Armstrong v. Exceptional Child Center, Inc., No. 14-15 (previously described in the October 2, 2014, Docket Report)

Section 30(A) of the Medicaid Act requires that state Medicaid plans contain procedures to ensure that reimbursement rates for healthcare providers "are consistent with efficiency, economy, and quality of care and are sufficient to enlist enough providers" to meet the need for care and services in the geographic area. 42 U.S.C. § 1396a(a)(30)(A). The statute does not include an express right of action for Medicaid providers to challenge a state plan for failure to comply with Section 30(A). Today, in *Armstrong v. Exceptional Child Center, Inc.*, No. 14-15, the Supreme Court held that the Supremacy Clause of the U.S. Constitution does not confer an implied private right of action allowing providers to challenge state legislation for alleged noncompliance with Section 30(A). The Court also held that the providers could not bring such an action in equity.

A group of Medicaid providers in Idaho sued that state's Department of Health and Welfare, alleging that the state's reimbursement rates for certain supported-living services failed to comply with Section 30(A). The district court granted judgment in favor of the providers. The Ninth Circuit affirmed, holding that the Supremacy Clause gave the providers an implied private right of action to seek an injunction requiring Idaho to comply with Section 30(A).

Today, the Supreme Court reversed the Ninth Circuit. In an opinion written by Justice Scalia, the majority explained that the Supremacy Clause is not the "source of any federal rights" and does not create a cause of action. "It instructs courts what to do when state and federal law clash, but is silent regarding who may enforce federal laws in court, and in what circumstances they may do so." The majority noted that the pre-ratification historical record contained no suggestion that the Supremacy Clause would give affected parties an unalterable right to enforce federal laws against the States. The majority also deemed it doubtful that the Constitution would have given Congress broad discretion over the enactment of federal laws while simultaneously limiting its power over how those laws were implemented by "imposing mandatory private enforcement" via the Supremacy Clause. Finally, the Court explained that the long-recognized ability of plaintiffs in certain circumstances to sue to enjoin unconstitutional actions by state and federal officers is a creation of courts of equity and does not rest on an implied right of action created by the Supremacy Clause.

The Court also held that, in this case, the providers' suit could not proceed in equity. Noting that the power of federal courts to enjoin unlawful executive action is subject to both express and implied statutory limitations, the Court held that the Medicaid Act forecloses equitable relief to enforce Section 30(A). The Court explained that the complexity of enforcing Section 30(A)'s requirement that state plans provide for payments that "are consistent with efficiency, economy, and quality of care," combined with the express provision of an administrative remedy, demonstrated that the Medicaid Act precluded private enforcement.

Justice Sotomayor wrote a dissenting opinion, joined by Justices Kennedy, Ginsburg, and Kagan. The dissent agreed with the majority that the Supremacy Clause does not provide an implied right of action but disagreed with the conclusion that Congress intended to foreclose private equitable suits. In the dissent's view, the statute lacks the sort of "detailed remedial scheme" that the Court previously had deemed necessary to establish congressional intent to preclude an equitable suit against government officials.

The Supreme Court's decision is of significant importance to Medicaid providers who wish to challenge state plans, as these providers will need to seek relief through the Secretary of Health and Human Services, rather than through the courts, in the first instance. The decision also could be significant for parties who wish to bring private actions against state officials for violations of other federal laws.

Any questions about the case should be directed to Miriam Nemetz (+1 202 263 3253) in our Washington office.