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Supreme Court overturns Chevron doctrine, likely creating uncertainty for healthcare regulations

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The Buzz This Week

On June 28, the Supreme Court of the United States issued a landmark decision in the case of Loper Bright Enterprises v. Raimondo, overturning the Chevron deference doctrine. Established four decades ago by the 1984 Chevron U.S.A. v. Natural Resources Defense Council decision, the Chevron doctrine allowed federal agencies to interpret ambiguous laws, provided their interpretations were reasonable. This meant that courts would defer to the expertise of agencies, acknowledging their specialized knowledge and experience in their respective fields.

With the overturning of Chevron, federal judges now have the power to interpret these laws themselves. This marks a significant shift in regulatory power from federal agencies to the judiciary. And it fundamentally alters the landscape for sectors heavily regulated by federal agencies, such as healthcare, environmental protection, and financial oversight.

Chief Justice John Roberts, writing for the 6-3 majority, argued that the Chevron doctrine improperly transferred the power to interpret laws from the judiciary to federal agencies. He described it as a “judicial invention” that required judges to ignore their statutory duties. He asserted that federal agencies lack the special competence needed to resolve statutory ambiguities, a role that should be reserved for the courts.

Justice Elena Kagan, writing for the dissenting justices, warned of widespread disruption. She argued that the ruling undermines Congress’s intent to delegate interpretive authority to specialized agencies. She also argued that it grants federal courts exclusive power over regulatory issues, potentially eroding the efficiency and expertise that agencies provide. Kagan’s dissent emphasized that the decision invites more lawsuits from parties at odds with agency actions, potentially deterring agency regulations. This shift places the

burden of policymaking back to Congress, which may now need to draft legislation with greater specificity.

Why It Matters

The Supreme Court's decision has far-reaching implications for healthcare. Federal agencies such as the Centers for Medicare & Medicaid Services (CMS) and the US Food and Drug Administration (FDA) often rely on the flexibility granted by Chevron to effectively implement complex regulations. The ruling introduces significant uncertainty into this process. It will likely create broad ripple effects, with increased scrutiny of things such as routine Medicare reimbursement updates and the FDA approval process for emerging medical technologies, including artificial intelligence-powered technologies.

Legal experts and health officials predict an increase in litigation that could complicate the regulation of drugs, tobacco products, and cutting-edge medical technologies. The administration of government health insurance programs could face increased legal battles, making it more difficult for agencies to enforce policies effectively. This could lead to inconsistent regulations and increased uncertainty for providers, insurers, and patients.

The ruling also complicates Congress's efforts to pass healthcare legislation by requiring lawmakers to draft bills with far greater specificity. This presents a substantial challenge, given the complexity and rapidly evolving nature of healthcare. Lawmakers will need to balance the need for detailed legislation with the flexibility required for agencies to adapt regulations to new circumstances. For example, legislative efforts to expand telehealth, regulate pharmacy benefit managers, and establish guidelines for artificial intelligence will now require more precise language. That could potentially stall legislative progress and delay implementation of healthcare reforms.

Highly regulated healthcare companies may have an easier time challenging new and existing rules, which may lead to a more fragmented and less predictable regulatory environment. This could hinder implementation of standardized essential health and safety regulations.

As Congress grapples with this new reality, the healthcare sector must prepare for a period of regulatory uncertainty. Agencies may increasingly rely on nonbinding guidance and enforcement activities, while stakeholders must navigate a legal landscape where courts play a more prominent role in interpreting healthcare laws.

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