In Gobeille v. Liberty Mutual Insurance, the Supreme Court overturned a Vermont law requiring ERISA plans to disclose health payments to the state’s “All Payer Database.” The Court determined that reporting requirements are a key aspect of plan administration and can only be altered by Congress or the relevant federal agency and held that state laws subjecting employee benefit plans to additional disclosure regulations are preempted by ERISA.

Executive Summary

In Gobeille v. Liberty Mutual Insurance Co.,¹ the Court was asked to decide whether the Employee Retirement Income Security Act of 1974 (ERISA) preempted a Vermont law that required health insurers to report claims information to a statewide database. The Court ruled that because reporting was a central component of the uniform system of plan administration contemplated by Congress, it is impermissible for a state to add additional reporting requirements, regardless of economic costs to the plan or underlying policy justifications by the state. In addition, the Court confirmed that the passage of the Patient Protection and Affordable Care Act of 2010 (ACA) had no effect on the jurisprudence of ERISA preemption.

Factual Background

The fiduciary and sponsor of the self-funded welfare plan, Liberty Mutual Insurance Company, sought declaratory relief stating that the plan’s third-party administrator, Blue Cross Blue Shield of Massachusetts, should omit ERISA claims from the regular health care spending reports provided by law to the Vermont Department of Health. The district court held that the law was not preempted because it was one of general application, but the Second Circuit reversed. Upon certiorari review, the Supreme Court agreed
with the Second Circuit. The Court ruled that, even under the more-limited preemption framework introduced over the last three decades, a state could not require a plan to alter from ERISA-compliant administration procedures.

**A Primer to ERISA Preemption**

ERISA contains one of the broadest preemption clauses found in modern federal jurisprudence. On its face, the statute “supersede[s] any and all State laws insofar as they may now or hereafter relate to any employee benefit.” A Read literally, the term “relate to” could be interpreted to include almost any state law with even a tangential and miniscule effect on a plan or sponsor. As a result, in the mid-1990s, the Court began applying the “Travelers” Workable Standard” that limits preemption to laws that have an impermissible connection to ERISA’s objectives. The Court has since provided three types of laws that must be preempted, even if they are in furtherance of policy goals traditionally pursued by the states:

1. Any law that directly and exclusively regulates ERISA plans or relies on the existence of ERISA plans to operate;
2. Any law that governs a “central matter of plan administration,” including one that upsets the nationally uniform system of plan administration contemplated by Congress; and
3. A law that indirectly restricts a plan’s terms or choice in service providers by imposing an acute economic incentive.

This case focuses on the second classification. The Court explained that by enacting ERISA Congress intended to reduce plan compliance costs by replacing the fifty-one relevant regulatory regimes then in effect with a strict, but exclusive, uniform framework. As a result, any state law that requires plans operating within its borders to alter a “central matter of plan administration” must be preempted under the Supremacy Clause. In previous cases, courts have ruled that “central matters of plan administration” subject to the nationally uniform framework include: (a) determining whether to pay benefits, (b) disclosing plan information to participants, and (c) maintaining plan and participant records.

**SCOTUS Adds an Additional Central Matter of Plan Administration**

In *Gobeille*, the Court held that mandatory governmental reporting was also a “central matter of plan administration” subject only to the uniform federal framework. The Court reasoned that the statutory provisions of ERISA clearly delegated extensive authority to the Secretary of Labor to promulgate reporting standards. Furthermore, the Secretary has clearly used that authority to impose a uniform and comprehensive filing regime, leaving no flexibility for the states. As a result, a state may not require additional disclosures from an ERISA plan, even if the state’s objectives are compelling and the economic harm imposed on the plan is minimized. In addition, the Court went on to rule that, with the possible exception of ERISA provisions added by the ACA, the ERISA preemption analysis has not been altered by
the additional health care powers assumed by the states after the passage of the ACA and the promulgation of the accompanying regulations.

**Immediate Effect on Health and Welfare Plan Administration**

Although the larger effect of *Gobeille* is not yet known, there are a few immediately clear new rules of law. First, although ERISA does not preempt federal law, any state mandate that creates novel, redundant or inconsistent administration requirements are preempted unless they qualify for an exemption, even if the state is acting in pursuance of a policy goal within the scope of the ACA. Second, information relating to ERISA claims is exempt from the “all-payer databases” established by at least 18 states. In fact, additional disclosures beyond those required by the Department of Labor may violate the sponsor or administrator’s fiduciary duty to plan participants. Finally, the Court clarified that a plan does not need to show economic harm to be entitled to a declaration that ERISA preempts a state law. Instead, mere interference with a central matter of plan administration is sufficient harm to provide legal standing.

**Download:** *Supreme Court Reaffirms ERISA’s Preemptive Effect as It Overturns State Health Care Law*


2. ERISA §514(a) (the “Preemption Clause”). There are carve outs for generally applicable criminal laws and laws that “regulate[] insurance, banking, or securities” which are beyond the scope of this Client Alert.