1	IN THE SUPREME COURT OF THE	UNITED STATES
2		-x
3	NATIONAL FEDERATION OF INDEPENDENT	' :
4	BUSINESS, ET AL.,	:
5	Petitioners	: No. 11-393
6	v.	:
7	KATHLEEN SEBELIUS, SECRETARY OF	:
8	HEALTH AND HUMAN SERVICES, ET AL.	:
9		-x
10	and	
11		-x
12	FLORIDA, ET AL.,	:
13	Petitioners	: No. 11-400
14	v.	:
15	DEPARTMENT OF HEALTH AND	:
16	HUMAN SERVICES, ET AL.	:
17		-x
18	Washington,	D.C.
19	Wednesday,	March 28, 2012
20		
21	The above-entitled m	atter came on for oral
22	argument before the Supreme Court	of the United States
23	at 10:19 a.m.	
24	APPEARANCES:	
25	PAUL D. CLEMENT, ESQ., Washington,	D.C.; on behalf of

1		Petitioners.
2	ED	WIN S. KNEEDLER, ESQ., Deputy Solicitor General,
3		Department of Justice, Washington, D.C.; on behalf of
4		Respondents.
5	Н.	BARTOW FARR, III, ESQ., Washington, D.C.; for
6		Court-appointed amicus curiae.
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1	PROCEEDINGS
2	(10:19 a.m.)
3	CHIEF JUSTICE ROBERTS: We will continue
4	argument this morning in Case Number 11-393, National
5	Federation of Independent Business v. Sebelius, and Case
6	11-400, Florida v. The Department of HHS.
7	Mr. Clement.
8	ORAL ARGUMENT OF PAUL D. CLEMENT
9	ON BEHALF OF THE PETITIONERS
10	MR. CLEMENT: Mr. Chief Justice, and may it
11	please the Court:
12	If the individual mandate is
13	unconstitutional, then the rest of the Act cannot stand.
14	As Congress found and the Federal Government concedes,
15	the community-rating and guaranteed-issue provisions of
16	the Act cannot stand without the individual mandate.
17	Congress found that the individual mandate was essential
18	to their operation.
19	And not only can guaranteed-issue and
20	community-rating not stand, not operate in the manner
21	that Congress intended, they would actually counteract
22	Congress's basic goal of providing patient protection
23	but also affordable care.
24	You can if you do not have the individual
25	mandate to force people into the market, then community

- 1 rating and guaranteed issue will cause the cost of
- 2 premiums to skyrocket. We can debate the order of
- 3 magnitude of that, but we can't debate that the
- 4 direction will be upward. We also can't debate --
- 5 JUSTICE SOTOMAYOR: Counsel, that may well
- 6 be true. The economists are going back and forth on
- 7 that issue, and the figures vary from up 10 percent to
- 8 up 30. We're not in the habit of doing the legislative
- 9 findings.
- 10 What we do know is that for those States
- 11 that found prices increasing, that they found various
- 12 solutions to that. In one instance -- and we might or
- 13 may not say that it's unconstitutional -- Massachusetts
- 14 passed the mandatory coverage provision. But others
- 15 adjusted some of the other provisions.
- 16 Why shouldn't we let Congress do that, if in
- 17 fact the economists prove -- some of the economists
- 18 prove right that prices will spiral? What's wrong with
- 19 leaving it to -- in the hands of the people who should
- 20 be fixing this, not us?
- MR. CLEMENT: Well, a couple of questions --
- 22 a couple of responses, Justice Sotomayor. First of all,
- 23 I think that it's very relevant here that Congress had
- 24 before it as examples some of the States that had tried
- 25 to impose guaranteed issue and community rating and did

- 1 not impose an individual mandate. And Congress rejected
- 2 that model. So, your question is quite right in saying
- 3 that it's not impossible to have guaranteed issue and
- 4 community rating without an individual mandate. But
- 5 it's a model that Congress looked at and specifically
- 6 rejected.
- 7 And then, of course, there's Congress's own
- 8 finding, and their finding, of course -- this is Finding
- 9 (I), which is 43a of the Government's brief, in the
- 10 appendix. Congress specifically found that having the
- 11 individual mandate is essential to the operation of
- 12 guaranteed issue and community rating.
- JUSTICE SOTOMAYOR: That's all it said it
- 14 was essential to. I mean, I'm looking at it. The
- 15 exchanges. The State exchanges are information-
- 16 gathering facilities that tell insurers what the various
- 17 policies actually mean. And that has proven to be a
- 18 cost saver in many of the States who have tried it. So,
- 19 why should we be striking down a cost saver --
- 20 MR. CLEMENT: Well --
- JUSTICE SOTOMAYOR: -- when, if what your
- 22 argument is, was that Congress was concerned about costs
- 23 rising?
- MR. CLEMENT: Well --
- 25 JUSTICE SOTOMAYOR: Why should we assume

- 1 they wouldn't have passed an information --
- 2 MR. CLEMENT: I think a couple of things.
- 3 One, you get -- I mean, I would think you're going have
- 4 to take the bitter with the sweet. And if Congress --
- 5 if we're going to look at Congress's goal of providing
- 6 patient protection but also affordable care, we can't --
- 7 I don't think it works to just take the things that save
- 8 money and cut out the things that are going to make
- 9 premiums more expensive. But at a minimum --
- 10 JUSTICE SOTOMAYOR: I guess, on the bottom
- 11 line, is why don't we let Congress fix it?
- MR. CLEMENT: Well, let me answer the bottom
- line question, which is, no matter what you do in this
- 14 case, at some point there's going to be -- if you strike
- down the mandate, there's going to be something for
- 16 Congress to do. The question is really what task do you
- 17 want to give Congress? Do you want to give Congress the
- 18 task of fixing the statute after something has been
- 19 taken out, especially a provision at the heart, or do
- 20 you want to give Congress the task of fixing health
- 21 care? And I think it would be better in this situation
- 2.2 --
- JUSTICE SOTOMAYOR: We're not taking -- if
- 24 we strike down one provision, we're not taking that
- 25 power away from Congress. Congress could look at it

- 1 without the mandatory coverage provision and say this
- 2 model doesn't work; let's start from the beginning. Or
- 3 it could choose to fix what it has. We're not declaring
- 4 -- one portion doesn't force Congress into any path.
- 5 MR. CLEMENT: And, of course, that's right,
- 6 Justice Sotomayor, and no matter what you do here,
- 7 Congress will have the options available. So, if you --
- 8 if you strike down only the individual mandate, Congress
- 9 could say the next day, well, that's the last thing we
- 10 ever wanted to do; so, we're going to strike down the
- 11 rest of the statute immediately and then try to fix the
- 12 problem. So, whatever you do, Congress is going to have
- 13 options. The question is --
- JUSTICE SCALIA: Well, there's such a thing
- 15 as legislative inertia, isn't there?
- MR. CLEMENT: Well, that's exactly --
- 17 JUSTICE SCALIA: I mean --
- 18 MR. CLEMENT: -- what I was going to say,
- 19 Justice Scalia, which is I think the question for this
- 20 Court is -- we all recognize there's legislative
- 21 inertia. And then the question is what's the best
- 22 result in light of that reality?
- JUSTICE SOTOMAYOR: Are you suggesting that
- 24 we should take on more power to the Court?
- MR. CLEMENT: No, I --

- 1 JUSTICE SOTOMAYOR: Because Congress would
- 2 choose to take one path rather than another. That's
- 3 sort of taking onto the Court more power than one, I
- 4 think, would want.
- 5 MR. CLEMENT: And I agree. We're simply
- 6 asking this Court to take on, straight on, the idea of
- 7 the basic remedial inquiry into severability which looks
- 8 to the intent of the Congress --
- JUSTICE SCALIA: Yes, I wanted to ask you
- 10 about that. Why do we look to the -- are you sure we
- 11 look to the intent of the Congress? I thought that, you
- 12 know, sometimes Congress says that these provisions will
- 13 -- all the provisions of this Act will be severable. We
- 14 ignore that when the Act really won't work, when the
- 15 remaining provisions just won't work. Now, how can you
- 16 square that reality with the proposition that what we're
- 17 looking for here is what would this Congress have
- 18 wanted?
- 19 MR. CLEMENT: Well, two responses,
- 20 Justice Scalia: We can look at this Court's cases on
- 21 severability, and they all formulate the test a little
- 22 bit differently.
- JUSTICE SCALIA: Yes, they sure do.
- MR. CLEMENT: But every one of them talks
- 25 about congressional intent. But here's the other answer

- 1 --
- JUSTICE SCALIA: That's true, but is it
- 3 right?
- 4 MR. CLEMENT: It is right. And here's how I
- 5 would answer your question, which is, when Congress
- 6 includes a severability clause, it's addressing the
- 7 issue in the abstract. It doesn't say, no matter which
- 8 provisions you strike down, we absolutely, positively
- 9 want what's left.
- 10 JUSTICE SCALIA: All right. The consequence
- 11 of your proposition, would Congress have enacted it
- 12 without this provision, okay, that's the consequence.
- 13 That would mean that if we struck down nothing in this
- 14 legislation but the -- what's it called, the Cornhusker
- 15 kickback, okay, we find that to violate the
- 16 constitutional proscription of venality, okay?
- 17 (Laughter.)
- 18 JUSTICE SCALIA: When we strike that down,
- 19 it's clear that Congress would not have passed it
- 20 without that. It was the means of getting the last
- 21 necessary vote in the Senate. And you are telling us
- 22 that the whole statute would fall because the Cornhusker
- 23 kickback is bad. That can't be right.
- MR. CLEMENT: Well, Justice Scalia, I think
- 25 it can be, which is the basic proposition, that it's

- 1 congressional intent that governs. Now everybody on
- 2 this Court has a slightly different way of divining
- 3 legislative intent. And I would suggest the one common
- 4 ground among every member of this Court, as I understand
- 5 it, is you start with the text. Everybody can agree
- 6 with that.
- 7 JUSTICE KAGAN: So Mr. Clement, let's start
- 8 with the text. And you suggest, and I think that there
- 9 is -- this is right, that there is a textual basis for
- 10 saying that the guarantee issue and the community rating
- 11 provisions are tied to the mandate. And you said -- you
- 12 pointed to where that was in the findings.
- 13 Is there a textual basis for anything else,
- 14 because I've been unable to find one. It seems to me
- 15 that if you look at the text, the sharp dividing line is
- 16 between guarantee issue, community ratings, on the one
- 17 hand, everything else on the other.
- 18 MR. CLEMENT: Well, Justice Kagan I would be
- 19 delighted to take you through my view of the text and
- 20 why there are other things that have to fall.
- 21 The first place I would ask you to look is
- 22 finding J, which is on the same page 43A. And as I read
- 23 that, that's a finding that the individual mandate is
- 24 essential to the operation of the exchanges.
- 25 But there are other links between quaranteed

- 1 issue and community rating and the exchanges. And there
- 2 I think it's just the way that the exchanges are
- 3 supposed to work, and the text makes this clear, is they
- 4 are supposed to provide a market where people can
- 5 compare community rated insurance. That's what makes
- 6 the exchanges function.
- 7 JUSTICE KAGAN: Although the exchanges
- 8 function perfectly well in Utah, where there is no
- 9 mandate. They function differently, but they function.
- 10 And the question is always, does Congress want half a
- 11 loaf. Is half a loaf better than no loaf? And on
- 12 something like the exchanges, it seems to me a perfect
- 13 example where half a loaf is better than no loaf. The
- 14 exchanges will do something. They won't do everything
- 15 that Congress envisioned.
- 16 MR. CLEMENT: Well, Justice Kagan, I think
- 17 there are situations where half a loaf is actually
- 18 worse, and I want to address that. But before I do it
- 19 -- more broadly. But before I do that, if I could stick
- 20 with just the exchanges.
- I do think the question that this Court is
- 22 supposed to ask is not just whether they can limp along
- 23 and they can operate independently, but whether they
- operate in the manner that Congress intended. And
- 25 that's where I think the exchanges really fall down.

- 1 Because the vision of the exchanges was that
- 2 if you got out of this current situation where health
- 3 insurance is basically individualized price based on
- 4 individualized underwriting. And you provide community
- 5 rating, then it's going to be very easy for people to
- 6 see, okay, well, this is a silver policy, and this is a
- 7 bronze policy, and this is a gold policy. And we can,
- 8 you know, just pick which insurer provides what I think
- 9 is going to be the best service based on those
- 10 comparable provisions.
- 11 JUSTICE KAGAN: Mr. Clement, you just said
- 12 something which you say a lot in your brief. You say
- 13 the question is the manner in which it would have
- 14 operated. And I think that's not consistent with our
- 15 cases. And I quess the best example would be Booker,
- 16 where we decided not to sever provisions,
- 17 notwithstanding that the sentencing guidelines clearly
- 18 operate in a different manner now than they did when
- 19 Congress passed them. They operate as advisory rather
- 20 than mandatory.
- 21 MR. CLEMENT: But Justice Kagan, I mean, I
- 22 actually think Booker supports our point as well,
- 23 because there are two aspects of the remedial holding of
- 24 Booker. And the first part of it, which I think very
- 25 much actually supports our point is where the majority

- 1 rejects the approach of the dissent, which actually
- 2 would have required nothing in the statute to have been
- 3 struck, not a single word.
- But nonetheless, this Court said, boy, if
- 5 you do that, then all of the sentencing is basically
- 6 going to be done by a combination of the juries and the
- 7 prosecutors, and the judges are going to be cut out.
- 8 And the Court said the one thing we know is that's not
- 9 the manner in which Congress thought that this should
- 10 operate.
- Now, later they make a different judgment
- 12 about the -- which particular provisions to cut out.
- 13 But I do think Booker is consistent with this way of
- 14 looking at it, and certainly consistent with Brock, the
- opinion that we rely on, because there the Court only
- 16 reached that part of the opinion after they had already
- 17 found that the must-hire provision operated functionally
- 18 independent from the legislative veto, so --
- 19 JUSTICE GINSBURG: Mr. Clement, there is so
- 20 many things in this Act that are unquestionably okay. I
- 21 think you would concede that reauthorizing what is the
- 22 Indian Healthcare Improvement Act, changes to Black Lung
- 23 benefits, why make Congress redo those? I mean, it's a
- 24 question of whether we say everything you did is no
- 25 good, now start from scratch, or to say, you know, there

- 1 are many things in here that have nothing to do,
- 2 frankly, with the affordable healthcare, and there are
- 3 some that we think it's better to let Congress to decide
- 4 whether it wants them in or out.
- 5 So why should we say, it's a choice between
- 6 a wrecking operation, which is what you are requesting,
- 7 or a salvage job. And the more conservative approach
- 8 would be salvage rather than throwing out everything.
- 9 MR. CLEMENT: Well, Justice Ginsburg, two
- 10 kinds of responses to that. One, I do think there are
- 11 some provisions that I would identify as being at the
- 12 periphery of this statute, and I will admit that the
- 13 case for severing those is perhaps the strongest.
- 14 But I do think it is fundamentally
- 15 different, because if we were here arguing that some
- 16 provision on the periphery of the statute, like the
- 17 Biosimilars Act or some of the provisions that you've
- 18 mentioned was unconstitutional, I think you'd strike it
- 19 down and you wouldn't even think hard about
- 20 severability.
- 21 What makes this different is that the
- 22 provisions that have constitutional difficulties or are
- 23 tied at the hip to those provisions that have the
- 24 constitutional difficulty are the very heart of this
- 25 Act. And then if you look at how they are textually

- 1 interconnected to the exchanges, which are then
- 2 connected to the tax credits, which are also connected
- 3 to the employer mandates, which is also connected to
- 4 some of the revenue offsets, which is also connected to
- 5 Medicaid, if you follow that through what you end up
- 6 with at the end of that process is just sort of a hollow
- 7 shell. And at that point I think there is a strong
- 8 argument for not -- I mean, you can't possibly think
- 9 that Congress would have passed that hollow shell
- 10 without the heart of the Act.
- 11 CHIEF JUSTICE ROBERTS: Well, but it would
- 12 have -- it would have passed parts of the hollow shell.
- 13 I mean, a lot of this is reauthorization of
- 14 appropriations that have been reauthorized for the
- 15 previous 5 or 10 years and it was just more convenient
- 16 for Congress to throw it in in the middle of the
- 17 2700 pages than to do it separately. I mean, can you
- 18 really suggest -- I mean, they've cited the Black Lung
- 19 Benefits Act and those have nothing to do with any of
- 20 the things we are talking about.
- MR. CLEMENT: Well, Mr. Chief Justice, they
- 22 tried to make them germane. But I'm not here to tell
- 23 you that -- some of their -- surely there are provisions
- 24 that are just looking for the next legislative vehicle
- 25 that is going to make it across the finish line and

- 1 somebody's going to attach it to anything that is
- 2 moving. I mean, I'll admit that.
- 3 But the question is when everything else
- 4 from the center of the Act is interconnected and has to
- 5 go, if you follow me that far, then the question is
- 6 would you keep this hollowed-out shell?
- JUSTICE SOTOMAYOR: Well, but it's not --
- JUSTICE KENNEDY: But I'm still not sure,
- 9 what is the test -- and this was the colloquy you had
- 10 with Justice Scalia with the corn husker hypothetical.
- 11 So I need to know what standard you are asking me to
- 12 apply. Is it whether as a rational matter separate
- 13 parts could still function, or does it focus on the
- 14 intent of the Congress?
- 15 If you -- suppose you had party A wants
- 16 proposal number 1, party B wants proposal number 2.
- 17 Completely unrelated. One is airline rates, the other
- 18 is milk regulation. And we -- and they decide them
- 19 together. The procedural rules are these have to be
- 20 voted on as one. They are both passed. Then one is
- 21 declared unconstitutional. The other can operate
- 22 completely independently. Now, we know that Congress
- 23 would not have intended to pass one without the other.
- 24 Is that the end of it, or is there some different test?
- 25 Because we don't want to go into legislative history,

- 1 that's intrusive, so we ask whether or not an objective
- 2 -- as an objective rational matter one could function
- 3 without -- I still don't know what the test is that we
- 4 are supposed to apply. And this is the same question as
- 5 Justice Scalia asked. Could you give me some help on
- 6 that?
- 7 MR. CLEMENT: Sure. Justice Kennedy, the
- 8 reality is I think this Court's opinions have at various
- 9 times applied both strains of the analysis.
- 10 JUSTICE KENNEDY: And which one -- and what
- 11 test do you suggest that we follow if we want to clarify
- 12 our jurisprudence?
- 13 MR. CLEMENT: I'm -- I'm a big believer in
- 14 objective tests, Justice Kennedy. I would be perfectly
- 15 happy with you to apply a more textually based objective
- 16 approach. I think there are certain justices that are
- 17 more inclined to take more of a peek at legislative
- 18 history, and I think if you look at the legislative
- 19 history of this it would only fortify the conclusion
- 20 that you would reach from a very objective textual
- 21 inquiry. But I am happy to focus the Court on the
- 22 objective textual inquiry.
- 23 CHIEF JUSTICE ROBERTS: I don't understand
- 2.4 --
- 25 JUSTICE KENNEDY: And that objective test is

- 1 what?
- 2 MR. CLEMENT: Is whether the statute can
- 3 operate in the manner that Congress -- that Congress
- 4 intended.
- 5 JUSTICE SOTOMAYOR: No statute can do that,
- 6 because once we chop off a piece of it, by definition,
- 7 it's not the statute Congress passed. So it has to be
- 8 something more than that.
- 9 MR. CLEMENT: Justice Sotomayor, every one
- 10 of your cases, if you have a formulation for
- 11 severability, if you interpret it woodenly it becomes
- 12 tautological. And Justice Blackmun addressed this in
- 13 footnote 7 of the Brock opinion that we rely on, where
- 14 he says: Of course it's not just -- you know, it
- doesn't operate exactly in the manner because it doesn't
- 16 have all the pieces, but you still make an inquiry as to
- 17 whether when Congress links two provisions together and
- 18 one really won't work without the other --
- 19 JUSTICE SOTOMAYOR: So what is wrong with
- 20 the presumption that our law says, which is we presume
- 21 that Congress would want to sever? Wouldn't that be the
- 22 simplest, most objective test? Going past what
- 23 Justice Scalia says we have done, okay, get rid of
- 24 legislative intent altogether, which some of our
- 25 colleagues in other contexts have promoted, and just

- 1 say: Unless Congress tells us directly, it's not
- 2 severable, we shouldn't sever. We should let them fix
- 3 their problems.
- 4 You still haven't asked -- answered me why
- 5 in a democracy structured like ours, where each branch
- 6 does different things, why we should involve the Court
- 7 in making the legislative judgment?
- 8 MR. CLEMENT: Justice Sotomayor let me try
- 9 to answer the specific question and then answer the big
- 10 picture question. The specific question is, I mean, you
- 11 could do that. You could adopt a new rule now that
- 12 basically says, look, we've severed --
- 13 JUSTICE SOTOMAYOR: It's not a new rule. We
- 14 presume. We've rebutted the presumption in some
- 15 cases -- -
- MR. CLEMENT: Right.
- 17 JUSTICE SOTOMAYOR: But some would call that
- 18 judicial action.
- 19 MR. CLEMENT: I think in fairness, though,
- 20 Justice Sotomayor, to get to the point you are wanting
- 21 to get to, you would have to ratchet up that presumption
- 22 a couple of ticks on the scale, because the one thing --
- JUSTICE SOTOMAYOR: And what's wrong with
- 24 that?
- 25 MR. CLEMENT: Well, one thing that's wrong

- 1 with that, which is still at a smaller level, is that's
- 2 inconsistent with virtually every statement in every one
- 3 of your severability opinions, which all talk about
- 4 congressional intent.
- JUSTICE KAGAN: Well, it's not inconsistent
- 6 with our practice, right, Mr. Clement? I mean, you have
- 7 to go back decades and decades and decades, and I'm not
- 8 sure even then you could find a piece of legislation
- 9 that we refused to sever for this reason.
- 10 MR. CLEMENT: I don't think that's right,
- 11 Justice Kagan. I think there are more recent examples.
- 12 A great example I think which sort of proves, and maybe
- is a seque to get to my broader point, is a case that
- 14 involves a State statute, not a Federal statute, but I
- 15 don't think anything turns on that, is Randall against
- 16 Sorrell, where this Court struck down various provisions
- 17 of the Vermont campaign finance law. But there were
- 18 other contribution provisions that were not touched by
- 19 the theory that the Court used to strike down the
- 20 contribution limits. But this Court at the end of the
- 21 opinion said: There is no way to think that the Vermont
- 22 legislator would have wanted these handful of provisions
- 23 there on the contribution side, so we will strike down
- 24 the whole thing.
- 25 And if I could make the broader point, I

- 1 mean, I think the reason it makes sense in the democracy
- 2 with separation of powers to in some cases sever the
- 3 whole thing is because sometimes a half a loaf is worse.
- 4 And a great example, if I dare say so, is Buckley. In
- 5 Buckley this Court looked at a statute that tried to, in
- 6 a coherent way, strike down limits on contributions and
- 7 closely related expenditures.
- 8 This Court struck down the ban on
- 9 expenditures, left the contribution ban in place, and
- 10 for 4 decades Congress has tried to fix what's left of
- 11 the statute, largely unsuccessfully, whereas it would
- 12 have I think worked much better from a democratic and
- 13 separation of powers standpoint if the Court would have
- 14 said: Look, expenditures are -- you can't limit
- 15 expenditures under the Constitution; the contribution
- 16 provision is joined at the hip. Give Congress a chance
- 17 to actually fix the problem.
- JUSTICE KAGAN: Mr. Clement --
- 19 JUSTICE BREYER: Could I ask you one
- 20 question, which is a practical question. I take as a
- 21 given your answer to Justice Kennedy, you are saying
- 22 let's look at it objectively and say what Congress has
- 23 intended, okay? This is the mandate in the community,
- 24 this is Titles I and II, the mandate, the community,
- 25 pre-existing condition, okay? Here's the rest of it,

- 1 you know, and when I look through the rest of it, I have
- 2 all kinds of stuff in there. And I haven't read every
- 3 word of that, I promise. As you pointed out, there is
- 4 biosimilarity, there is breast feeding, there is
- 5 promoting nurses and doctors to serve underserved areas,
- 6 there is the CLASS Act, etcetera.
- 7 What do you suggest we do? I mean, should
- 8 we appoint a special master with an instruction? Should
- 9 we go back to the district court? You haven't argued
- 10 most of these. As I hear you now, you're pretty close
- 11 to the SG. I mean, you'd like it all struck down, but
- 12 we are supposed to apply the objective test. I don't
- 13 know if you differ very much.
- So what do you propose that we do other than
- 15 spend a year reading all this and have you argument all
- 16 this?
- 17 MR. CLEMENT: Right. What I would propose
- 18 is the following, Justice Breyer, is you follow the
- 19 argument this far and then you ask yourself whether what
- 20 you have left is a hollowed-out shell or whether --
- JUSTICE BREYER: I would say the Breast
- 22 Feeding Act, the getting doctors to serve underserved
- 23 areas, the biosimilar thing and drug regulation, the
- 24 CLASS Act, those have nothing to do with the stuff that
- 25 we've been talking about yesterday and the day before,

1	okay	?
---	------	---

- 2 So if you ask me at that level, I would say,
- 3 sure, they have nothing to do with it, they could stand
- 4 on their own. The Indian thing about helping the
- 5 underserved Native Americans, all that stuff has nothing
- 6 to do. Black lung disease, nothing to do with it, okay?
- 7 So that's -- do you know what you have
- 8 there? A total off-the-cuff impression. So that's why
- 9 I am asking you, what should I do?
- MR. CLEMENT: What you should do, is let me
- 11 say the following, which is follow me this far, which is
- 12 mandatory, individual mandate is tied, as the government
- 13 suggests, to quaranteed-issue and community rating, but
- 14 the individual mandate, quaranteed-issue, and community
- 15 rating together are the heart of this Act. They are
- 16 what make the exchanges work.
- 17 The exchanges in turn are critical to the
- 18 tax credits, because the amount of the tax credit is key
- 19 to the amount of the policy price on the exchange. The
- 20 exchanges are also key to the employer mandate, because
- 21 the employer mandate becomes imposed on an employer if
- 22 one of the employees gets insurance on the exchanges.
- 23 But it doesn't stop there. Look at the
- 24 Medicare provision for DISH hospitals, okay? These are
- 25 hospitals that serve a disproportionate share of the

- 1 needy. This isn't in Title I. It's in the other part
- 2 that you had in your other hand. But it doesn't work
- 3 without the mandate, community rating and
- 4 quaranteed-issue.
- 5 JUSTICE ALITO: Well, can I ask you this,
- 6 Mr. Clement.
- 7 MR. CLEMENT: Sure.
- 8 JUSTICE ALITO: What would your fallback
- 9 position be if we don't accept the proposition that if
- 10 the mandate is declared unconstitutional, the rest of
- 11 the Act, every single provision, has to fall? Other
- 12 proposed -- other dispositions have been proposed.
- 13 There's the Solicitor General's disposition, the
- 14 recommended disposition to strike down the guaranteed
- 15 issue and community rating provisions. One of the --
- 16 one amicus says strike down all of Title I, another says
- 17 strike down all of Title I and Title II.
- What -- what would you suggest?
- 19 MR. CLEMENT: Well, I -- I think what I
- 20 would suggest, Justice Alito -- I don't want to be
- 21 unresponsive -- is that you sort of follow the argument
- 22 through and figure out what in the core of the Act
- 23 falls. And then I quess my fallback would be if what's
- left is a hollowed-out shell, you could just leave that
- 25 standing.

- If you want a sort of practical answer, I
  mean, I do think you could just -- you know, you could
- 3 use Justice Breyer's off-the-cuff as a starting point
- 4 and basically say, you know, Title I and a handful of
- 5 related provisions that are very closely related to that
- 6 are really the heart of the Act --
- 7 CHIEF JUSTICE ROBERTS: Well, that's --
- 8 MR. CLEMENT: -- the bigger volume -- on the
- 9 other hand, I mean, you could strike one and leave the
- 10 other, but at a certain point -- I'm sorry,
- 11 Mr. Chief Justice.
- 12 CHIEF JUSTICE ROBERTS: Finish your certain
- 13 point.
- MR. CLEMENT: At a certain point, I just
- 15 think that, you know, the better answer might be to say,
- 16 we've struck the heart of this Act, let's just give
- 17 Congress a clean slate. If it's so easy to have that
- 18 other big volume get reenacted, they can do it in a
- 19 couple of days, it won't be a big deal. If it's not,
- 20 because it's very --
- 21 (Laughter.)
- MR. CLEMENT: -- well, but -- I mean, you
- 23 can laugh at me if you want, but the point is, I rather
- 24 suspect that it won't be easy. Because I rather suspect
- 25 that if you actually dug into that, there'd be something

- 1 that was quite controversial in there and it couldn't be
- 2 passed quickly --
- 3 CHIEF JUSTICE ROBERTS: But the reality --
- 4 MR. CLEMENT: -- and that's our whole point.
- 5 CHIEF JUSTICE ROBERTS: The reality of the
- 6 passage -- I mean, this was a piece of legislation
- 7 which, there was -- had to be a concerted effort to
- 8 gather enough votes so that it could be passed. And I
- 9 suspect with a lot of these miscellaneous provisions
- 10 that Justice Breyer was talking about, that was the
- 11 price of the vote.
- 12 Put in the Indian health care provision and
- 13 I will vote for the other 2700 pages. Put in the Black
- 14 Lung provision, and I'll go along with it. That's why
- 15 all -- many of these provisions, I think, were put in,
- 16 not because they were unobjectionable. So presumably
- 17 what Congress would have done is they wouldn't have been
- 18 able to put together, cobble together the votes to get
- 19 it through.
- MR. CLEMENT: Well, maybe that's right,
- 21 Mr. Chief Justice. And I don't want to, I mean, spend
- 22 all my time on -- fighting over the periphery, because I
- 23 do think there are some provisions that I think you
- 24 would make, as an exercise of your own judgment, the
- 25 judgment that once you've gotten rid of the core

- 1 provisions of this Act, that you would then decide to
- 2 let the periphery fall with it.
- 3 But if you want to keep the periphery,
- 4 that's fine. What I think is important, though, as to
- 5 the core provisions of the Act, which aren't just the
- 6 mandate community rating and guaranteed issue, but
- 7 include the exchanges, the tax credit, Medicare and
- 8 Medicaid -- as to all of that, I think you do want to
- 9 strike it all down to avoid a redux of Buckley.
- 10 If I could reserve the remainder of my time.
- 11 CHIEF JUSTICE ROBERTS: Thank you, Mr.
- 12 Clement.
- 13 Mr. Kneedler.
- 14 ORAL ARGUMENT OF EDWIN S. KNEEDLER
- 15 ON BEHALF OF THE RESPONDENTS
- 16 MR. KNEEDLER: Thank you, Mr. Chief Justice,
- 17 and may it please the Court:
- 18 There should be no occasion for the Court in
- 19 this case to consider issues of severability, because as
- 20 we argue, the -- the minimum coverage provision is fully
- 21 consistent with Article I of the Constitution. But if
- 22 the Court were to conclude otherwise, it should reject
- 23 Petitioners' sweeping proposition that the entire Act
- 24 must fall if this one provision is held
- 25 unconstitutional.

1	As an initial matter, we believe the Court
2	should not even consider that question. The vast
3	majority of the provisions of this Act do not even apply
4	to the Petitioners, but instead apply to millions of
5	citizens and businesses who are not before the Court
6	CHIEF JUSTICE ROBERTS: How does your
7	proposal actually work? Your idea is that, well, they
8	can take care of it themselves later. I mean, do you
9	contemplate them bringing litigation and saying I
LO	guess the insurers would be the most obvious ones
L1	without without the mandate, the whole thing falls
L2	apart, and we're going to bear a greater cost, and so
L3	the rest of the law should be struck down.
L 4	And that's a whole other line of litigation?
L5	MR. KNEEDLER: Well, I I think the
L6	continuing validity of any particular provision would
L7	arise in litigation that would otherwise arise under
L8	that provision by parties who are actually
L9	CHIEF JUSTICE ROBERTS: But what cause of
20	action is it? I've never heard of a severability cause
21	of action.
22	MR. KNEEDLER: Well, in the first place, I
23	don't the point isn't that there has to be an
24	affirmative cause of action to decide this. You
25	could for example, to use the Medicare reimbursement

- 1 issue is one of the things that this Act does is change
- 2 Medicare reimbursement rates. Well, the place where
- 3 someone adjudicates the validity of Medicare
- 4 reimbursement rates is through the special statutory
- 5 review procedure for that.
- 6 And the same thing is true of the
- 7 Anti-Injunction Act --
- 8 JUSTICE SCALIA: Mr. Kneedler, there are
- 9 some provisions which nobody would have standing to
- 10 challenge. If the provision is simply an expenditure of
- 11 Federal money, it doesn't hurt anybody except the
- 12 taxpayer, but the taxpayer doesn't have standing. That
- 13 -- that just continues.
- 14 Even though it is -- it should -- it is so
- 15 closely allied to what's been struck down that it ought
- 16 to go as well. But nonetheless, that has to continue
- 17 because there's nobody in the world that can challenge
- 18 it.
- 19 Can that possibly be the law?
- 20 MR. KNEEDLER: I think that proves our
- 21 point, Justice Scalia. This Court has repeatedly said
- 22 that just because there's -- no one may have standing to
- 23 challenge -- and particularly like tax credits or taxes
- 24 which are challenged only after going through the
- 25 Anti-Injunction Act, just because no one has standing

- 1 doesn't mean that someone must.
- 2 But beyond that --
- JUSTICE SCALIA: But those are provisions
- 4 that have been legitimately enacted. The whole issue
- 5 here is whether these related provisions have been
- 6 legitimately enacted, or whether they are so closely
- 7 allied to one that has been held to be unconstitutional
- 8 that they also have not been legitimately enacted.
- 9 You can't compare that to -- to cases
- 10 dealing with a statute that nobody denies is
- 11 constitutional.
- 12 MR. KNEEDLER: This case is directly
- 13 parallel to the Printz case, in our view. In that case,
- 14 the Court struck down several provisions of the Brady
- 15 Act, but went on to say it had no business addressing
- 16 the severability of other provisions that did not apply
- 17 to the people before whom --
- JUSTICE SOTOMAYOR: But --
- 19 JUSTICE BREYER: What he's thinking of is
- 20 this: I think Justice Scalia is thinking, I suspect, of
- 21 -- imagine a tax which says, this tax, amount Y, goes to
- 22 purpose X, which will pay for half of purpose X. The
- 23 other half will come from the exchanges somehow. That
- 24 second half is unconstitutional. Purpose X can't
- 25 possibly be carried out now with only half the money.

1	Does the government just sit there
2	collecting half the money forever because nobody can
3	ever challenge it? You see, there if it were
4	inextricably connected, is it enough to say, well, we
5	won't consider that because maybe somebody else could
6	bring that case and then there is no one else?
7	I mean, is that
8	MR. KNEEDLER: Yes, we think that is the
9	proper way to proceed. Severability
LO	JUSTICE GINSBURG: Mr. Kneedler, it's not a
L1	choice between someone else bringing the case and a law
L2	staying in place. And what we're really talking about,
L3	as Justice Sotomayor started this discussion, is who is
L 4	the proper party to take out what isn't infected by the
L5	Court's holding with all these provisions where there
L6	may be no standing, one institution clearly does have
L7	standing, and that's Congress.
L8	And if Congress doesn't want the provisions
L9	that are not infected to stand, Congress can take care
20	of it.
21	It's a question of which which side
22	should the Court say, we're going to wreck the whole
23	thing, or should the Court leave it to Congress?
24	MR. KNEEDLER: We think the Court should
25	leave it to Congress for two reasons. One is the point

- 1 I'm making now about justiciability, or whether the
- 2 Court can properly consider it at all. And the second
- 3 is, we think only a few provisions are inseverable from
- 4 the minimum coverage provision.
- 5 I just would like to --
- 6 CHIEF JUSTICE ROBERTS: Before you go,
- 7 Mr. Kneedler, I'd like your answer to Justice Breyer's
- 8 question.
- 9 I think you were interrupted before you had
- 10 a chance --
- 11 MR. KNEEDLER: Yes. No, we believe that in
- 12 that case, the tax -- the tax provision should not be
- 13 struck down. In the first place, the Anti-Injunction
- 14 Act would bar a direct suit to challenge it. It would
- 15 be very strange to allow a tax to be struck down on the
- 16 basis of a severability analysis. Severability arises
- 17 in a case only where it's necessary to consider what
- 18 relief a party before the Court should get. The only
- 19 party --
- JUSTICE ALITO: Suppose that there was --
- 21 suppose there was a non-severability provision in this
- 22 Act. If one provision were to be held unconstitutional,
- 23 then every single -- someone would have to bring a
- 24 separate lawsuit challenging every single other
- 25 provision in the Act and say, well, one fell and the

- 1 Congress said it's all -- it's a package, it can't be
- 2 separated.
- 3 That's your position?
- 4 MR. KNEEDLER: The fact that -- that such a
- 5 clause might make it easy doesn't change the point.
- 6 Article III jurisdictional problems apply to easy
- 7 questions as well as hard questions. If I could just --
- 8 JUSTICE KENNEDY: But there's no Article III
- 9 jurisdictional problem in Justice Alito's hypothetical,
- 10 that this is a remedial exercise of the Court's power to
- 11 explain the consequences of its judgment in this case.
- 12 MR. KNEEDLER: But this Court had said that
- 13 one has to have standing for every degree of relief that
- 14 is sought. That was in Davis, that was Los
- 15 Angeles v. Lyons.
- JUSTICE SCALIA: Mr. Kneedler --
- 17 MR. KNEEDLER: -- Daimler/Chrysler --
- 18 JUSTICE SCALIA: -- don't you think it's
- 19 unrealistic to say leave it to Congress, as though
- 20 you're sending it back to Congress for Congress to
- 21 consider it dispassionately: On balance, should we have
- 22 this provision or should we not have provision? That's
- 23 not what it's going to be. It's going to be these
- 24 provisions are in effect; even though you -- a lot of
- 25 you never wanted them to be in effect, and you only

- 1 voted for them because you wanted to get the heart of
- 2 the -- of the Act, which has now been cut out; but
- 3 nonetheless these provisions are the law, and you have
- 4 to get the votes to overturn them.
- 5 That's an enormously different question from
- 6 whether you get the votes initially to put them into the
- 7 law.
- 8 What -- there is no way that this Court's
- 9 decision is not going to distort the congressional
- 10 process. Whether we strike it all down or leave some of
- 11 it in place, the congressional process will never be the
- 12 same. One way or another, Congress is going to have to
- 13 reconsider this, and why isn't it better to have them
- 14 reconsider it -- what should I say -- in toto, rather
- 15 than having some things already in the law which you
- 16 have to eliminate before you can move on to consider
- 17 everything on balance?
- MR. KNEEDLER: We think, as a matter of
- 19 judicial restraint, limits on equitable remedial power
- 20 limit this Court to addressing the provision that has
- 21 been challenged as unconstitutional and anything else
- 22 that the plaintiff seeks as relief. Here the only --
- 23 JUSTICE KENNEDY: But when you say "judicial
- 24 restraint" --
- JUSTICE SOTOMAYOR: Mr. Kneedler, would you

- 1 please --
- 2 CHIEF JUSTICE ROBERTS: Justice Kennedy.
- 3 JUSTICE KENNEDY: When you say judicial
- 4 restraint, you are echoing the earlier premise that it
- 5 increases the judicial power if the judiciary strikes
- 6 down other provisions of the Act. I suggest to you it
- 7 might be quite the opposite. We would be exercising the
- 8 judicial power if one Act was -- one provision was
- 9 stricken and the others remained to impose a risk on
- 10 insurance companies that Congress had never intended.
- 11 By reason of this Court, we would have a new regime that
- 12 Congress did not provide for, did not consider. That,
- it seems to me, can be argued at least to be a more
- 14 extreme exercise of judicial power than to strike --
- 15 than striking the whole.
- MR. KNEEDLER: I -- I think not, Justice --
- 17 JUSTICE KENNEDY: I just don't accept the
- 18 premise.
- 19 MR. KNEEDLER: I think not, Justice Kennedy,
- 20 and then I'll move on.
- 21 But this is exactly the situation in Printz.
- 22 The Court identified the severability questions that
- 23 were -- that were briefed before the Court as important
- 24 ones but said that they affect people who are -- rights
- 25 and obligations of people who are not before the Court.

Kneedler,	move	away
	Kneedler,	Kneedler, move

- 2 from the issue of whether it's a standing question or
- 3 not.
- 4 MR. KNEEDLER: Right.
- 5 JUSTICE SOTOMAYOR: Make the assumption
- 6 that's an -- that this is an issue of the Court's
- 7 exercise of discretion, because the last two questions
- 8 had to do with what's wise for the Court to do, not
- 9 whether it has power to do it or not.
- 10 MR. KNEEDLER: Right. That --
- JUSTICE SOTOMAYOR: So, let's move beyond
- 12 the power issue, which your answers have centered on,
- 13 and give me a sort of policy. And I know that's a --
- 14 that's a bugaboo word sometimes, but what should guide
- 15 the Court's discretion?
- 16 MR. KNEEDLER: Well, we think that matters
- 17 of justiciability do blend into --
- JUSTICE SOTOMAYOR: Would you please --
- MR. KNEEDLER: No, I understand.
- JUSTICE SOTOMAYOR: I've asked you three
- 21 times to move around that.
- MR. KNEEDLER: -- blend into -- blend into
- 23 discretion and, in turn, blend into the merits of the
- 24 severability question. And as to that, just to answer a
- 25 question that several Justices have asked, we think that

- 1 severability is a matter of statutory interpretation.
- 2 It should be resolved by looking at the structure and
- 3 the text of the Act, and the Court may look at
- 4 legislative history to figure out what the text and
- 5 structure mean with respect to severability. We don't
- 6 --
- JUSTICE SCALIA: Mr. Kneedler, what happened
- 8 to the Eighth Amendment? You really want us to go
- 9 through these 2,700 pages?
- 10 (Laughter.)
- JUSTICE SCALIA: And do you really expect
- 12 the Court to do that? Or do you expect us to give this
- 13 function to our law clerks?
- 14 (Laughter.)
- JUSTICE SCALIA: Is this not totally
- 16 unrealistic? That we're going to go through this
- 17 enormous bill item by item and decide each one?
- MR. KNEEDLER: Well --
- 19 JUSTICE SOTOMAYOR: I thought the simple
- 20 answer was you don't have to because --
- 21 MR. KNEEDLER: Well, that is -- that is
- 22 the --
- 23 JUSTICE SOTOMAYOR: -- what we have to look
- 24 at is what Congress said was essential, correct?
- MR. KNEEDLER: That is correct, and I'd also

- 1 like to -- going -- I just want to finish the thought I
- 2 had about this being a matter of statutory
- 3 interpretation. The Court's task, we submit, is not to
- 4 look at the legislative process to see whether the bill
- 5 would have been -- would have passed or not based on the
- 6 political situation at the time, which would basically
- 7 convert the Court into a function such as a whip count.
- 8 That is not the Court's function.
- JUSTICE KAGAN: And, Mr. Kneedler, that
- 10 would be a revolution --
- MR. KNEEDLER: Yes.
- 12 JUSTICE KAGAN: -- in our severability law,
- 13 wouldn't it?
- MR. KNEEDLER: It would.
- 15 JUSTICE KAGAN: I mean, we have never
- 16 suggested that we're going to say, look, this
- 17 legislation was a brokered compromise, and we're going
- 18 to try to figure out exactly what would have happened in
- 19 the complex parliamentary shenanigans that go on across
- 20 the street and figure out whether they would have made a
- 21 difference.
- Instead, we look at the text that's actually
- 23 given us. For some people, we look only at the text.
- 24 It should be easy for Justice Scalia's clerks.
- 25 (Laughter.)

1 MR. KNEEDLER: I think -- I think that --2 JUSTICE SCALIA: I don't care whether it's 3 easy for my clerks. I care whether it's easy for me. 4 (Laughter.) 5 MR. KNEEDLER: I think that -- I think 6 that's exactly right. As I said, it is a question of 7 statutory interpretation. 8 CHIEF JUSTICE ROBERTS: Well, how is that -what's exactly right? It's a question of statutory 9 10 interpretation; that means you have to go through every line of the statute. I haven't heard your answer to 11 12 Justice Scalia's question yet. MR. KNEEDLER: Well, I think in this case 13 there is an easy answer, and that is, Justice Kagan 14 pointed out that, that the Act itself creates a sharp 15 dividing line between the minimum coverage provision --16 the package of -- of reforms: the minimum coverage 17 provision along with the guaranteed issue and community 18 19 rating. That is one package that Congress deemed 20 essential. 21 CHIEF JUSTICE ROBERTS: How do you know that? Where is this line? I looked through the whole 22 23 Act; I didn't read -- well --24 MR. KNEEDLER: It is in --25 CHIEF JUSTICE ROBERTS: Where is the sharp

- 1 line?
- 2 MR. KNEEDLER: It is in Congress's findings
- 3 that the -- that the minimum coverage provision --
- 4 without it, the Court -- the Congress said, in Finding
- 5 (I), without that provision, people would wait to get
- 6 insurance, and therefore -- and cause all the adverse
- 7 selection problems that arise.
- 8 CHIEF JUSTICE ROBERTS: No, no. That --
- 9 that makes your case that the one provision should fall
- 10 if the other does. It doesn't tell us anything about
- 11 all the other provisions.
- MR. KNEEDLER: Well, I -- I think -- I think
- 13 it does, because Congress said it was essential to those
- 14 provisions, but it conspicuously did not say that it was
- 15 essential to other provisions.
- 16 CHIEF JUSTICE ROBERTS: Well --
- 17 JUSTICE ALITO: May I ask you about the
- 18 argument that's made in the economists' amicus brief?
- 19 They say that the insurance reforms impose 10-year costs
- of roughly \$700 billion on the insurance industry, and
- 21 that these costs are supposed to be offset by about 350
- 22 billion in new revenue from the individual mandate and
- 23 350 billion from the Medicaid expansion.
- Now, if the 350 billion -- maybe you'll
- 25 disagree with the numbers, that they're fundamentally

- 1 wrong; but assuming that they're in the ballpark, if the
- 2 350 million from the individual mandate were to be lost,
- 3 what would happen to the insurance industry, which would
- 4 now be in the -- in the hole for \$350 billion over 10
- 5 years?
- 6 MR. KNEEDLER: I don't -- I mean, first of
- 7 all, for the Court to go beyond text and legislative
- 8 history to try to figure out how the finances of the
- 9 bill operate, it's like being the budget committee. But
- 10 -- but we think the economists had added up the figures
- 11 wrong. If there's Medicaid expansion, the insurance --
- 12 and the insurance companies are involved in that,
- 13 they're going to be reimbursed for the --
- 14 CHIEF JUSTICE ROBERTS: But what if there
- 15 isn't Medicaid expansion? We've talked about the
- 16 individual mandate, but does the Government have a
- 17 position on what should happen if the Medicaid expansion
- 18 is struck down?
- 19 MR. KNEEDLER: We don't -- we don't think
- 20 that that would have any effect. And that could be
- 21 addressed in the next argument. But we don't think that
- 22 would have any effect on the -- on the rest of the -- on
- 23 the rest of the Act.
- 24 CHIEF JUSTICE ROBERTS: So, did -- the
- 25 Government's position is that if Medicaid expansion is

- 1 struck down, the rest of the Act can operate --
- 2 MR. KNEEDLER: Yes.
- 3 CHIEF JUSTICE ROBERTS: -- without it.
- 4 MR. KNEEDLER: Yes. It's -- in the past,
- 5 Congress has expanded Medicaid coverage without there
- 6 being -- it's done it many times without there being a
- 7 minimum coverage provision --
- 8 JUSTICE KENNEDY: But I still don't
- 9 understand where you are with the answer to
- 10 Justice Alito's question.
- 11 Assume that there is a -- a substantial
- 12 probability that the 350 billion plus 350 billion equals
- 7 is going to be cut in half if the individual mandate
- 14 is stricken. Assume there is a significant possibility
- 15 of that. Is it within the proper exercise of this
- 16 Court's function to impose that kind of risk? Can we
- 17 say that the Congress would have intended that there be
- 18 that kind of risk?
- 19 MR. KNEEDLER: Well, we don't think it's in
- 20 the Court's place to look at the -- at the budgetary
- 21 implications, and we also --
- JUSTICE KENNEDY: But isn't that -- isn't
- 23 that the point, then, why we should just assume that it
- 24 is not severable?
- MR. KNEEDLER: No.

1	JUSTICE KENNEDY: If we if we lack the
2	competence to even assess whether there is a risk, then
3	isn't this an awesome exercise of judicial power?
4	MR. KNEEDLER: No, I don't
5	JUSTICE KENNEDY: To say we're doing
6	something and we're not telling you what the
7	consequences might be?
8	MR. KNEEDLER: No, I don't think so, because
9	when you when you're talking about monetary
10	consequences, you're looking through the Act, you're
11	looking behind the Act, rather than the Court's
12	function is to look at the text and structure of the Act
13	and what the substantive provisions of the Act
14	themselves mean. And if I could go past
15	JUSTICE SCALIA: Mr. Kneedler, can I can
16	you give us a prior case in that resembles this one
17	in which we are asked to strike down what the other side
18	says is the heart of the Act, and yet leave in as you
19	request, leave in effect the rest of it? Have we
20	ever most of our severability cases, you know,
21	involve one little aspect of the Act. The question is
22	whether the rest. When have we ever really struck down
23	what was the main purpose of the Act, and left the rest
24	in effect?
25	MR. KNEEDLER: I think Booker is the best

- 1 example of that. In Booker the mandatory sentencing
- 2 provisions were central to the act, but the Court said,
- 3 Congress would have preferred a statute without the
- 4 mandatory provision in the Act, and the Court struck
- 5 that, but the rest of the sentencing guidelines
- 6 remained.
- 7 JUSTICE SCALIA: I think the reason -- the
- 8 reason the majority said that was that they didn't think
- 9 that what was essential to the Act was what had been
- 10 stricken down, and that is the ability of the judge to
- 11 say on his own what -- what the punishment would be. I
- 12 don't think that's a case where we struck -- where we
- 13 excised the heart of the statute.
- You have another one?
- MR. KNEEDLER: There is no example --
- 16 JUSTICE SCALIA: There is no example. This
- 17 is really --
- 18 MR. KNEEDLER: -- to our -- that we have
- 19 found that suggests the contrary.
- JUSTICE SCALIA: This is really a case of
- 21 first impression. I don't know another case where we
- 22 have been confronted with this -- with this decision.
- 23 Can you take out the heart of the Act and
- leave everything else in place?
- 25 MR. KNEEDLER: I would like to go to the

- 1 heart of the Act point in a moment. But what I'd like
- 2 to say is this is a huge act with many provisions that
- 3 are completely unrelated to market reforms and operate
- 4 in different ways. And we think it would be
- 5 extraordinary in this extraordinary act to strike all of
- 6 that down because there are many provisions and it would
- 7 be too hard to do it.
- 8 JUSTICE BREYER: I mean, I think it's not
- 9 uncommon that Congress passes an act, and then there are
- 10 many titles, and some of the titles have nothing to do
- 11 with the other titles. That's a common thing. And
- 12 you're saying you've never found an instance where they
- 13 are all struck out when they have nothing to do with
- 14 each other.
- 15 My question is, because I hear Mr. Clement
- 16 saying something not too different from what you say.
- 17 He talks about things at the periphery. We can't reject
- 18 or accept an argument on severability because it's a lot
- 19 of work for us. That's beside the point. But do you
- 20 think that it's possible for you and Mr. Clement, on
- 21 exploring this, to get together and agree on --
- 22 (Laughter)
- 23 JUSTICE BREYER: -- I mean, on a list of
- things that are, in both your opinions, peripheral.
- 25 Then you would focus on those areas where one of you

- 1 thinks it's peripheral and one of you thinks it's not
- 2 peripheral. And at that point, it might turn out to be
- 3 far fewer than we are currently imagining, at which
- 4 point we could hold an argument or figure out some way
- 5 or somebody hold an argument and try to -- try to get
- 6 those done.
- 7 Is that a pipe dream or is that a --
- 8 MR. KNEEDLER: I -- I just don't think that
- 9 is realistic. The Court would be doing it without the
- 10 parties, the millions of parties --
- 11 JUSTICE SCALIA: You can have a conference
- 12 committee report afterwards, maybe.
- 13 (Laughter.)
- MR. KNEEDLER: No, I just -- it just is not
- 15 something that a court would ordinarily do. But I would
- 16 like --
- 17 JUSTICE SOTOMAYOR: Could you get back to
- 18 the argument of -- of the heart?
- MR. KNEEDLER: Yes.
- JUSTICE SOTOMAYOR: Striking down the heart,
- 21 do we want half a loaf or a shelf. I think those are
- 22 the two analogies --
- 23 MR. KNEEDLER: Right. And -- and I would
- 24 like to discuss it again in terms of the text and
- 25 structure of the Act. We have very important

- 1 indications from the structure of this Act that the
- 2 whole thing is not supposed to fall.
- 3 The most basic one is, the notion that
- 4 Congress would have intended the whole Act to fall if
- 5 there couldn't be a minimum coverage provision is
- 6 refuted by the fact that there are many, many provisions
- 7 of this Act already in effect without a minimum coverage
- 8 provision. Two point -- 2 and-a-half million people
- 9 under 26 have gotten insurance by one of the insurance
- 10 requirements. Three point two billion dollars --
- 11 JUSTICE SCALIA: In anticipation of the
- 12 minimum coverage. That's going to bankrupt the
- insurance companies, if not the States, unless this
- 14 minimum coverage provision comes into effect.
- MR. KNEEDLER: There is no reason to think
- 16 it's going to -- it's going to bankrupt anyone. The
- 17 costs will be set to cover those -- to cover those
- 18 amounts.
- 19 JUSTICE SOTOMAYOR: I thought that the
- 20 26-year-olds were saying that they were healthy and
- 21 didn't need insurance yesterday. So today they are
- 22 going to bankrupt the --
- 23 MR. KNEEDLER: Two and a half million people
- 24 would be thrown off the insurance roles if the Court
- 25 were to say that. Congress made many changes to

- 1 Medicare rates that have gone into effect. For
- 2 Congress -- for the courts to have to unwind millions of
- 3 Medicare reimbursement rates. Medicare has covered 32
- 4 million insurance -- preventive care visits by patients
- 5 as a result of this Act.
- 6 CHIEF JUSTICE ROBERTS: All of that was
- 7 based on the assumption that the mandate was
- 8 constitutional. And if -- that certainly doesn't stop
- 9 us from reaching our own determination on that.
- 10 MR. KNEEDLER: No, but what I'm saying is
- 11 it's a question of legislative intent, and we have a
- 12 very fundamental indication of legislative intent that
- 13 Congress did not mean the whole Act to fall if --
- 14 without the minimum coverage provision, because we have
- 15 many provisions that are operating now without that.
- But there's a further indication about why
- 17 the line should be drawn where I've suggested, which is
- 18 the package of these particular provisions. All the
- 19 other provisions of the Act would continue to advance
- 20 Congress's goal, the test that was articulated in
- 21 Booker, but it's been said in Regan and other cases.
- 22 You look to whether the other provisions can continue to
- 23 advance the purposes of the Act.
- 24 Here they unquestionably can. The public
- 25 health -- the broad public health purposes of the Act

- 1 that are unrelated to the minimum coverage provision,
- 2 but also that the other provisions designed to enhance
- 3 access to affordable care. The employer responsibility
- 4 provision, the credit for small businesses, which is
- 5 already in effect, by the way, and affecting many small
- 6 businesses --
- 7 JUSTICE SCALIA: But many people might
- 8 not -- many of the people in Congress might not have
- 9 voted for those provisions if the central part of this
- 10 statute was not adopted.
- MR. KNEEDLER: But that --
- 12 JUSTICE SCALIA: I mean, you know, you're --
- 13 to say that we're effectuating the intent of Congress is
- 14 just unrealistic. Once you've cut the guts out of it,
- 15 who knows, who knows which of them were really desired
- 16 by Congress on their own and which ones weren't.
- 17 MR. KNEEDLER: The question for the Court is
- 18 Congress having passed the law by whatever majority
- 19 there might be in one house or the other, Congress
- 20 having passed the law, what at that point is -- is the
- 21 legislative intent embodied in the law Congress has
- 22 actually passed?
- 23 CHIEF JUSTICE ROBERTS: Well, that's right.
- 24 But the problem is, straight from the title, we have two
- 25 complementary purposes, patient protection and

- 1 affordable care. And you can't look at something and
- 2 say this promotes affordable care, therefore, it's
- 3 consistent with Congress's intent. Because Congress had
- 4 a balanced intent. You can't look at another provision
- 5 and say this promotes patient protection without asking
- 6 if it's affordable.
- 7 So, it seems to me if you ask what is going
- 8 to promote Congress's purpose, that's just an inquiry
- 9 that you can't carry out.
- 10 MR. KNEEDLER: No, with respect, I disagree,
- 11 because I think it's evident that Congress's purpose was
- 12 to expand access to affordable care. It did it in
- 13 discrete ways. It did it by the penalty on employers
- 14 that don't -- that don't offer suitable care. It did it
- 15 by offering tax credits to small employers. It did it
- 16 by offering tax credits to purchasers. All of those are
- 17 a variety of ways that continue to further Congress's
- 18 goal. And most of all, Medicaid, which is -- which is
- 19 unrelated to the -- to the private insurance market
- 20 altogether.
- 21 And in adopting those other provisions
- 22 governing employers and whatnot, Congress built on its
- 23 prior experience of using the tax code, which it is --
- 24 for a long period of time, Congress has subsidized --
- 25 JUSTICE KENNEDY: I don't quite understand

- 1 about the employers. You're -- you are saying Congress
- 2 mandated employers to buy something that Congress itself
- 3 has not contemplated? I don't understand that.
- 4 MR. KNEEDLER: No. Employer coverage -- 150
- 5 million people in this country already get their
- 6 insurance through -- through their employers. What
- 7 Congress did in seeking to augment that was to add a
- 8 provision requiring employers to purchase insurance --
- 9 JUSTICE KENNEDY: Based on the assumption
- 10 that the cost of those policies would be lowered
- 11 by certain provisions which are, by hypothesis -- we are
- 12 not sure -- by hypothesis, are in doubt.
- MR. KNEEDLER: No, I -- I think it's -- any
- 14 cost assumptions -- there is no indication that Congress
- 15 made any cost assumptions, but there is no reason to
- 16 think that the individual -- that the individual market,
- 17 which is where the minimum coverage provision is
- 18 directed, would affect that.
- 19 I would like to say -- I would point out why
- 20 the other things would advance Congress's goal. The
- 21 point here is that the package of three things would be
- 22 contrary -- would run contrary to Congress's goal if you
- 23 took out the minimum coverage provision. And here's
- 24 why -- and this is reflected in the findings.
- 25 If you take out minimum coverage, but leave

- 1 in the quaranteed issue and community rating, you will
- 2 make matters worse. Rates will go up, and people will
- 3 be less -- fewer people covered in the individual
- 4 market.
- 5 JUSTICE ALITO: Well, if that is true, what
- 6 is the difference between quaranteed issue and community
- 7 rating provisions, on the one hand, and other provisions
- 8 that increase costs substantially for insurance
- 9 companies?
- 10 For example, the tax on high cost health
- 11 plans, which the economists in the amicus brief said
- 12 will cost \$217 billion over 10 years?
- MR. KNEEDLER: Those are -- what Congress --
- 14 Congress did not think of those things as balancing
- 15 insurance companies. Insurance companies are
- 16 participants in the market for Medicaid and -- and other
- 17 things.
- JUSTICE KENNEDY: But you are saying we have
- 19 -- we have the expertise to make the inquiry you want us
- 20 to make, i.e., the guaranteed-issue, but not the
- 21 expertise that Justice Alito's question suggests we must
- 22 make.
- MR. KNEEDLER: Well --
- JUSTICE KENNEDY: I just don't understand
- 25 your position.

- 1 MR. KNEEDLER: -- that's because -- that's
- 2 because I think this Court's function is to look at the
- 3 text and structure and the legislative history of the
- 4 law that Congress enacted, not the financial -- not a
- financial balance sheet, which doesn't appear anywhere
- 6 in the law. And just --
- 7 JUSTICE GINSBURG: You are relying on
- 8 Congress's quite explicitly tying these three things
- 9 together.
- MR. KNEEDLER: We do. That's -- that's --
- 11 and it's not just the text of the act, but the
- 12 background of the act, the experience in the state, the
- 13 testimony of the National Association of Insurance
- 14 Commissioners.
- That's the -- that's the problem Congress
- 16 was addressing. There was a -- there was -- a shifting
- 17 of present actuarial risks in that market that Congress
- 18 wanted to correct. And if you took the minimum coverage
- 19 provision out and left the other two provisions in,
- 20 there would be laid on top of the existing shifting of
- 21 present actuarial risks an additional one because the
- 22 uninsured would know that they would have guaranteed
- 23 access to insurance whenever they became sick. It would
- 24 make the -- it would make the adverse selection in that
- 25 market problem even worse.

1	And so what and Congress, trying to come
2	up with a market-based solution to control rates in that
3	market, has adopted something that would that would
4	work to control costs by guaranteed-issue and
5	community-rating; but, if you if if you take out
б	the minimum coverage, that won't work. That was
7	Congress's assumption, again, shown by the text and
8	legislative history of this provision. And that's why
9	we think those things rise or fall in a package because
10	they cut against what Congress was trying to do.
11	All of the other provisions would actually
12	increase access to affordable care and would have
13	advantageous effects on price. Again, Congress was
14	invoking its traditional use of the tax code, which has
15	long subsidized insurance through employers, has used
16	that to impose a tax penalty on employers, to give tax
17	credits. This is traditional stuff that Congress has
18	done.
19	And the other thing Congress has done, those
20	preexisting laws had their own protections for
21	guaranteed-issue and community-rating. Effectively,
22	within the large employer plans, they can't discriminate
23	among people, they can't charge different rates. What
24	Congress was doing, was doing that in the other market.
25	If it can't, that's all that should be struck from the

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1	act.
2	CHIEF JUSTICE ROBERTS: Thank you,
3	Mr. Kneedler.
4	Mr. Farr?
5	ORAL ARGUMENT OF H. BARTOW FARR, III,
6	FOR COURT-APPOINTED AMICUS CURIAE
7	MR. FARR: Mr. Chief Justice and may it
8	please the Court:
9	At the outset, I would just like to say, I
10	think that the government's position in this case that
11	the community-rating and guaranteed-issue provisions
12	ought to be struck down is an example of the best
13	driving out the good; because, even without the minimum
14	coverage provision, those two provisions,
15	guaranteed-issue and community-rating, will still open
16	insurance markets to millions of people that were
17	excluded under the prior system, and for millions of
18	people will lower prices, which were raised high under
19	the old system because of their poor health.
20	So even though the system is not going to
21	work precisely as Congress wanted, it would certainly
22	serve central goals that Congress had of expanding

25 So when the government --

unable to get it at affordable prices.

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coverage for people who were unable to get coverage or

1	JUSTICE	GINSBURG:	One	οf	the	points	that
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- 2 Mr. Kneedler made is that the price won't be affordable
- 3 because -- he spoke of the adverse selection problem,
- 4 that there would be so fewer people in there, the
- 5 insurance companies are going to have to raise the
- 6 premiums.
- 7 So it's nice that Congress made it possible
- 8 for more people to be covered, but the reality is they
- 9 won't because they won't be able to afford the premium.
- MR. FARR: Well, Justice Ginsburg, let me
- 11 say two things about that.
- First of all, when we talk about premiums
- 13 becoming less affordable, it's very important to keep in
- 14 mind different groups of people, because it is not
- 15 something that applies accurately to everybody.
- 16 For people who were not able to get
- insurance before, obviously, their insurance beforehand
- 18 was -- the price was essentially infinite. They were
- 19 not able to get it at any price. They will now be able
- 20 to get it at a price that they can afford.
- 21 For people who are unhealthy and were able
- 22 to get insurance, but perhaps not for the things that
- 23 they were most concerned about, or only at very high
- 24 rates, their rates will be lower under the system, even
- 25 without the minimum coverage provision.

- 1 Also, you have a large number of people who,
- 2 under the Act --
- JUSTICE SCALIA: Excuse me, why do you
- 4 say -- I didn't follow that. Why?
- 5 MR. FARR: Because --
- 6 JUSTICE SCALIA: Why would their rates be
- 7 lower?
- 8 MR. FARR: Their rates are going to be lower
- 9 than they were under the prior system because they are
- 10 going into a pool of people, rather than -- some of whom
- 11 are healthy, rather than having their rates set
- 12 according to their individual health characteristics.
- 13 That's why their rates were so high.
- JUSTICE KAGAN: But the problem, Mr. Farr,
- isn't it, that they're going to a pool of people that
- 16 will gradually get older and unhealthier. That's the
- 17 way the thing works. Once you say that the insurance
- 18 companies have to cover all of the sick people and all
- 19 of the old people, the rates climb. More and more young
- 20 people and healthy people say, why should we
- 21 participate, we can just get it later when we get sick.
- 22 So they leave the market, the rates go up further, more
- 23 people leave the market, and the whole system crashes
- 24 and burns, becomes unsustainable.
- MR. FARR: Well --

1	JUSTICE KAGAN: And this is not
2	MR. FARR: Certainly.
3	JUSTICE KAGAN: like what I think. What
4	do I know? It's just what's reflected in Congress's
5	findings, that it's look it looks at some states and
б	says, this system crashed and burned. It looked at
7	another state with the minimum coverage provision and
8	said, this one seems to work. So we will package the
9	minimum coverage provision with the nondiscrimination
10	provisions.
11	MR. FARR: Well, in a moment, I'd like to
12	talk about the finding; but, if I could just postpone
13	that for a second and talk about adverse selection
14	itself.
15	I think one of the misconceptions here,
16	Justice Kagan, is that Congress, having seen the
17	experience of the states in the '90s with
18	community-rating and guaranteed-issue, simply imposed
19	the minimum coverage provision as a possible way of
20	dealing with that; and, if you don't have the minimum
21	coverage provision, then, essentially, adverse selection
22	runs rampant. But that's not what happened.
23	Congress included at least half a dozen
24	other provisions to deal with adverse selection caused
25	by bringing in people who are less healthy into the Act.

1	There are to begin with, the Act
2	authorizes annual enrollment periods, so people can't
3	just show up at the hospital. If they don't show up and
4	sign up at the right time, they at least have to wait
5	until the time next year. That's authorized by the Act.
6	There with respect to the subsidies,
7	there are three different things that make this
8	important. First of all, the subsidies are very
9	generous. For people below 200 percent of the federal
10	poverty line, the subsidy will cover 80 percent, on
11	average, of the premium which makes it attractive to
12	them to join.
13	The structure of the subsidies, because
14	their income they create a floor for based on the
15	income of the person getting the insurance, and then the
16	government covers everything over that. And this is
17	important in adverse selection because if you do have a
18	change in the mix of people, and average premiums start
19	to rise, the government picks up the increase in the
20	premium. The amount that the person who is getting
21	insured contributes remains constant at a percentage of
22	his or her income.
23	And the third thing
24	JUSTICE SCALIA: And there is nothing about
25	federal support that is unsustainable, right? That is

- 1 infinite.
- MR. FARR: Well, I mean, that's a fair
- 3 point, Justice Scalia; although, one of the things that
- 4 happens, if you take the mandate out, while it is true
- 5 that the subsidies that the government provides to any
- 6 individual will increase, and they will be less
- 7 efficient -- I'm not disputing that point -- actually,
- 8 the overall amount of the subsidies that the government
- 9 will provide will decline, as the government notes
- 10 itself in its brief, because there will be fewer people
- 11 getting them. Some people will opt out of the system
- 12 even though they are getting subsidies.
- But I would just like to go back
- 14 for one more second to the point about how the subsidies
- 15 are part of what Congress was using, because the other
- 16 thing is that for people below 250 percent of the
- 17 Federal poverty line, Congress also picks up and
- 18 subsidizes the out-of-pocket costs, raising the
- 19 actuarial value.
- So you have all of that, and then
- 21 you have Congress also, unlike the States,
- 22 establishing -- or I should be precisely accurate --
- 23 unlike almost all the States, establishing an age
- 24 differential of up to three to one. So an insurance
- 25 company, for example, that is selling a 25 -year-old a

- 1 policy for \$4,000 can charge a 60-year-old \$12,000 for
- 2 exactly the same coverage.
- The States typically in the '90s,
- 4 when they were instituting these programs, they either
- 5 had pure community rating, where everybody is charged
- 6 the same premium -- everybody regardless of their age is
- 7 charged the same premium. Some states had a variance of
- 8 1.5 to 1. Massachusetts, for example, which did have
- 9 good subsidies, but their age band was two to one.
- 10 So when Congress is enacting this
- 11 Act, it's not simply looking at the States and thinking:
- 12 Well, that didn't go very well; why don't we put in a
- 13 minimum coverage provision; that will solve the problem.
- 14 Congress did a lot of different things to try to combat
- 15 the adverse selection.
- 16 Now, if I could turn to the
- 17 finding, because I think this is the crux of the
- 18 government's position, and then the plaintiffs pick up
- 19 on that, and then move --move from that to the rest of
- 20 the Act. And it seems to me, quite honestly, it's an
- 21 important part because that is textual. In this whole
- 22 sort of quest for what we are trying to figure out, the
- 23 finding seems to stand out as something that the Court
- 24 could rely on and say here's something Congress has
- 25 actually told us.

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- 2 the finding is that the context in which Congress made
- 3 it. It's quite clear. If the Court wants to look, the
- 4 finding is on page 42 -- 43A, excuse me, of the
- 5 Solicitor General's severability brief in the appendix.
- 6 But the finding is made
- 7 specifically in the context of interstate commerce.
- 8 That is why the findings are in the Act at all.
- 9 Congress wanted to indicate to the Court, knowing that
- 10 the minimum coverage provision was going to be
- 11 challenged, wanted to indicate to the Court the basis on
- 12 which it believed it had the power under the Commerce
- 13 Clause to enact this law.
- 14 Why does that make a difference
- 15 with respect to finding I, which is the one that the
- 16 government is relying on, and in particular the last
- 17 sentence, which says "this requirement is essential to
- 18 creating effective health insurance markets in which
- 19 quaranteed issue and preexisting illnesses can be
- 20 covered."
- 21 The reason is because the word
- 22 "essential" in the Commerce Clause context doesn't have
- 23 the colloquial meaning. In the Commerce Clause context,
- 24 "essential" effectively means useful. So that when one
- 25 says -- in Lopez, when the Court says section 922(q) is

- 1 not an essential part of a larger regulatory scheme of
- 2 economic activity, it goes on to say, in which the
- 3 regulatory scheme would be undercut if we didn't have
- 4 this provision.
- Well, if that's all Congress means,
- 6 I agree with that. The system will be undercut somewhat
- 7 if you don't have the minimum coverage provision. It's
- 8 like the word "necessary" in the Necessary and Proper
- 9 Clause clause. It doesn't mean, as the Court has said
- on numerous occasions, absolutely necessary. It means
- 11 conducive to, useful, advancing the objectives,
- 12 advancing the aims. And it's easy to see, I think, that
- 13 that's what Congress --
- 14 JUSTICE SCALIA: Is there any dictionary
- 15 that gives that --
- 16 MR. FARR: I'm sorry, Justice Scalia?
- 17 JUSTICE SCALIA: -- that definition of
- 18 "essential"? It's very imaginative. Just give me one
- 19 dictionary.
- MR. FARR: Well, but I think my point,
- 21 Justice Scalia, is that they are not using it in the
- 22 true dictionary sense.
- JUSTICE SCALIA: How do we know that? When
- 24 people speak, I assume they are speaking English.
- 25 MR. FARR: Well, I think that there are

- 1 several reasons that I would suggest that we would know
- 2 that from. The first is, as I say, the findings
- 3 themselves. Congress says at the very beginning, the
- 4 head of it, is Congress makes the following findings,
- 5 and they are talking about the interstate -- you know, B
- 6 is headed "Effects on the national economy and
- 7 interstate commerce." So we know the context that
- 8 Congress is talking about.
- 9 It is more or less quoting from the Court's
- 10 Commerce Clause statements. But if one looks at the
- 11 very preceding finding, which is finding H, which is on
- 12 42 over onto 43, Congress at that point also uses the
- 13 word "essential." In the second sentence, it says,
- 14 "this requirement" -- and again, we're talking about the
- 15 minimum coverage provision -- is an essential part of
- 16 this larger regulation of economic activity, which is,
- 17 by the way, an exact quote from Lopez, in which "the
- 18 absence of the requirement would undercut Federal
- 19 regulation, " also an exact quote from Lopez.
- 20 But what it is referring to is essential --
- 21 an essential part of ERISA, the National Health Service
- 22 Act and the Affordable Care Act. It can't possibly be,
- even the plaintiffs haven't argued, that those acts
- 24 would all fall in their entirety if you took out the
- 25 minimum coverage provision.

1	And as a second example of the same usage by
2	Congress, the statute that was before the Court in
3	Raich, section 801 of Title 21, the Court said that the
4	regulation of intrastate drug activity, drug traffic,
5	was essential to the regulation of interstate drug
6	activity. Again, it is simply not conceivable that
7	Congress was saying one is so indispensable to the
8	other, the way the United States uses the term here, so
9	indispensable that if we can't regulate the intrastate
LO	traffic, we don't want to regulate the interstate
L1	traffic, either. The whole law criminalizing drug
L2	traffic would fall.
L3	So I think once you look at the finding for
L 4	what I believe it says, which is, we believe this is a
L 5	useful part of our regulatory scheme, which the Congress
L 6	would think in its own approach would be sufficient
L 7	JUSTICE SOTOMAYOR: Counsel, the problem I
L8	have is that you are ignoring the congressional findings
L9	and all of the evidence Congress had before it that
20	community ratings and guaranteed issuance would be a
21	death spiral I think that was the word that was
22	used without minimum coverage. Those are all of the
23	materials that are part of the legislative record here.
24	So even if it might not be because of the
25	structure of the Act, that's post hoc evidence. Why

- 1 should we be looking at that as opposed to what Congress
- 2 had before it and use "essential" in its plain meaning:
- 3 You can't have minimum coverage without what the SG is
- 4 arguing, community ratings and guaranteed issue. You
- 5 can't have those two without minimum coverage.
- 6 MR. FARR: Well, I think that's a fair
- 7 question. But the idea that -- that all the information
- 8 before Congress only led to the idea that you would have
- 9 death spirals seems to me to be contradicted a little
- 10 bit at least by the CBO report in November of 2009,
- 11 which is about 4 months before the Act passed, where the
- 12 CBO talks about adverse selection.
- Now, I want to be clear. This is at a time
- 14 when the minimum coverage provision was in the statute,
- 15 so I'm not suggesting that this is a discussion without
- 16 that in it. But nonetheless, the CBO goes through and
- 17 talks about adverse selection, and points out the
- 18 different provisions in the Act, the ones I have
- 19 mentioned plus one other, actually, where in the first 3
- 20 years of the operation of the exchanges those insurance
- 21 companies that get sort of a worse selection of
- 22 consumers will be given essentially credits from
- 23 insurance companies that get better selections.
- JUSTICE KENNEDY: So do you want us to write
- 25 an opinion saying we have concluded that there is an

- 1 insignificant risk of a substantial adverse effect on
- 2 the insurance companies, that's our economic conclusion,
- 3 and therefore not severable? That's what you want me to
- 4 say?
- 5 MR. FARR: It doesn't sound right the way
- 6 you say it, Justice Kennedy.
- 7 (Laughter.)
- 8 MR. FARR: No, I --
- 9 JUSTICE SOTOMAYOR: But you don't want them
- 10 to say, either, that there is a death spiral. Do you
- 11 want -- you don't want us to make either of those two
- findings, I'm assuming?
- MR. FARR: That's correct. Now, I agree
- 14 that there is a risk and the significance of it people
- 15 can debate. But what I think is --is lost in that
- 16 question, and I didn't mean to be whimsical about it, I
- 17 think what is lost in it a little bit is what is on the
- 18 other side, which is the fact that if you follow the
- 19 government's suggestion, if the Court follows the
- 20 government's suggestion, what is going to be lost is
- 21 something we know is a central part of the Act. I mean,
- indeed, if one sort of looks at the legislative history
- 23 more broadly, I think much of it is directed toward the
- 24 idea that guaranteed issue and community rating were the
- 25 crown jewel of the Act.

1 The minimum coverage provision wasn't 2 something that everybody was bragging about. It was something that was meant to be part of this package. I 3 4 agree with that. 5 But the -- but the point of it was to have 6 quaranteed-issue and minimum coverage -- I mean, excuse 7 me -- guaranteed-issue and community rating. And that's 8 -- under the government's proposal, those would -- would 9 disappear. We would go back to the old system. 10 And under what I think is the proper severability analysis, the -- the real question the 11 12 Court is asking, should be asking, is, would Congress 13 rather go back to the old system than to take perhaps the risk that you're talking about, Justice Kennedy. 14 15 CHIEF JUSTICE ROBERTS: You're -- you're 16 referring to the government's second position. Their --17 their first, of course, is that we shouldn't address this issue at all. 18 19 MR. FARR: That's correct. 20 CHIEF JUSTICE ROBERTS: I asked Mr. Kneedler 21 about what procedure or process would be anticipated for people who are affected by the change in -- in the law, 22 23 and change in the economic consequences. Do you have a 24 view on how that could be played out? It does seem to me that if we accept your position, something -- there 25

- 1 have to -- there has to be a broad range of
- 2 consequences, whether it's additional legislation,
- 3 additional litigation.
- 4 Any thoughts on how that's going to play
- 5 out?
- 6 MR. FARR: Well, if the Court adopts the
- 7 position that I'm advocating, Mr. Chief Justice, I think
- 8 what would happen is that the Court would say that the
- 9 minimum coverage provision, by hypothesis of course, is
- 10 unconstitutional, and the fact of that being
- 11 unconstitutional does not mean the invalidation of any
- 12 other provision.
- So under the position I'm advocating, there
- 14 would no longer be challenges to the remaining part of
- 15 the Act. The --
- 16 CHIEF JUSTICE ROBERTS: But if the challenge
- 17 is what we're questioning today, whether -- if you're an
- 18 insurance company and you don't believe that you can
- 19 give the coverage in the way Congress mandated it
- 20 without the individual mandate, what -- what type of
- 21 action do you bring in a court?
- MR. FARR: You -- if the Court follows the
- 23 course that I'm advocating, you do not bring an action
- 24 in court. You go to Congress and you seek a change from
- 25 Congress to say the minimum coverage provision has been

- 1 struck down by the Court, here is our -- here -- here's
- 2 the information that we have to show you what the risks
- 3 are going to be. Here are the adjustments you need to
- 4 make.
- 5 One of the questions earlier pointed out
- 6 that States have adjusted their systems as they've gone
- 7 along, as they've seen things work or not work.
- 8 You know, as I was talking earlier about the
- 9 -- the different ratio for -- for ages and the
- 10 insurance. The States have tended to change that
- 11 because they've found that having too narrow a band
- 12 worked against the effectiveness of -- of their
- 13 programs. But they did -- except for in Massachusetts
- 14 they didn't enact mandates.
- So to answer -- I think to answer your
- 16 question directly, Mr. Chief Justice, the position I'm
- 17 advocating would simply have those -- those pleas go to
- 18 Congress, not in court.
- 19 Now, if one -- just to discuss the issue
- 20 more generally, if that's helpful, I -- I think that --
- 21 that if there were situations where the Court
- 22 deferred -- let's say for discretionary reasons, they
- 23 just said -- the Court said we're -- we're not going to
- 24 take up the question of severability and therefore not
- 25 resolve it in these other situations, it certainly seems

- 1 to me that in enforcement actions, for example, if the
- 2 time comes in -- in 2014 and somebody applies to an
- 3 insurance company for a policy and the insurance company
- 4 says, well, we're not going to issue a policy, we don't
- 5 think your risks are ones that we're willing to cover --
- 6 it seems to me that they could sue the insurance company
- 7 and the insurance company could raise as a defense that
- 8 this provision, the guaranteed-issue provision of the
- 9 statute, is not enforceable because it was inseverable
- 10 from the decision -- from the provision that the Court
- 11 held unconstitutional in 2012.
- 12 JUSTICE SCALIA: Mr. Farr, let's -- let's
- 13 consider how -- how your approach, severing as little as
- 14 possible, thereby increases the deference that we're
- 15 showing to -- to Congress. It seems to me it puts
- 16 Congress in -- in this position: This Act is still in
- 17 full effect. There is going to be this deficit that
- 18 used to be made up by the mandatory coverage provision.
- 19 All that money has to come from somewhere.
- You can't repeal the rest of the Act because
- 21 you're not going to get 60 votes in the Senate to repeal
- 22 the rest. It's not a matter of enacting a new Act.
- 23 You've got to get 60 votes to repeal it. So the rest of
- 24 the Act is going to be the law.
- So you're just put to the choice of, I

- 1 quess, bankrupting insurance companies and the whole
- 2 system comes tumbling down, or else enacting a Federal
- 3 subsidy program to the insurance companies, which is
- 4 what the insurance companies would like, I'm sure.
- 5 Do you really think that is somehow
- 6 showing deference to Congress and -- and respecting the
- 7 democratic process?
- 8 It seems to me it's a gross distortion of
- 9 it.
- 10 MR. FARR: Well, Your Honor, the -- the
- 11 difficulty is that it seems to me the other possibility
- 12 is for the Court to make choices particularly based on
- 13 what it expects the difficulties of Congress altering
- 14 the legislation after a Court ruling would be. I'm not
- 15 aware of any severability decision that has ever looked
- 16 at anything like this --
- 17 JUSTICE SCALIA: No, I -- that wouldn't be
- 18 my approach. My approach would say if you take the
- 19 heart out of the statute, the statute's gone. That
- 20 enables Congress to -- to do what it wants in -- in the
- 21 usual fashion. And it doesn't inject us into the
- 22 process of saying: This is good, this is bad, this is
- 23 good, this is bad.
- It seems to me it reduces our options the
- 25 most and increases Congress's the most.

- 1 MR. FARR: I guess to some extent I have to
- 2 quarrel with the premise, Justice Scalia, because at
- 3 least the -- the position that I'm advocating today,
- 4 under which the Court would only take out the minimum
- 5 coverage provision, I don't think would fit the
- 6 description that you have given of taking out the heart
- 7 of the statute.
- 8 Now, I do think once you take out
- 9 guaranteed-issue and community rating you are getting
- 10 closer to the heart of the statute. And one of the --
- one of the difficulties I think with the government's
- 12 position is that I think it's harder to cabin that, to
- 13 draw that bright line around it. It's harder than the
- 14 government thinks it is.
- I mean, to begin with, even the government
- 16 seems to acknowledge, I think, that the exchanges are
- 17 going to be relatively pale relatives of -- of the
- 18 exchanges as they're intended to be, where you're going
- 19 to have standardized products, everybody can come and
- 20 make comparisons based on products that look more or
- 21 less the same.
- But the other thing that's going to happen
- 23 is with the subsidy program. The -- the way that the
- 24 subsidy program is -- is set up, the subsidy is
- 25 calculated according to essentially a benchmark plan.

- 1 And this -- if one -- if the Court wants to look at the
- 2 provisions, they're -- they begin at page 64A of the
- 3 Private Plaintiffs' brief, again in the appendix. The
- 4 particular provision I'm talking about's at 68A. But
- 5 there's a -- there's a question -- you -- you're looking
- 6 essentially to calculate the premium by looking at a --
- 7 at a standardized silver plan.
- 8 First question, obviously, is is there going
- 9 to be any such plan if you don't have guaranteed-issue
- 10 and community rating, if the plans can basically be
- 11 individualized? But the second problem is that, in the
- 12 provision on 68A, the -- the provision that's used for
- 13 calculating the subsidy, what -- what is anticipated in
- 14 the provision under the -- the Act as it is now, is that
- if you have the floor of the income, you would -- you
- 16 would take this benchmark plan, and the government would
- 17 pay -- pay the difference.
- And as we talked about earlier, the
- 19 benchmark plan can change for age, and -- and the
- 20 provision says it can be adjusted only for age. So if
- 21 in fact you even have such a thing as a benchmark plan
- 22 anymore, if the rates of people in poor health go up
- 23 because of individual insurance underwriting, the
- 24 government subsidy is not going to pay for that.
- JUSTICE KAGAN: Mr. Farr, I understood that

- 1 the answer that you gave to Justice Scalia was
- 2 essentially that the minimum coverage provision was not
- 3 the heart of the Act. Instead, the minimum coverage
- 4 provision was a tool to make the nondiscrimination
- 5 provisions, community rating, quaranteed-issue, work.
- 6 So if you assume that, that all the minimum
- 7 coverage is is a tool to make those provisions work,
- 8 then I guess I would refocus Justice Scalia's question
- 9 and say, if we know that something is just a tool to
- 10 make other provisions work, shouldn't that be the case
- in which those other provisions are severed along with
- 12 the tool?
- MR. FARR: No, I don't think so, because
- 14 there are -- there are many other tools to make the same
- 15 things work. That's I think the point.
- 16 And if one -- the case that comes to mind is
- 17 New York v. the United States, where the Court struck
- 18 down the take-title provision but left other -- two
- 19 other incentives essentially in place.
- 20 Even without the minimum coverage provision,
- 21 there will be a lot of other incentives still to bring
- 22 younger people into the market and to keep them in the
- 23 market. And if -- if my reading of the finding is
- 24 correct, and that's all that Congress is saying, that
- 25 this would be useful, it doesn't mean that it's

- 1 impossible.
- 2 JUSTICE BREYER: But would you -- I would
- 3 just like to hear before you leave your argument, if you
- 4 want to, against what Justice Scalia just said. Let's
- 5 assume, contrary to what you want, that the government's
- 6 position is accepted by the majority of this Court. And
- 7 so we now are rid, quote, of the true "heart" of the
- 8 bill. Now, still there are a lot of other provisions
- 9 here like the Indian Act, the black lung disease, the
- 10 wellness program, that restaurants have to have a
- 11 calorie count of major menus, etcetera.
- 12 Now, some of them cost money and some of
- 13 them don't. And there are loads of them. Now, what is
- 14 your argument that just because the heart of the bill is
- 15 gone, that has nothing to do with the validity of these
- 16 other provisions, both those that cost money, or at
- 17 least those that cost no money? Do you want to make an
- 18 argument in that respect, that destroying the heart of
- 19 the bill does not blow up the entire bill; it blows up
- 20 the heart of a bill? I just would like to hear what you
- 21 have to say about that.
- MR. FARR: Well, Justice Breyer, I think
- 23 what I would say is if one goes back to the, what I
- 24 think is the proper severability standard and say, would
- 25 Congress rather have not -- no bill as opposed to the

- 1 bill with whatever is severed from it, it seems to me
- 2 when you are talking about provisions that don't have
- 3 anything to do with the minimum coverage provision,
- 4 there is no reason to answer that question as any other
- 5 way than yes, Congress would have wanted these
- 6 provisions.
- 7 JUSTICE KENNEDY: Is that the real Congress
- 8 or a hypothetical Congress?
- 9 (Laughter.)
- 10 MR. FARR: An objective Congress, Your
- 11 Honor. Not the specific -- not with a vote count.
- 12 JUSTICE SCALIA: Why put -- why put Congress
- 13 to that false choice?
- MR. FARR: Well --
- JUSTICE SCALIA: You only have two choices,
- 16 Congress. You can have the whole bill or you can
- 17 have -- you can have parts of the bill or no bill at
- 18 all. Why that false choice?
- 19 MR. FARR: I think the reason is because
- 20 severability is by necessity a blunt tool. The Court
- 21 doesn't have, even if it had the inclination, doesn't
- 22 essentially have the authority to retool the statute --
- JUSTICE BREYER: I know. So you -- I would
- 24 say stay out of politics. That's for Congress; not us.
- MR. FARR: Right.

- 1 JUSTICE BREYER: But the -- the question
- 2 here is, you've read all these cases or dozens. Have
- 3 you ever found a severability case where the Court ever
- 4 said: Well, the heart of the thing is gone and
- 5 therefore we strike down these other provisions that
- 6 have nothing to do with it which could stand on their
- 7 feet independently and can be funded separately or don't
- 8 require money at all.
- 9 MR. FARR: I think the accurate answer would
- 10 be, I am not aware of any modern case that says that. I
- 11 think there probably are cases in the 20s and 30s that
- 12 would be more like that.
- 13 If I could just take one second to address
- 14 the economists' brief because Justice Alito raised it
- 15 earlier. I just want to make one simple point. Leaving
- 16 aside the whole balancing thing, if one looks at the
- 17 economists' brief, I think it's very important to note
- 18 that when they are talking about one side of the balance
- 19 -- may I finish?
- 20 CHIEF JUSTICE ROBERTS: Certainly.
- 21 MR. FARR: When they are talking about the
- 22 balance, they are not just talking about the minimum
- 23 coverage provision. They very carefully word it to say
- 24 the minimum coverage provision and the subsidy programs.
- 25 And then, so when you are doing the mathematical

- 1 balancing, the subsidy programs are extremely large.
- 2 They -- in the year 2020, they are expected to be over
- 3 \$100 billion in that 1 year alone. So if you are
- 4 looking at the numbers, please consider that.
- 5 Thank you, Your Honors.
- 6 CHIEF JUSTICE ROBERTS: Thank you, Mr. Farr.
- 7 Mr. Clement, you have 4 minutes remaining.
- 8 REBUTTAL ARGUMENT OF PAUL D. CLEMENT
- 9 ON BEHALF OF THE PETITIONERS
- 10 JUSTICE SOTOMAYOR: -- amici's point: he
- 11 says that Congress didn't go into this Act to impose
- 12 minimum coverage. They went into the Act to have a
- 13 different purpose, i.e., to get people coverage when
- 14 they needed it, to increase coverage for people, but
- 15 this is only a tool. But other States -- going back to
- 16 my original point, that there are other tools besides
- 17 minimum coverage that Congress can achieve the same
- 18 goals. So if we strike just a tool, why should we
- 19 strike the whole Act, when Congress has other tools
- 20 available?
- 21 MR. CLEMENT: Mr. Chief Justice, I will make
- 22 four points in rebuttal, but I will start with Justice
- 23 Sotomayor's question; which is to simply say this isn't
- 24 just a tool; it's the principal tool. Congress
- 25 identified it as an essential tool. It's not just a

- 1 tool to make it work. It's a tool to pay for it, to
- 2 make it affordable. And again, that's not my
- 3 characterization; that's Congress's characterization in
- 4 subfinding I on page 43A of the government's brief.
- Now, that bring me to my first point in
- 6 rebuttal, which is Mr. Kneedler says, quite correctly
- 7 tells this Court don't look at the budgetary
- 8 implications. Well, the problem with that, though, is
- 9 once it's common ground that the individual mandate is
- 10 in the statute at least in part to make community rating
- 11 and guaranteed-issue affordable, that really is all you
- 12 have to identify. That establishes the essential link
- 13 that it's there to pay for it. You don't have to figure
- 14 out exactly how much that is and which box -- I mean, it
- 15 clearly is a substantial part of it, because what they
- 16 were trying to do is take healthy individuals and put
- 17 them into the risk pool, and this is quoting their
- 18 finding, which is in order -- they put people into the
- 19 market "which will lower premiums." So that's what
- 20 their intent was.
- 21 So you don't have to get to the -- the final
- 22 number. You know that's what was going on here, and
- 23 that's reason alone to sever it.
- Now, the government -- Mr. Kneedler also
- 25 says there is an easy dividing line between what they

- 1 want to keep and what they want to dish out. The
- 2 problem with that is that, you know, you -- you read
- 3 their brief and you might think, oh, there is a
- 4 quaranteed-issue and a community rating provision
- 5 subtitle in the bill. There is not.
- To figure out what they are talking about
- 7 you have to go to page 6 of their brief, of their
- 8 opening severability brief, where they tell you what is
- 9 in and what's out. And the easy dividing line they
- 10 suggest is actually between 300ga-1 and 300ga-2, because
- 11 on community rating they don't -- they say that a-1
- 12 goes, but then they say a-2 has to stay, because that's
- 13 the way that you'll have some sort of, kind of Potemkin
- 14 community rating for the exchanges. But if you actually
- 15 look at those provisions, a-2 makes all these references
- 16 to a-1. It just doesn't work.
- 17 Now, in getting back to the -- an inquiry
- 18 that I think this Court actually can approach, is to
- 19 look at what Congress was trying to do, you need look no
- 20 further than look than the title of this statute:
- 21 Patient Protection and Affordable Care. I agree with
- 22 Mr. Farr that community rating and guaranteed-issue were
- 23 the crown jewels of this Act. They were what was trying
- 24 to provide patient protection. And what made it
- 25 affordable? The individual mandate. If you strike down

- 1 quaranteed-issue, community rating and the individual
- 2 mandate, there is nothing left to the heart of the Act.
- 3 And that takes me to my last point, which is
- 4 simply this Court in Buckley created a halfway house,
- 5 and it took Congress 40 years to try to deal with the
- 6 situation, when contrary to any time of their intent,
- 7 they had to try to figure out what are we going to do
- 8 when we are stuck with this ban on contributions, but we
- 9 can't get at expenditures because the Court told us we
- 10 couldn't. And for -- for 40 years they worked in that
- 11 halfway house.
- 12 Why make them do that in health care? The
- 13 choice is to give Congress the task of fixing this
- 14 statute, the residuum of this statute after some of it
- 15 is struck down, or giving them the task of simply fixing
- 16 the problem on a clean slate. I don't think that is a
- 17 close choice. If the individual mandate is
- 18 unconstitutional, the rest of the Act should fall.
- 19 CHIEF JUSTICE ROBERTS: Thank you, Mr.
- 20 Clement.
- 21 Mr. Farr, you were invited by this Court to
- 22 brief and argue in these cases in support of the
- 23 decision below on severability. You have ably carried
- 24 out that responsibility, for which we are grateful.
- Case No. 11-393 is submitted. We will

1	continue argument in Case Number 11-400 this afternoon
2	(Whereupon, at 11:50 a.m., the case in the
3	above-entitled matter was submitted.)
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