

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF ARIZONA

Arizona Integrated Telepsychiatry and Telemedicine Services LLC, et al. v. Arizona Health Care Cost Containment System, et al.

Arizona Integrated Telepsychiatry · No. CV-25-01525-PHX-JJT · Decided March 2, 2026

SUMMARY

The United States District Court for the District of Arizona ruled on AHCCCS’s motion to dismiss claims arising from the alleged withholding of telemedicine payments and retaliation for reporting suspected fraud. The court dismissed the False Claims Act qui tam claim because AHCCCS is not a “person” under the Act, granted leave to amend the FCA retaliation claim, and dismissed the separately pleaded injunctive-relief claim with prejudice. The court declined to dismiss the § 1983 due-process claims for failure to exhaust administrative remedies and denied Plaintiffs’ request to amend potential Monell allegations.

CASE DETAILS

COURT	United States District Court for the District of Arizona
JURISDICTION	United States District Court for the District of Arizona
DECIDED	March 2, 2026
DOCKET	CV-25-01525-PHX-JJT
DISPOSITION	other
PROCEDURAL POSTURE	Defendant AHCCCS moved under Federal Rule of Civil Procedure 12(b)(6) to dismiss all claims. The court granted the motion in part and denied it in part, dismissing Counts One, Two, and Five while allowing Counts Three and Four to proceed.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court tests the legal sufficiency of the claims. Well-pleaded factual allegations are accepted as true and construed in the light most favorable to the nonmoving party, but legal conclusions and formulaic recitations of the elements are not entitled to that assumption. The complaint must contain sufficient factual matter to state a facially plausible claim.
PRECEDENTIAL VALUE	unpublished district court order; nonprecedential
PARTIES	Arizona Integrated Telepsychiatry and Telemedicine Services LLC, John Kamau v. Arizona Health Care Cost Containment System

TOPICS

motions to dismiss

civil procedure

section 1983

exhaustion of remedies

injunctions

PRACTICE AREAS

civil procedure

health law

civil rights

administrative law

False Claims Act

QUESTIONS PRESENTED

1. Whether AHCCCS, as a state agency, qualifies as a 'person' subject to a False Claims Act qui tam action.
2. Whether Plaintiffs adequately pleaded FCA retaliation when they did not allege that they were AHCCCS employees, contractors, or agents.
3. Whether Plaintiffs' 42 U.S.C. § 1983 procedural- and substantive-due-process claims must be dismissed for failure to exhaust AHCCCS administrative remedies.
4. Whether injunctive relief may be pleaded as an independent cause of action.
5. Whether Plaintiffs could amend their pleading to add or enhance Monell allegations without complying with the local rule requiring submission of the proposed amended pleading.

HOLDINGS

1. AHCCCS, as a state agency, is not a 'person' within the scope of the False Claims Act. Plaintiffs' qui tam claim therefore fails as a matter of law and was dismissed without leave to amend.
2. Plaintiffs failed to state an FCA-retaliation claim because they did not allege that they were employees, contractors, or agents of AHCCCS, or plead facts supporting such an inference. Plaintiffs were granted leave to amend Count Two.
3. Failure to exhaust state administrative remedies is not a basis for dismissing Plaintiffs' § 1983 claims at this stage.
4. Injunctive relief is a remedy rather than an independent cause of action, so Plaintiffs' separately pleaded injunctive-relief claim was dismissed with prejudice.
5. Plaintiffs' request for leave to amend to enhance potential Monell claims was denied because Plaintiffs did not attach the proposed amended pleading as required by Local Rule 15.1(a).

KEY QUOTATIONS

“A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” (at 2)

“Administrative exhaustion may be a prerequisite for some federal claims, but it is not for § 1983 claims.” (at 4)

“Injunctive relief is a remedy, not an independent cause of action” (at 5)

FACTUAL BACKGROUND

Plaintiffs provide psychiatric telemedicine services in Mesa, Arizona. John Kamau reported suspected healthcare billing fraud to the FBI and AHCCCS, later attended a meeting at AHCCCS headquarters where he was detained and questioned, and experienced a raid of Plaintiffs' facility; Plaintiffs were ultimately cleared of suspected involvement. Beginning in September 2023, AHCCCS allegedly stopped paying AZITTS's valid claims, which Plaintiffs attributed to retaliation for Kamau's whistleblowing. Plaintiffs asserted FCA, due-process, and injunctive-relief claims.

PROCEDURAL HISTORY

Plaintiffs filed claims under the False Claims Act, 42 U.S.C. § 1983, and for injunctive relief based on AHCCCS's alleged withholding of payment and retaliation. AHCCCS moved to dismiss. The court dismissed the qui tam claim as legally barred, dismissed the separately pleaded injunctive-relief claim, dismissed the FCA-retaliation claim with leave to amend, and declined to dismiss the due-process claims for failure to exhaust administrative remedies.

DISPOSITION

other

CASES CITED

- Cousins v. Lockyer, 568 F.3d 1063, 1067 (9th Cir. 2009)
- Navarro v. Block, 250 F.3d 729, 732 (9th Cir. 2001)
- Balistreri v. Pacifica Police Department, 901 F.2d 696, 699 (9th Cir. 1990)
- Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 555-56, 570 (2007)
- Ashcroft v. Iqbal, 556 U.S. 662, 678-80 (2009)
- United States ex rel. Green v. Northrop Corp., 59 F.3d 953, 963 (9th Cir. 1995)
- American Bankers Management Co. v. Heryford, 885 F.3d 629, 634 (9th Cir. 2018)
- Stoner v. Santa Clara County Office of Education, 502 F.3d 1116, 1120 (9th Cir. 2007)
- Lopez v. Smith, 203 F.3d 1122, 1130 (9th Cir. 2000)
- Knick v. Township of Scott, 588 U.S. 180, 185 (2019)
- Patsy v. Board of Regents, 457 U.S. 496, 500 (1982)
- Williams v. Reed, 604 U.S. 168, 174 (2025)
- Michigan Association of Homes & Services for the Aging v. Shalala, 127 F.3d 496 (6th Cir. 1997)
- Bowen v. Michigan Academy of Family Physicians, 476 U.S. 667 (1986)
- Samaritan Health System v. Arizona Health Care Cost Containment System Administration, 11 P.3d 1072 (Ariz. App. 2000)
- FTC v. Standard Oil Co., 449 U.S. 232 (1980)
- Phoenix Children's Hospital v. Arizona Health Care Cost Containment System Administration, 987 P.2d 763 (Ariz. App. 1999)
- Long v. JP Morgan Chase Bank, 848 F. Supp. 2d 1166, 1180 (D. Haw. 2012)

- Jensen v. Quality Loan Service Corp., 702 F. Supp. 2d 1183, 1201 (E.D. Cal. 2010)
- Omar v. Sea-Land Service, Inc., 813 F.2d 986, 991 (9th Cir. 1987)
- United States ex rel. Guzman v. Insys Therapeutic, Inc., No. 213CV05861JLSAJWX, 2021 WL 4306020, at *3 (C.D. Cal. May 19, 2021)
- People v. Carramusa, No. D073484, 2019 WL 1034229 (Cal. App. Mar. 5, 2019)

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