Court has repeatedly rejected a whole host of similarly uncertain semantic distinctions in the Commerce Clause context—such as the now-discredited line between “indirect” and “direct” effects on interstate commerce—because they are unworkable. *See Wickard*, 317 U.S. at 119-20; *see also Lopez*, 514 U.S. at 569-71 (Kennedy, J., concurring); *Florida*, 648 F.3d at 1287 (“[T]he Court’s attempts throughout history to define by ‘semantic or formalistic categories those activities that were commerce and those that were not’ are doomed to fail.”) (quoting *Lopez*, 514 U.S. at 569 (Kennedy, J., concurring)).

In any event, the distinction between “activity” and “inactivity” proposed by the challengers is an artificial one. The choice not to purchase health care insurance is *not* without effect on the health insurance market. As discussed above, the vast majority of uninsured Americans do seek and receive often expensive medical care, and those costs are shifted to people who do have health care insurance in the form of higher premiums. The behavior that

the challengers characterize as “inactivity” thus in actuality significant effect on the nationwide health care insurance market.

The Court long ago concluded that “artificial” categories and “abstract distinction[s]” provide no proper basis for constraining the scope of the commerce power. *See Lopez*, 514 U. S. at 556 (pre-1937 distinction between “direct” and indirect” effects abandoned because it “artificially had constrained the authority of Congress to regulate interstate commerce”); *id.* at 572-73 (Kennedy, J., concurring) (approving Court’s rejection of “the abandoned abstract distinction between direct and indirect effects on interstate commerce”). The challengers’ argument is a novel version of the same discarded mistake.

**2. The challengers’ proposed distinction between activity and inactivity rests on a discredited substantive due process theory of economic liberty that is not cognizable in a legal action challenging a federal statute on Article I grounds.**

The challengers’ real claim is that by imposing an obligation on certain Americans to participate in a market at a particular time, the Act invades their economic liberty. *See Seven-Sky*, 661 F.3d at 19 (“Appellants’ view that an individual cannot be subject to Commerce Clause regulation absent voluntary, affirmative acts ... expresses a concern for individual liberty that seems more redolent of Due Process Clause arguments.”). As the D.C. Circuit thus acknowledged, the challengers’ concerns sound

in what we now call economic substantive due process, and associate with the famous decision in *Lochner v. New York*, 198 U.S. 45 (1905). The challengers mention neither *Lochner* nor economic substantive due process, and for good reason: the Supreme Court rejected the doctrine many decades ago. “The doctrine that prevailed in *Lochner* ... has long since been discarded. We have returned to the original constitutional proposition that courts do not substitute their social and economic beliefs for the judgment of legislative bodies.” *Ferguson v. Skrupa*, 372 U.S. 726, 730 (1963). Cast as a challenge to Congress’s Article I powers, the challengers’ theory fails even to state a cognizable legal claim. The substantive powers enumerated in Article I authorize Congress to impose obligations and duties on individuals. In the absence of a violation of one of the Constitution’s limitations on legislative power, the challengers’ claims are *political* arguments that can only receive a political remedy.

In any event, the claim that there is anything novel about the MCR because it obligates citizens to take action or denies them the “right” to be left alone is wrong.<sup>4</sup> Every time the federal government

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<sup>4</sup> The MCR is not a novelty in the debate over health care. Legislation requiring Americans to purchase health insurance was first introduced by Republican Senators in 1993. See Health Equity and Access Reform Today Act of 1993, S. 1770, 103d Cong., 1st Sess. (1993). In 2006, a Democratic legislature and Republican governor in Massachusetts adopted a health reform law with an individual mandate. And while Congress was formulating the Act in 2009, a plan released by former Senate Majority Leaders Howard Baker, Tom Daschle, and Bob Dole through the Bipartisan Policy Center also advocated an individual mandate.



requires someone to move in order to build an interstate highway, Congress is exercising the commerce power to require action by individuals who might prefer inactivity to compensation for the taking. Congress has put obligations on individuals at least since the Militia Act of 1792. In *Wickard*, 317 U.S. at 129, the Court upheld Commerce Clause legislation despite the objection that the law “forc[ed] some farmers into the market to buy what they could provide for themselves.” In parallel fashion, the MCR forces some taxpayers who benefit from the Act’s health care protections “into the market” to purchase health insurance despite claims they “could provide [it] for themselves” by self-insurance. Neither in *Wickard* nor in the present case do these observations even suggest a constitutional infirmity.

As these examples demonstrate, there is nothing unconstitutional or unusual about legislation that requires individuals to bear some obligation to achieve a broader public goal. In the present case, moreover, the MCR is simply “a coordination mechanism to ensure that everyone participates in a well-functioning private insurance market. By discouraging any one of us from free-riding, the mandate allows each of us greater protection and more affordable coverage” – just like Social Security and Medicare. See Rahul Rajkumar & Harold Pollack, *An Essential Mandate*, L.A. Times (Jan. 7, 2011). The Constitution presupposes the legitimacy of legislative authority when exercised within its express limitations. “There is no absolute freedom to do as one wills or to contract as one chooses” and “the Constitution does not recognize an absolute and uncontrollable liberty.” *W. Coast Hotel v. Parrish*, 300 U.S. 379, 391-92 (1937) (quotation omitted).

When, as here, Congress executes its enumerated powers, “the United States possesses the power ... to regulate the conduct of the citizen [and thus] abridge his liberty or affect his property.” *Nebbia v. New York*, 291 U.S. 502, 524-25 (1934).

We agree with the challengers’ insistence that the Constitution is dedicated to the principles of freedom. Nonetheless, it is unclear what they think so severe about the Act as to be an unconstitutional interference with liberty. The constitutional validity of Medicare is beyond question, yet Medicare requires individual taxpayers to pay for health insurance they will need in old age. The difference is that the MCR allows individual taxpayers to choose to purchase insurance in the market or pay a penalty, while under Medicare taxpayers must pay into the program. The MCR is thus arguably a *less* intrusive approach to achieving Congress’s legislative purpose than Medicare, and therefore cannot be an unconstitutional deprivation of liberty. *See, e.g., Rumsfeld v. FAIR*, 547 U.S. 47, 59-60 (2006) (holding that where Congress could directly impose a requirement it cannot be unconstitutional for Congress to permit private choices and impose financial consequences). Moreover, the MCR does not require that people receive particular medical care and, in fact, explicitly exempts those with religious objections. ACA § 10106(b)(1).

The Commerce Clause empowers Congress to enact legislation that places obligations on individuals and imposes penalties for violating those obligations. *Sunshine Anthracite Coal Co. v. Adkins*, 310 U.S. 381, 401 (1940). Liberty under our Constitution is liberty in a system authorizing the

exercise of the governmental authority the Constitution delegates to Congress. If the challengers disagree with elements of the Act, they may address them in the proper, democratic forum.

**3. Upholding the Act and the minimum coverage requirement would not render Congress's Commerce Clause authority without limits.**

The Eleventh Circuit suggested that accepting the government's Commerce Clause arguments here would necessarily permit Congress to "compel[] Americans to purchase a certain product from a private company," such as a car. *Florida*, 648 F.3d at 1297. But that is simply not true. As the D.C. Circuit found, "the health insurance market is a rather unique one, both because virtually everyone will enter or affect it, and because the uninsured inflict a disproportionate harm on the rest of the market as a result of their later consumption of health care services." *Seven-Sky*, 661 F.3d at 18. There is nothing speculative about these harms; as Judge Silberman recognized, Congress here specifically found that "\$43 billion in annual costs [arising from the consumption of health care services by the uninsured] are shifted to the insured, through higher premiums." *Id.* at 14. As a result, "Congress reasonably determined that as a *class*, the uninsured create market failures," *id.* at 20, and reasonably sought to correct those failures by imposing the MCR.

In contrast, it cannot seriously be maintained that individuals who fail to buy cars from a particular private company create any comparable market failure or inflict any similarly

“disproportionate harm” on car buyers as a class. To parallel the problem that Congress faced here, the Eleventh Circuit’s hypothetical would need to be altered fundamentally to involve the redistribution of risks and costs in a national market. If, for example, certain individuals across the country were somehow able to obtain cars worth billions of dollars without paying for them—thereby imposing an extra \$43 billion a year in increased costs on legitimate car buyers—then *that* would begin to resemble the problem that Congress faced here. In that unlikely event, if state and local governments were unable to take corrective action, Congress presumably could step in—as here—to provide a financial incentive for people to pay for their own cars rather than passing those costs on to others.

But the real point here is not to debate hypotheticals—the fact is that consideration of the grave question of whether this Court must invalidate a landmark act of Congress is not advanced by entertaining a parade of hypotheticals. This is particularly true with respect to imagined laws that would impinge on an individual’s bodily autonomy. The Supreme Court long ago recognized a constitutionally protected liberty interest in decisions about an individual’s bodily integrity. *See, e.g., Skinner v. Oklahoma ex rel. Williamson*, 316 U.S. 535 (1942); *Griswold v. Connecticut*, 381 U.S. 479 (1965); *Cruzan*, 497 U.S. at 278-79. In the unlikely event a Congress someday attempted to invade such a personal liberty as the interest in refusing to eat a certain food, a significant constitutional issue would be posed. The judiciary possesses authority and doctrinal tools to address laws that interfere oppressively with an individual’s

physical integrity. It is quite unnecessary to return to *Lochner* or deny Congress the authority to regulate an interstate market in order to prevent an Orwellian state. There is a familiar and principled distinction between personal freedoms that the courts protect by searching analysis of legislation restricting them, and “liberties which derive merely from shifting economic arrangements.” *Stanley v. Illinois*, 405 U.S. 645, 651 (1972) (quoting *Kovacs v. Cooper*, 336 U.S. 77, 95 (1949) (Frankfurter, J., concurring)). Freedoms related to the individual’s physical integrity come to the courts “with a momentum for respect lacking when appeal is made to” economic liberty. *Id.*

Even if this Court believes that principles of *economic* liberty might in some case call for curtailing a congressional requirement that individuals participate in a particular market, two factors make the health insurance market unique. *First*, as the Supreme Court has observed, insurance is uniquely and by definition “an arrangement for transferring and distributing risk.” *Group Life & Health Ins. Co. v. Royal Drug Co.*, 440 U.S. 205, 211 (1979) (citation omitted). As a consequence, a “fundamental object” of insurance “is to distribute ... loss over as wide an area as possible.” *Id.* at 213 (citation omitted). The power effectively to regulate the pricing structure of an insurance market necessarily involves the power to regulate the area over which the risks are spread – a characteristic of insurance that can be said of no other market.

*Second*, as the D.C. Circuit pointed out, health care is distinctive in that almost every individual will, at some point, require health care and yet the

timing and costs of those needs are unpredictable: health care insurance is, as a consequence, the only practicable way in which health care can be financed. And existing state and federal laws, which embody a basic and permanent commitment of the American people, already result in the transfer of the costs of health care for the uninsured to other market participants, thus creating a burden on other payers. The MCR merely regulates the unavoidable participation of individuals in this singular market in order to make its financing more efficient and eliminate its current inequities. Because this market is unique, Congress infringes no general principle of liberty in ordering its activities in a unique way to increase efficiency and eliminate inequity. Accordingly, reversal in this case need not commit the Court to affirmance in any case involving a mandate to make a purchase, but would reflect the unique characteristics of insurance markets in general and the health care insurance market in particular.

Nor is there any validity to the Eleventh Circuit's view that the MCR oversteps Congress's commerce power because it "trenches on an area of traditional state concern." *Florida*, 648 F.3d at 1303. Judge Silberman expressly addressed and rejected this argument in *Seven-Sky*, finding that "decades of established federal legislation in these areas suggest the contrary." *Seven-Sky*, 661 F.3d at 19. Moreover, the D.C. Circuit found, the "states' powers over health and general welfare" does *not* "make the health care *industry* a traditional state concern." *Id.* And the Sixth Circuit did not even seriously consider this argument because there the "plaintiffs concede[d]" that "Congress has the power under the

Commerce Clause to regulate the interstate markets in health care delivery and health insurance.” *Thomas More*, 651 F.3d at 546.

Finally, it bears emphasis that conducting the Commerce Clause inquiry here by requiring the *government* to articulate and defend “limiting principles” on its commerce power—as the Eleventh Circuit did, *see Florida*, 648 F.3d at 1295-98—turns the proper constitutional analysis upside down. As Judge Silberman explained in *Seven-Sky*, the “most important consideration” in this case “might well be” that the courts are “obliged . . . to presume that acts of Congress are constitutional,” not the contrary. 661 F.3d at 18. Properly understood, in other words, the burden here is not on Congress to demonstrate the constitutional use of its well-established commerce power, but rather is on the challengers to make “a clear showing” of *unconstitutionality*—and they have not done so. *Id.*

**II. CONGRESS HAS POWER UNDER THE NECESSARY AND PROPER CLAUSE TO ADOPT THE MINIMUM COVERAGE REQUIREMENT AS A MEANS CONGRESS DEEMS APPROPRIATE AND CONDUCTIVE TO ACCOMPLISH THE ENDS OF THE PATIENT PROTECTION AND AFFORDABLE CARE ACT.**

The Constitution grants Congress certain enumerated powers, and also authority to “make all Laws which shall be necessary and proper for carrying into Execution th[os]e foregoing Powers.” Art. I, § 8, cl. 18. Because the MCR is a direct regulation of interstate commerce, we think it unnecessary to consider Congress’s additional

powers under the Necessary and Proper Clause. Were there any doubt that the MCR is a valid exercise of Congress's commerce power, however, the provision is a valid means to the full and effective execution of the Act.

**A. The Necessary And Proper Clause Empowers Congress To Choose The Means Best Suited In Its Judgment To Execute Its Express Powers, As Long As The Means Are Conducive To A Constitutionally Legitimate Legislative End.**

Since *McCulloch v. Maryland*, it has been settled law that the Necessary and Proper Clause empowers Congress to choose those means that *Congress* deems necessary to the effective exercise of its enumerated powers. See *McCulloch v. Maryland*, 17 U.S. (4 Wheat.) 316, 421 (1819). As the Supreme Court held in *McCulloch*, the Clause does not limit Congress to choose only those means that are necessary in some strictly logical sense, a rule that would render the federal government unworkable. *Id.* at 415-16, 420-21. Rather, the Clause permits Congress to adopt *any* means "appropriate" to the achievement of *any* legitimate congressional purpose:

Let the end be legitimate, let it be within the scope of the constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consist with the letter and spirit of the constitution, are constitutional.



*Id.* at 421. The Court recently reaffirmed the breadth of the Clause in *United States v. Comstock*, where it recognized that the concern expressed in *Lopez* about “pil[ing] inference upon inference” has no place in analyzing a provision that is a Necessary and Proper means to executing an enumerated power. 130 S. Ct. 1949, 1963 (2010) (quoting *Lopez*, 514 U.S. at 567).

**B. The Minimum Coverage Requirement Is An Appropriate Means Of Executing The Act’s Regulation Of The Interstate Health Care Insurance Market, Is Plainly Adapted To The End Of Assuring Affordable Health Care For All Americans, And Violates No Constitutional Prohibition.**

The Act’s purpose, to make affordable health insurance available to all Americans, is a constitutionally legitimate end. *See South-Eastern Underwriters*, 322 U.S. at 552-53. As described above, Congress carefully explained why the MCR is essential to the Act’s broader goal. The challengers present no plausible claim that the MCR violates any express constitutional prohibition; their suggestion that the Necessary and Proper Clause itself imposes such a prohibition is contrary to both principle and precedent.<sup>5</sup> Since the MCR is “plainly adapted” to

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<sup>5</sup> In *Comstock*, the Court repeatedly stressed the difference between the Necessary and Proper Clause issue and any individual liberty claims in that case. 130 S. Ct. at 1954, 1956, 1957, 1965. The Necessary and Proper Clause cannot be used to repackage an individual-liberty argument, such as a Fifth Amendment economic due process claim, into a claim about Congress’s Article I powers.

Congress's legitimate regulatory end, the provision is, plainly, valid under the Necessary and Proper Clause.

This conclusion is bolstered by two additional considerations. *First*, the Court has maintained ever since *McCulloch* that Congress may choose any means it deems "conducive to the complete accomplishment of [its] object" – that is, appropriate to render its legislation completely effective. See *McCulloch*, 17 U.S. at 424. The Necessary and Proper Clause does not invite courts to overturn Congress's choices because litigants may prefer that Congress seek its goals through different measures.

*Second*, since *McCulloch* it has been clear that courts should not substitute their views on which means are appropriate for those of the legislature. In *McCulloch*, the Court explained that even if the constitutional "necessity" of a national bank were "less apparent" than the Court believed, "none can deny its being an appropriate measure; and if it is, the degree of its necessity, as has been very justly observed, is to be discussed in another place" – that is, Congress. 17 U.S. at 423. Modern cases state this principle using the rational basis test: the Clause requires that "a federal statute represent a rational means for implementing a constitutional grant of legislative authority." *Comstock*, 130 S. Ct. at 1962. The issue in this case is therefore not whether this Court concludes that the MCR is in fact necessary to "the complete accomplishment" of Congress's goals "but only whether a 'rational basis' exists for so

concluding.” *Raich*, 545 U.S. at 22; see also *Comstock*, 130 S. Ct. at 1956.<sup>6</sup>

Congress, through the Act, has used its constitutional powers to ensure that all Americans have access to quality, affordable health care, while significantly reducing long-term health care costs. Although the challengers may not agree with these goals, they are well within Congress’s constitutional bounds.

### **III. CONGRESS HAS INDEPENDENT AUTHORITY UNDER ITS TAXING POWER TO ADOPT THE MINIMUM COVERAGE REQUIREMENT.**

The Constitution grants Congress the “Power To lay and collect Taxes, Duties, Imposts and Excises, to ... provide for the ... general Welfare of the United States[.]” U.S. Const. art. I, § 8, cl. 1. This Clause provides an additional constitutional basis for the MCR. As this Court has long recognized, Congress’s General Welfare Clause power is “extensive,” *License*

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<sup>6</sup> In addition to the steep uphill battle that challengers face to demonstrate that Congress lacked a “rational basis” here, as a matter of common sense it is also implausible to maintain that the MCR is “improper” in the face of well-established programs like Social Security or Medicare. As discussed *supra* at 5, neither of those programs—which require individuals to make payments to provide for their retirement and to provide for their health coverage after they are 65 years of age or if they meet other criteria—has ever been considered such a novel intrusion into liberty that judges would be justified in overriding the considered judgment of the elected branches that adopted them.

*Tax Cases*, 72 U.S. (5 Wall.) 462, 471 (1867), and the MCR fits well within this authority.

The Act requires individuals to obtain coverage or pay a penalty through the tax system. ACA § 1501(b). The tax penalty is codified in the Internal Revenue Code; it applies only to taxpayers otherwise required to file income tax returns; it is calculated with reference to an individual's income; it is assessed and collected like other tax penalties; and it is enforced by the Internal Revenue Service. Congress expected the provision to raise revenue for the federal government. In part because of the MCR, the Act is projected to reduce the budget deficit by \$143 billion over ten years. CBO Letter to Nancy Pelosi (Mar. 20, 2010), *available at* <http://www.cbo.gov/ftpdocs/113xx/doc11379/AmendReconProp.pdf>.

The Eleventh Circuit found that the “plain language” of the minimum coverage provision makes clear that it “is not a tax, but rather ... a ‘penalty.’” *Florida*, 648 F.3d at 1315. It is well established, however, that the validity of an assessment under the taxing power does not turn on the exaction's label. Rather, in “passing on the constitutionality of a tax law,” a court is “concerned only with its practical operation, not ... the precise form of descriptive words which may be applied to it.” *Nelson v. Sears, Roebuck & Co.*, 312 U.S. 359, 363 (1941) (quoting *Lawrence v. State Tax. Comm'n*, 286 U.S. 276, 280 (1932)) Against that backdrop, the Eleventh Circuit's suggestion that Congress somehow disavowed its taxing power by employing the term “penalty” in the minimum coverage requirement is unsupportable.

The Eleventh Circuit also found that because the Act contains “several provisions” where Congress used the word “tax,” it must be presumed that Congress’s use of the term “penalty” in the minimum coverage requirement was intended to convey a *different* meaning. *Florida*, 648 F.3d at 1316-17. But that finding, too, is inconsistent with the proper analysis of a tax law’s constitutionality—as noted directly above, the validity of a congressional enactment under the taxing power does not turn on nomenclature. Here it is clear that the provision in question *functions* as a tax: the amount of the exaction is calculated as a percentage of household income for income tax purposes, 26 U.S.C.A. § 5000A(c); a taxpayer’s responsibility for family members depends on their status as dependents under the Internal Revenue Code, 26 U.S.C.A §§ 5000A(a) and (b)(3); taxpayers filing jointly are jointly liable for the penalty, 26 U.S.C.A. § 5000A(b)(3)(B); and the IRS will assess and collect the penalty in the same manner as other penalties imposed under the Internal Revenue Code. 26 U.S.C.A. §§ 5000A(b)(2) and (g). Particularly given the lower courts’ obligation to resort to “every reasonable construction” to save a statute from unconstitutionality, *Edward J. DeBartolo Corp v. Florida Gulf Coast Building & Construction Trades Council*, 485 U.S. 568, 575 (1988), the Eleventh Circuit’s elevation of labels over substance in assessing the validity of the penalty provision under Congress’s taxing authority should be reversed.

**CONCLUSION**

The judgment of the court of appeals invalidating the minimum coverage requirement should be reversed.

Respectfully submitted,

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