

The Importance of ERISA National Uniformity

What Is ERISA Preemption

Section 514 of ERISA preempts all state laws that “*relate to any employment benefit plan*” with few exceptions. This provision aims to “*round out the protection afforded participants by eliminating the threat of conflicting and inconsistent State and local regulation...*”

Preemption allows employers to **implement benefits plans uniformly** across state lines, make use of **maximum negotiating leverage**, and maintain **administrative simplicity**.

Why was Preemption Originally Included in ERISA

In passing ERISA Congress saw that **employers, when given the proper incentives, were in the best position to provide the most effective and efficient benefits plans** for their employees.

One official from the Department of Labor when ERISA was passed said: “*Congress included the preemption clause to help incentivize plans to keep the price of healthcare reasonable.*”

Without ERISA preemption employers would be forced to comply with State and local mandates. It would be **nearly impossible for employers to navigate this patchwork of regulation**, and it would be **incredibly costly** for American companies seeking to offer benefits to their employees.

Why ERISA Preemption Works

There are two basic components to ERISA: employer autonomy and national uniformity. Without **both** components ERISA would fail to offer the proper incentives for employers to offer benefits.

Employer autonomy means that employers have the capacity to choose how, and if, they offer benefits to their employees. The **voluntary participation** of employers **allows benefit plans to be specifically tailored** to the needs of their employees.

National uniformity provides the incentive for large employers to create effective benefit plans for their employees regardless of where they live, where they are employed, or where their medical providers are located.

Is ERISA Preemption Still Beneficial Today

Leading experts on ERISA and ERISA preemption point out **changes in the nature of the American economy since ERISA was passed in 1974**: healthcare prices have risen dramatically, there are many more nationwide employers than there were in the 70's, and there has been an incredible increase in international competition. **However, these changes highlight the continued need for ERISA to help American employers remain globally competitive.**

Today, there are approximately **160 million Americans** who are insured through the **voluntary** benefit plans of employers, roughly 70 million of are covered by employer sponsored self insured plans. **Employer provided coverage is the primary source of healthcare and retirement security for Americans** - highlighting the success of ERISA.

This coverage is dependant on a voluntary and nationally uniform system without which the coverage of 160 million Americans would be in jeopardy.