MISSOURI SUPREME COURT HOLDS FEDERAL ACT DOES NOT PREEMPT MISSOURI LAW BARRING SUBROGATION OF PERSONAL INJURY CLAIMS

Nevils v. Group Health Plan, Inc.,
--- S.W.3d ---, 2014 WL 440015 (Mo. banc February 4, 2014)

In essence overruling a previous opinion from the courts of appeal, the Missouri Supreme Court has held that the Federal Employee Health Benefits Act ("FEHBA") does not preempt Missouri law prohibiting the subrogation of personal injury claims.

Plaintiff Nevils, a federal employee with medical insurance offered through a federal employee health benefit plan carried by GHP, was injured in an automobile accident. GHP paid his resulting medical expenses and asserted a reimbursement lien to any recovery Nevils received from the tortfeasor responsible for the accident. Nevils settled with the tortfeasor and satisfied GHP's lien.

Nevils then filed a class action against GHP in the Circuit Court for St. Louis County on behalf of himself and others similarly situated based on the premise that Missouri law does not permit the subrogation of tort claims. GHP filed a motion for summary judgment asserting that it was entitled to reimbursement of medical expenses paid to Nevils because, under Missouri precedent from the Court of Appeals for the Eastern District, FEHBA and its reimbursement/subrogation provisions preempt Missouri's anti-subrogation law. The trial court agreed and entered summary judgement in favor of GHP. Nevils appealed.

The Missouri Supreme Court reversed and remanded. As a general proposition, insurance policies with reimbursement or subrogation clauses are invalid under Missouri law. Missouri law generally prohibits subrogation in personal injury cases by barring insurers from obtaining reimbursement from the proceeds an insured obtains following a judgment against a tortfeasor. However, FEHBA contains a preemption clause providing that the terms of any contract thereunder "which relate to the nature, provision, or extent of coverage or benefits (including with respect to benefits) shall supersede and preempt any State or local law, or any regulation issued thereunder, which relates to health insurance or plans." Thus, according to the Supreme Court, resolution of the issue before it required the Court to determine whether GHP's asserted right to reimbursement "relate[s] to the nature, provision or extent of coverage or benefits." If yes, then FEHBA preempts Missouri's anti-subrogation law. If no, then FEHBA, by its own terms, does not preempt Missouri's anti-subrogation law.

After analyzing the meaning of the words "relate," "coverage," and "benefits," the Supreme Court ultimately answered the question in the negative, holding FEHBA's subrogation provision in favor of GHP creates only a contingent right to reimbursement and bears no immediate relationship to the nature, provision or extent of insurance coverage and benefits. Thus, contrary to the Eastern District's previous holding, the Missouri Supreme Court held FEHBA does not preempt Missouri law barring subrogation of personal injury claims. The court reversed the judgment in favor of GHP and remanded the case back to the trial court for further proceedings consistent with its opinion.

A concurring opinion from Justice Wilson offered a separate reason why a FEHBA plan's reimbursement rights do no preempt state law. According to the concurring opinion, the FEHBA preemption language is not a valid application of the supremacy clause of the United States Constitution and, as a result, has no effect. He argues the supremacy clause assigns primacy to federal law but not to the terms of a contract between the federal government and a private insurer. It is the terms of the health insurance contract itself that provide for reimbursement and not any part of the FEHBA statutes directly. This, according to Justice Wilson, is beyond the preemptive effect that is authorized by the supremacy clause.

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