

Supreme Court Decides ERISA Pre-empts State Law Claims in Lawsuits Against HMOs

Aetna Health Inc., fka Aetna U.S. Healthcare Inc. et al. v. Davila

The United States Supreme Court continued to uphold the “extraordinary pre-emptive power” of the Employee Retirement Income Security Act of 1974, as amended (ERISA), in its holding in *Aetna Health Inc., fka Aetna U.S. Healthcare Inc. et al. v. Davila*. In *Davila*, which was consolidated with another similar case, two individuals brought suit against the respective health maintenance organizations (HMOs) that administer the employer-sponsored and ERISA-regulated employee benefit medical plans in which the individuals participate. The individuals alleged that the HMOs violated the Texas Health Care Liability Act, a Texas “patients’ bill of rights” law that imposes a duty on HMOs to exercise ordinary care when making health treatment decisions and provides for separate state law liability for failure to abide by that duty of care. Specifically, the individuals sued their HMOs for damages under the Texas law alleging that they had suffered injuries because of the decisions of their HMOs not to provide coverage for certain treatment and services recommended by their physicians. In the decision, issued on June 21, 2004, the unanimous Court found that the individuals’ claims against the HMOs under the Texas law were pre-empted by ERISA.

ERISA’s Pre-emptive Power

In discussing the pre-emptive power of ERISA, Justice Thomas, citing from the text of the statute, stated that “the purpose of ERISA is to protect the interests of participants and their beneficiaries by setting out substantive regulatory requirements for employee benefit plans” and such regulations include appropriate “remedies, sanctions and ready access to the Federal courts.” Citing Supreme Court precedent, Justice Thomas further stated that ERISA provides a uniform regulatory regime over employee benefit plans, including “expansive pre-emption provisions which are intended to ensure that such regulation [is] exclusively a federal concern.” Thus, any state law cause of action that “duplicates, supplements, or supplants” the enforcement mechanisms under ERISA conflicts with Congress’ intent to make the remedies provided under ERISA exclusive and must be pre-empted.

Expand ERISA’s Remedies?

In its holding, the Court determined that the duties imposed by the Texas statute do not arise independently of ERISA or the terms of the respective health care plans. Thus, as the Court has held previously, where an individual brings suit under a state law complaining of a denial of coverage for medical care, as was the situation in this case, and the

entitlement to such coverage arises solely as a result of an ERISA-regulated employee benefit plan, then the suit is governed by ERISA and any state-law causes of action are completely pre-empted.

In her concurrence, Justice Ginsburg urged Congress to act to expand the potential remedies available under ERISA to include certain of the remedies, such as consequential damages and make-whole relief, currently provided for under the various state patients' bill of rights statutes, but which are not authorized under ERISA. While the Supreme Court continues to uphold ERISA's strong pre-emptive powers, expect talk of a federal patients' bill of rights to become a hot topic on the presidential campaign trail and on the floor of Congress.

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