Escobar in Action: Physician-owners' fraud claims against hospital defeated in Fifth Circuit appeal for lack of materiality

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Following the passage of the Affordable Care Act ("ACA"), which placed new limits on physician-owned hospitals, St. Luke's Health System ("System") took action to change one of its hospital's ownership structures through a buy-out of the physicians' partnership interests pursuant to the Texas Securities Act ("TSA"). The TSA allows rescission for the original price paid for a security, plus interest, in exchange for a release of potential liability under TSA. Three of the physician-owners, who resisted the System's attempt to rescind their ownership interests, sued the System and other defendants in connection with the buy-out alleging state-law violations and violations of the Anti-Kickback Statute, and by extension, the False Claims Act.

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