

CRC BENEFITS

SCOTUS and the ERISA Debate: What's at Stake?

As The Employee Retirement Income Security Act of 1974 (ERISA) hits its 50th anniversary, we're on the brink of a pivotal moment in its history. In the coming months, the United States Supreme Court is expected to hear a case that could transform employee benefits and redefine the balance of power between federal and state regulations. The case, Pharmaceutical Care Management Association (PCMA) v. Mulready, will test the limits of ERISA's preemption power, directly challenging whether federal law should override state efforts to regulate Pharmacy Benefit Managers (PBMs). Often behind the scenes, but critical in managing prescription drug benefits, these PBMs are key players, and with many states stepping in to regulate their practices, the stakes couldn't be higher.

Previously, the 10th Circuit Court of Appeals ruled that ERISA preempted Oklahoma's state regulations on PBMs. But this isn't the final word—the Supreme Court is taking another look. Thirty-two state attorneys general are now arguing that this ruling conflicts with the precedent set in PCMA v. Rutledge (2020). In that case, the Court determined that ERISA doesn't preempt state laws regulating PBMs unless those laws directly impact ERISA plans.

What will the Supreme Court decide? And more importantly, how will this decision reverberate when it comes to the employee benefits that millions of Americans rely on? For advisors and employers alike, the outcome could signal a seismic shift, with far-reaching implications that demand close attention and strategic foresight.



If the Supreme Court upholds the 10th Circuit ruling, state regulations controlling drug costs and PBM practices might become ineffective, leading to higher costs and reduced access to medications.

IMPACT ON EMPLOYEE BENEFITS: WHAT COULD THIS MEAN FOR EMPLOYERS AND THEIR ADVISORS?

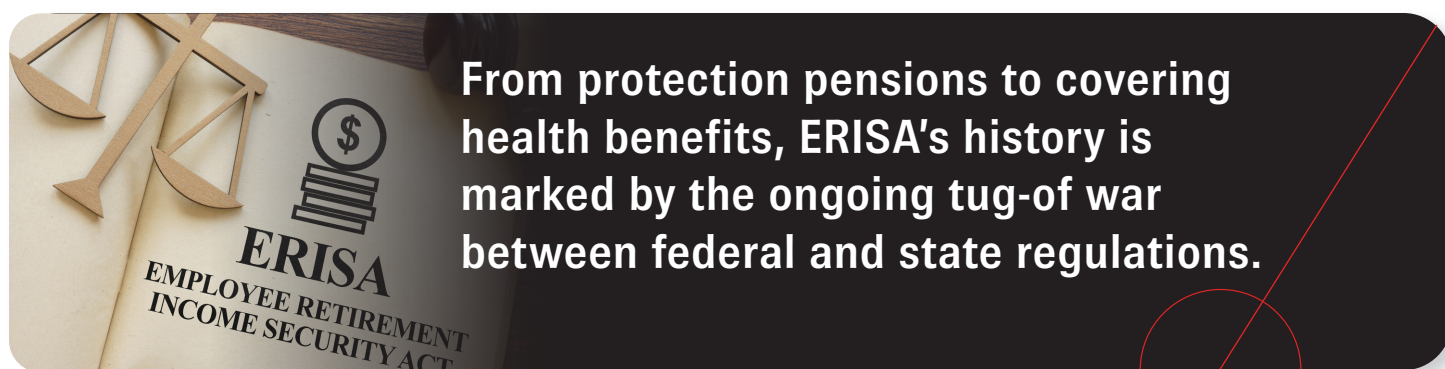
If the Supreme Court sides with the 10th Circuit, the ripple effects on employee benefits could be significant. State regulations designed to protect consumers, control drug costs, and ensure fair practices by PBMs could be rendered ineffective. This could lead to higher prescription drug costs and reduced access to medications for employees—a situation employers will need to navigate carefully.

For those advising employer groups, this scenario presents both challenges and opportunities. Staying informed about potential changes is crucial, as is considering how to adapt benefits strategies to maintain comprehensive coverage while managing costs. This might involve exploring alternative plan designs or seeking out new resources to fill the gaps left by reduced state oversight.

A JOURNEY THROUGH ERISA'S EVOLUTION

ERISA was originally designed to protect retiree pensions, but its scope quickly expanded to include health benefits. This evolution was driven by concerns over state-level regulation and the need for federal protection of self-insured health plans, which existed before ERISA's passage. The tension between federal and state regulations has been a recurring theme in ERISA's history, and it's still relevant today as the Supreme Court considers *PCMA v. Mulready* in 2025.

For advisors, getting a handle on this historical background is essential. It's not just about grasping why federal preemption matters, but also about recognizing the ongoing tug-of-war between state and federal rules. With this deeper understanding, advisors can go beyond simply ticking boxes for compliance and become invaluable guides, offering smart strategies to help employers navigate the tricky world of regulations.



From protection pensions to covering health benefits, ERISA's history is marked by the ongoing tug-of-war between federal and state regulations.

WHY PREEMPTION MATTERS: THE CORE OF ERISA'S IMPACT

Preemption is a cornerstone of ERISA's influence on health benefits.

It allows self-funded employers to administer health plans uniformly across the nation, avoiding the complexity of adhering to various state regulations. This uniformity has enabled employers to innovate in plan design and tailor benefits to meet the specific needs of their workforce. However, as *PCMA v. Mulready* shows, the boundaries of preemption are continually tested, and the outcomes of such cases can significantly impact how benefits are structured.

Advisors who stay informed about these legal developments can provide invaluable advice to their clients. By understanding the potential impacts of Supreme Court decisions on preemption, they can help employers anticipate changes and adjust their benefits strategies accordingly.

LOOKING AHEAD: THE BROADER IMPLICATIONS

Beyond the immediate impact on prescription drug coverage, the upcoming SCOTUS decision could set a precedent for how ERISA preemption is applied in other areas of state regulation. This could influence future litigation, policy development, and the overall balance of power between state and federal governments in healthcare. As we look to the future, the intersection of ERISA and state regulations will likely remain a hot topic.

Standing out requires staying informed on these developments, grasping their broader implications, and communicating them



Position yourself as a thought leader by offering educational leadership, strategic planning, and tailored solutions.

OPPORTUNITY FOR AGENTS: POSITIONING AS TRUSTED ADVISORS

By leveraging their understanding of ERISA's preemption power and its implications for state regulations, agents can position themselves as trusted advisors to employer groups. Here's how:

- ◉ **Educational Leadership:** Offer seminars, webinars, or white papers that explain the potential impacts of the Supreme Court's decision on PBM regulations and broader employee benefits. Employers will value the foresight and guidance during uncertain times.
- ◉ **Strategic Planning:** Help employers evaluate their current benefits structures and explore alternative plan designs that could mitigate the risks associated with diminished state oversight. This proactive approach will demonstrate your commitment to their long-term success.
- ◉ **Tailored Solutions:** By staying informed about both federal and state regulatory changes, you can offer customized solutions that align with each employer's specific needs, whether that's finding new resources to fill gaps or advising on innovative plan designs.
- ◉ **Thought Leadership:** Regularly update your clients on the latest developments in ERISA-related cases and regulations. Your ability to interpret these changes and translate them into actionable strategies will solidify your role as a thought leader.

BOTTOM LINE

The Supreme Court's upcoming decision is more than just a legal update—it's a moment that could change the way we handle employee benefits for years to come. This case isn't just about the letter of the law; it's about how we balance federal and state oversight in a way that really impacts people's lives.

For advisors, this is your chance to step up and lead with insight and empathy. Understanding the ins and outs of ERISA preemption and its effects on employee benefits will help you provide the kind of guidance that goes beyond just checking boxes. It's about helping your clients navigate these shifts with confidence and making sure they're prepared for whatever comes next.

So, as we approach this milestone, think of it as more than a challenge. It's an opportunity to be a trusted partner who helps clients not just manage change, but embrace it. If you need a hand in tackling these issues, contact your local CRC Benefits sales team. We're here to support you in turning potential challenges into opportunities for growth and success.

CONTRIBUTORS

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