

MYTH: States can require all health plans to report cost and quality information.**FACT: Employer-sponsored health plans may be exempt from state reporting laws under ERISA.**

States are more actively monitoring the cost and quality of health care in their states: using their influence as a purchaser of health care for Medicaid and state employees (value-based purchasing), requiring quality and reporting standards for plans participating in a state-run health insurance exchange, and/or requiring reporting to a centralized state database. The leading example of this last approach is the Vermont Healthcare Claims Uniform Reporting and Evaluation System, established in 2008, which requires health insurers to “regularly submit medical claims data, pharmacy claims data, member eligibility data, provider data, and other information relating to health care provided to Vermont residents and health care provided by Vermont health care providers and facilities...”¹

However, a federal appeals court struck down the Vermont law this month as it applied to many health plans. In *Liberty Mutual Insurance v. Donegan*, the U.S. Court of Appeals for the Second Circuit invalidated Vermont’s law as it applied to ERISA employee benefit plans, which include most employer-sponsored health plans.

The Employee Retirement Income Security Act of 1974 (ERISA)² is a federal law that governs employee benefit plans, including most employer-sponsored health insurance plans. All plans governed by the law must comply with various requirements, including reporting

and disclosure requirements. ERISA preempts state laws that “relate to” employee benefit plans, which means that even if a state law or regulation establishes requirements for an employee benefit plan, the plan only has to follow federal requirements under ERISA and its regulations.

The Second Circuit’s decision directly affects Vermont’s law, but also sets a precedent for challenges to other similar state laws. The Second Circuit includes Connecticut, New York, and Vermont, so the *Liberty Mutual* decision would be applied to state reporting laws in those states that relate to employee benefit plans. Other courts may interpret ERISA differently as it applies to other state laws. However, states seeking to collect cost and quality information from health plans may want to seek methods of obtaining that information other than direct reporting requirements, such as offering incentive payments for voluntary reporting of data or conditioning participation in state programs on reporting of data.

For More Information:

- [See](#) our Fast Facts about ERISA and State Reporting Requirements.
- [Learn](#) about state and federal laws related to Quality Measurement and Reporting.

Follow us on Twitter at [@HealthInfoLaw](#)

¹ Regulation H-2008-1, 21-040-021 Vt. Code R. §4(D).

² 29 U.S.C. §1132(a).