

U.S. SUPREME COURT REJECTS PRIVATE CAUSES OF ACTION CHALLENGING MEDICAID REIMBURSEMENT LEVELS

On Tuesday, March 31, the Supreme Court of the United States issued an opinion denying individual Medicaid providers the ability to sue state officials in court for failing to reimburse them appropriately under §1396a(30)(A) of the Medicaid Act. In a 5-4 decision, the Court rejected the providers' argument that the Act or the Constitution provided a right for private individuals to enforce the Medicaid Act's reimbursement requirements.

BACKGROUND

The providers from Idaho felt that the state was failing to meet the Medicaid Act's standard for reimbursement found in Section 30(A). That standard requires a state to "ensure that payments are consistent with efficiency, economy, and quality of care."

In an effort to force Idaho to increase its reimbursement to Medicaid providers, the plaintiffs sued and sought injunctive relief - a court order that Idaho increase its reimbursement rates. They won that suit in the trial court and on appeal to the Ninth Circuit. In addition to holding the rates were lower than required, the Ninth Circuit found that the Supremacy Clause of the United States Constitution provided the plaintiffs the right to bring their case before the court.

On appeal to the Supreme Court, Idaho challenged the providers' right to bring a private cause of action seeking an increase in Medicaid rates under the Medicaid Act and the Constitution. The Court reversed the District Court and the Ninth Circuit and held that no such right to private enforcement of the Medicaid Act exists.

THE DECISION

A. Supremacy Clause

The Supremacy Clause is an article of the Constitution that instructs courts to resolve conflicts between federal law and state law by enforcing federal law. The providers argued that this statute permitted them to file an action seeking an injunction against the State of Idaho since its state regulations setting reimbursement rates conflicted with the federal Medicaid Act's standard for setting those rates. The majority disagreed finding that the Supremacy Clause is not a "source of any federal rights . . . and certainly does not create a cause of action." Rather, the Article is an instruction to courts on what to do when laws conflict. Therefore, in order to have the legal ability to bring their case, the providers must demonstrate that the Medicaid Act permits private enforcement. This was a hurdle the Court found they could not clear.

B. Private Enforcement

Turning to the Medicaid Act itself, the Court found there exists no private enforcement right: "in [the Court's] view, the Medicaid Act implicitly precludes private enforcement of Section 30(A)." Rather, the only avenue for recourse created by Congress was for the providers to seek relief from the Department of Health and Human Services ("HHS").

The Court found this implicit bar to private enforcement for two reasons. First, the sole remedy provided within the Medicaid Act for states that fail to satisfy Section 30(A)'s reimbursement requirement is for the Secretary of HHS to withhold Medicaid matching funds. Quite simply, had Congress intended for individual providers to have the ability to enforce this requirement, it would have written it into the law. But it did not, and it only allowed the Secretary to enforce the Section.

Second, the Court used remarkable language in describing Section 30(A)'s reimbursement requirement. Rather than setting a manageable formula for reimbursement or expressly setting rates, the Court noted that Section 30(A)'s requirement was "judicially unadministrable" and that it would be "difficult to imagine a requirement broader and less specific" than this "judgment-laden standard."

Synthesizing these two points, the Court concluded that Congress left it to HHS and its institutional expertise to determine appropriate levels of Medicaid reimbursement and refused to throw courts and jurists into the rabbit hole of Section 30(A)'s mandate.

PRACTICAL TAKEAWAY

The Court's decision does not foreclose providers from raising concerns regarding Medicaid reimbursement, but directs them away from the Courts and to HHS. Agency administrative remedies, including those that flow from notice and comment rulemaking and the filing of Medicaid claims for payment, should be pursued as the first line of defense for individual provider reimbursement issues.

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