MASSACHUSETTS SUPREME JUDICIAL COURT

Atlanticare Medical Center v. Commissioner of the Division of Medical Assistance

439 Mass. 1 (2003) · Decided March 20, 2003

SUMMARY

The Massachusetts Supreme Judicial Court considered whether the Massachusetts Division of Medical Assistance had authority to require hospitals to return Medicaid payments when a liable third-party insurer was identified after payment. The court held that 42 U.S.C. § 1396a(a)(25)(B) requires the State or local agency to seek reimbursement directly from the liable third party, rather than requiring compliant providers to repay the Medicaid program and rebill the third party. The court affirmed the judgment annulling the administrative decisions and declaring the reimbursement regulation unlawful to that extent.

CASE DETAILS

COURT	Massachusetts Supreme Judicial Court
WRITING FOR THE COURT	Marshall, C.J.
JURISDICTION	Massachusetts
DECIDED	March 20, 2003
DISPOSITION	affirmed
PROCEDURAL POSTURE	The Commissioner appealed from a Superior Court judgment annulling administrative recovery orders and declaring the Division's reimbursement regulation unlawful as inconsistent with 42 U.S.C. § 1396a(a)(25)(B). The Supreme Judicial Court transferred the case from the Appeals Court on its own motion.
STANDARD OF REVIEW	Review of administrative action is limited to whether the action was arbitrary, capricious, or contrary to law. Questions of statutory construction are reviewed de novo. An agency's incorrect interpretation of a statute is not entitled to deference.
PRECEDENTIAL VALUE	Published precedential opinion of the Massachusetts Supreme Judicial Court
PARTIES	Commissioner of the Division of Medical Assistance v. Atlanticare Medical Center and five other hospitals

TOPICS

medicare medicaid | health law | administrative law | judicial review of agency action | statutory interpretation

PRACTICE AREAS

health law | administrative law | Medicaid reimbursement | statutory interpretation

QUESTIONS PRESENTED

1. Whether 42 U.S.C. § 1396a(a)(25)(B) authorizes or requires a State Medicaid agency to recover Medicaid payments from healthcare providers rather than seek reimbursement directly from liable third parties.
2. Whether the Division of Medical Assistance had authority to enforce 130 Code Mass. Regs. § 450.316(E) against providers that had complied with the Division's due diligence regulation and properly received Medicaid payments.
3. Whether the possibility that the Division might be unable to recover from Medicare justified interpreting the federal statute to permit provider recoupment.

HOLDINGS

1. Section 1396a(a)(25)(B) requires the State or local Medicaid agency to seek reimbursement from a liable third party when cost effective; it does not authorize the agency to shift that recovery obligation to a healthcare provider that properly received Medicaid payment.
2. The Division lacked authority to enforce 130 Code Mass. Regs. § 450.316(E) to require hospitals that complied with the due diligence regulation to return properly received Medicaid payments and rebill liable third parties.
3. The possibility that the Division might have difficulty recovering from Medicare did not justify interpreting § 1396a(a)(25)(B) to permit recovery from the hospitals.

KEY QUOTATIONS

> *"The natural reading of the text of § 1396a(a)(25)(B) is that the State or local agency must seek reimbursement from a liable third party, provided it is cost effective to do so."* (439 Mass. at 6)

> *"These regulations plainly convey that the agency should seek reimbursement directly from the liable third party."* (439 Mass. at 9)

> *"Accordingly, the Superior Court judge correctly concluded that the hospitals had satisfied the elements required to obtain a declaratory judgment"* (439 Mass. at 15)

FACTUAL BACKGROUND

The hospitals provided medical services to Medicaid-eligible individuals and made diligent efforts to identify liable third-party insurers before seeking Medicaid payment. After the Division paid the hospitals, it later identified Medicare or private insurers as potentially liable third parties and ordered the hospitals to return the

Medicaid payments and rebill those third parties. In the Medicare cases, the patients became retroactively eligible for Medicare after the services were provided, making identification of Medicare liability impossible through the hospitals' prior diligent efforts.

PROCEDURAL HISTORY

Six hospitals sought judicial review under G. L. c. 30A, § 14, and declaratory relief concerning administrative orders requiring them to return Medicaid payments after the Division identified liable third-party insurers. On cross motions for judgment on the pleadings, the Superior Court annulled the administrative decisions and declared 130 Code Mass. Regs. § 450.316(E) unlawful to the extent it required the hospitals to repay the Division and rebill third parties. The Supreme Judicial Court affirmed.

DISPOSITION

affirmed

CASES CITED

- Haley v. Commissioner of Pub. Welfare, 394 Mass. 466, 467, 472, 474 (1985)
- Thomas v. Commissioner of the Div. of Med. Assistance, 425 Mass. 738, 746, 748 (1997)
- Tarin v. Commissioner of the Div. of Med. Assistance, 424 Mass. 743, 750 (1997)
- Massachusetts Hosp. Ass'n v. Department of Pub. Welfare, 419 Mass. 644, 652 (1995)
- Massachusetts Hosp. Ass'n v. Department of Med. Sec., 412 Mass. 340, 342, 345-346 (1992)
- Kszepka's Case, 408 Mass. 843, 847 (1990)
- Raytheon Co. v. Director of the Div. of Employment Sec., 364 Mass. 593, 595 (1974)
- Wesley Health Care Ctr., Inc. v. DeBuono, 244 F.3d 280, 281-282 (2d Cir. 2001)
- Cohen v. Commissioner of the Div. of Med. Assistance, 423 Mass. 399 (1996)
- New York State Dep't of Social Servs. v. Bowen, 846 F.2d 129, 132-134 (2d Cir. 1988)
- Michigan Dep't of Social Servs. v. Shalala, 859 F. Supp. 1113, 1118 (W.D. Mich. 1994)
- Briggs v. Commonwealth, 429 Mass. 241, 256 (1999)
- Massachusetts Mun. Wholesale Elec. Co. v. Energy Facilities Siting Counsel, 411 Mass. 183, 194 (1991)
- Cruz v. Commissioner of Pub. Welfare, 395 Mass. 107, 112 (1985)
- Villages Dev. Co. v. Secretary of the Executive Office of Envtl. Affairs, 410 Mass. 100, 106 (1991)

INSTRUCTIONS FOR AN AI ASSISTANT