

Massachusetts Follows Several Other States in Settling with Medicaid Managed Care Giant

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by Leyla Bari

On September 29, 2022, Massachusetts Attorney General Maura Healey announced that Medicaid managed care and pharmacy benefits giant Centene Corporation agreed to pay \$14 million to resolve claims that it overcharged MassHealth, the Massachusetts Medicaid program. This latest settlement comes shortly after Centene struck similar deals in other states, including a \$33 million deal to end a False Claims Act (“FCA”) suit in Washington.

Centene first came under the Massachusetts Attorney General’s scrutiny as a result of a series of investigations and settlements between Centene and several state officials across the country. For example, the Massachusetts Attorney General’s allegations mirrored those made in the Washington, which sued Centene in July for violations of the Washington Medicaid False Claims Act. In that suit, a whistleblower alleged that a Centene subsidiary was hiding the real cost of pharmacy benefits and services, was not passing on discounts it received, and generally inflated fees. These similar settlements led the Massachusetts Attorney General’s office to review Centene’s operations in Massachusetts, including its pharmacy benefits manager affiliate, Envolve Pharmacy Solutions Inc. The review discovered alleged irregularities with the Centene subsidiary’s pricing and reporting of benefits and services to MassHealth.

The Massachusetts Attorney General’s office alleged that, similar to the Washington case, “Envolve and Centene failed to disclose or pass on some retail discount fees to MassHealth, which inflated fees and drug costs reported to the Commonwealth.”

Massachusetts, like many other states, has its own state False Claims Act, which mimics the Federal False Claims Act in establishing investigation and enforcement mechanisms to recover funds in response to alleged fraud committed against the state.^[1] Under both the Massachusetts False Claims Act, Mass. Ann. Laws ch. 12, § 5B, and the Federal FCA, 31 U.S.C. §§ 3729-3733, parties may seek treble damages in the event their claims make it to trial and are successful, which often drives settlement in similar cases.

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This case highlights how repeated FCA concerns can increase a company's risk exposure given that Centene first agreed to pay Ohio Medicaid \$88.3 million, Mississippi \$55 million, then Washington \$33 million, among others. While the interplay between medical billing and administering Medicaid can be complex, a company's risk exposure is particularly high if repeated issues arise.

[1] See *generally* Cal.Gov.Code § 12650; C.R.S. § 25.5-4-300.4; C.G.S. § 4-274; 6 Del.C. § 1201; Ga. Code, § 23-3-120; HRS § 661-21; 740 ILCS 175/1; IC 5-11-5.5-1; I.C. § 685.1; M.G.L. 12 § 5; Minn. Stat. § 15C.01; Mont. Code 17-8-401; N.R.S. 357.010; N.Y. State Finance Law § 187; N.C.G.S. § 1-605; 63 Ok. Stat. § 5053; R.I. Gen. Laws § 9-1.1-1; Tn. Code § 4-18-101; Tex. Hum. Res. Code § 36.001; 32 Vt. Stat. § 630; VA Code § 8.01-216.1; Wash. Code 74.66.005.