SUPREME COURT OF THE UNITED STATES

Syllabus

NEW YORK STATE CONFERENCE OF BLUE CROSS & BLUE SHIELD PLANS ET AL. *v.* TRAVELERS INSURANCE CO. ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

No. 93–1408. Argued January 18, 1995—Decided April 26, 1995[1]

A New York statute requires hospitals to collect surcharges from patients covered by a commercial insurer but not from patients insured by a Blue Cross/Blue Shield plan, and also subjects certain health maintenance organizations (HMOs) to surcharges. Several commercial insurers and their trade associations filed actions against state officials, claiming that §514(a) of the Employee Retirement Income Security Act of 1974 (ERISA)—under which state laws that ``relate to'' any covered employee benefit plan are superseded—pre-empts the imposition of surcharges on bills of patients whose commercial insurance coverage is purchased by an ERISA plan, and on HMOs insofar as their membership fees are paid by an ERISA plan. Blue Cross/Blue Shield plans (collectively the Blues) and a hospital association intervened as defendants, and several HMOs and an HMO conference intervened as plaintiffs. The District Court consolidated the actions and granted the plaintiffs summary judgment. The Court of Appeals affirmed, relying on this Court's decisions in *Shaw* v. *Delta Air Lines, Inc.,* 463 U. S. 85, and *District of Columbia* v. *Greater Washington Board of Trade,* 506 U. S. ___, holding that ERISA's pre-emption clause must be read broadly to reach any state law having a

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[1]Together with No. 93–1414, *Pataki, Governor of New York, et al.* v. *Travelers Insurance Co. et al.,* and No. 93–1415, *Hospital Association of New York State* v. *Travelers Insurance Co. et al.,* also on certiorari to the same court.

connection with, or reference to, covered benefit plans. The court decided that the surcharges were meant to increase the costs of certain insurance and HMO health care and held that this purposeful interference with the choices that ERISA plans make for health care coverage constitutes a ``connection with'' ERISA plans triggering pre-emption.

Held: New York's surcharge provisions do not ``relate to'' employee benefit plans within the meaning of §514(a) and, thus, are not pre-empted. Pp. 7–22.

(a) Under *Shaw, supra,* the provisions ``relate to'' ERISA plans if they have a ``connection with,'' or make ``reference to,'' the plans. They clearly make no reference to ERISA plans, and ERISA's text is unhelpful in determining whether they have a ``connection with'' them. Thus, the Court must look to ERISA's objectives as a guide to the scope of the state law that Congress understood would survive. Pp. 7–9.

(b) The basic thrust of the pre-emption clause was to avoid a multiplicity of regulation in order to permit the nationally uniform administration of employee benefit plans. Thus, ERISA pre-empts state laws that mandate employee benefit structures or their administration as well as those that provide alternate enforcement mechanisms. The purpose and effects of New York's statute are quite different, however. The principal reason for charge differentials is that the Blues provide coverage to many subscribers whom the commercial insurers would reject. Since the differentials make the Blues more attractive, they have an indirect economic effect on choices made by insurance buyers, including ERISA plans. However, an indirect economic influence does not bind plan administrators to any particular choice or preclude uniform administrative practice or the provision of a uniform interstate benefit package. It simply bears on the costs of benefits and the relative costs of competing insurance to provide them. Cost uniformity almost certainly is not an object of pre-emption. Rate differentials are common even in the absence of state action, and therefore it is unlikely that ERISA meant to bar such indirect influences under state law. The existence of other common state actions with indirect economic effects on a plan's cost—such as quality control standards and workplace regulation—leaves the intent to pre-empt even less likely, since such laws would have to be superseded as well. New York's surcharges leave plan administrators where they would be in any case, with the responsibility to choose the best overall coverage for the money, and thus they do not bear the requisite ``connection with'' ERISA plans to trigger pre-emption. Pp. 9–16.

(c) This conclusion is confirmed by the decision in *Mackey* v. *Lanier Collection Agency & Service, Inc.,* 486 U. S. 825, that ERISA pre-emption falls short of barring application of general state garnishment statutes to participants' benefits in the hands of an ERISA plan. And New York's surcharges do not

impose the kind of substantive coverage requirement binding plan administrators that was at issue in *Metropolitan Life Insurance Co.* v. *Massachusetts,* 471 U. S. 724, since they do not require plans to deal with only one insurer or to insure against an entire category of illnesses the plans might otherwise choose not to cover. Pp. 16–18.

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(d) Any conclusion other than the one drawn here would have the unsettling result of barring any state regulation of hospital costs on the theory that all laws with indirect economic effects on ERISA plans are pre-empted. However, there is no hint in ERISA's legislative history or elsewhere that Congress intended to squelch the efforts of several States that were regulating hospital charges to some degree at the time ERISA was passed. Moreover, such a broad interpretation of §514 would have rendered nugatory an entire federal statute—enacted after ERISA by the same Congress—that gave comprehensive aid to state health care rate regulation. Pp. 18–21.

(e) In reaching this decision, the Court does not hold that ERISA pre-empts only direct regulation of ERISA plans. It is possible that a state law might produce such acute, albeit indirect, economic effects as to force an ERISA plan to adopt a certain scheme of coverage or effectively restrict its choice of insurers, but such is not the case here. P. 22.

14 F. 3d 708, reversed and remanded.

SOUTER, J., delivered the opinion for a unanimous Court.