Advocate Health Care Network v. Stapleton, No. 16-74

ERISA regulates retirement and welfare benefit plans sponsored by most—but not all—employers. Today, the Supreme Court held unanimously that ERISA's "church plan" exemption shields religiously affiliated organizations (like hospitals) from the statute's requirements, and not just the churches themselves. The statute defines a "church plan" as "a plan established and maintained … for its employees … by a church," but Congress has also provided that "[a] plan established and maintained for its employees … by a church … includes a plan maintained by an organization … the principal purpose … of which is the administration or funding of [such] plan … for the employees of a church …, if such organization is controlled by or associated with a church." In an opinion by Justice Kagan joined by all participating Justices (with Justice Gorusch absent), the Court construed the proviso to mean that any principal-purpose organization affiliated with a church qualifies for the church-plan exemption, regardless of whether the plan at issue was actually established by a church in the colloquial sense.

This widely anticipated decision has substantial implications for the healthcare industry, where religiously affiliated hospitals, following longstanding IRS advice, have treated their plans as exempt from ERISA—which means that they have deviated from ERISA's system for prefunding pension obligations. The hospitals at issue in the case decided today would have faced a $4 billion shortfall in funding the pensions of 300,000 workers if the Court had ruled differently.