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The Hobby Lobby Decision and Religious-Based Exemptions

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On June 30, 2014, the United States Supreme Court issued a ruling which held that a closely held, for-profit entity can object to certain aspects of the birth control mandate imposed by the Patient Protection and Affordable Care Act by invoking the Religious Freedom Restoration Act. This decision has left employers with questions concerning the possibilities of religious-based exemptions into federal laws such as the Affordable Care Act. Below is a brief summary of the Supreme Court's holdings and the potential ramifications the holding has on employers.

In this case, Hobby Lobby maintained that the Affordable Care Act's (ACA) mandate of four forms of birth control substantially burdened the entity's exercise of religion in violation of the Religious Freedom Restoration Act (RFRA). The RFRA holds that the federal government shall not substantially burden a person's exercise of religion. In upholding Hobby Lobby's claims, the Court held that for-profit, closely held entities such as Hobby Lobby are considered "persons" under the RFRA and are entitled to bring claims under the Act. Moreover, the Court found that Hobby Lobby's business practices and corporate documents reflected a genuine and tangible expression of faith. Thus, Hobby Lobby was entitled to invoke the RFRA to object to four forms of birth control mandated by the ACA without incurring the steep monetary penalties for non-compliance.

This holding has the potential of raising coverage issues for other for-profit employers that operate their businesses according to religious principles. However, this case appears to have a narrow holding applicable solely to closely held corporations and to the four methods of birth control that Hobby Lobby opposed under the mandate. Thus, it is uncertain whether the Court would extend the use of the RFRA to other employment-related issues.

Nevertheless, if an employer believes that it can sustain a claim under the RFRA, the employer should continue to abide by federal and state laws and consider whether its business practices and corporate documents reflect and are governed by a sincere and tangible expression of faith. Even the, employers should be cautious of the current ambiguity in the law regarding religious objections to federal mandates, and be aware of the potential of public and internal backlash arising from contesting federal mandates like those found in the ACA. As always, an employer should consult with legal counsel regarding any questions it may have relating to ACA coverage and exemptions.