

Health Headlines

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California Medicaid Payment Case Remanded to Ninth Circuit

On February 22, 2012, the Supreme Court issued its decision in *Douglas v. Independent Living Center of Southern California, Inc., et al.*, 565 U.S. ____ (2012), vacating the Ninth Circuit's opinion and remanding the case for further argument. The case originated as multiple challenges by California Medicaid providers and beneficiaries to Medicaid payment cuts passed by the state legislature in 2008 and 2009. The challengers claimed that those California statutes should be void under the Constitution's Supremacy Clause, because they violated a provision of federal Medicaid statutes (42 U.S.C. § 1396(a)(30)(A)) which requires a state's Medicaid state plan to provide payments that "are consistent with efficiency, economy, and quality of care and are sufficient to enlist enough providers" to supply adequate Medicaid services. [BREAK]The Ninth Circuit agreed with the plaintiffs and issued preliminary injunctions against implementation of the payment cuts.

The Court's opinion noted that parallel to the judicial process, California's state plan amendments intended to implement the payment cuts had been reviewed by CMS, which had originally disapproved the amendment. The State of California appealed this decision, and, following oral argument at the Supreme Court, CMS reversed its decision and approved certain of the state plan amendments as well as their retroactive implementation.

The Supreme Court's majority opinion acknowledged that CMS's decision would not render the case moot, but that the posture had changed sufficiently that a remand was warranted. The Court also noted that the Medicaid providers and beneficiaries could be required to seek a final adjudication of CMS's action under the Administrative Procedure Act, in lieu of a constitutional challenge under the Supremacy Clause.

Chief Justice John Roberts, along with Justices Scalia, Thomas, and Alito filed a dissent, arguing that the Ninth Circuit's decisions should have been reversed, since the challenged provision of the federal Medicaid statutes did not provide a private right of action, but committed enforcement to CMS, which had decided in favor of the payment cuts. In addition, the dissents noted that the Supremacy Clause could not create such a right of action, since under the Court's jurisprudence, it is not the source of any federal rights.

The Court's opinion is available [here](#).

Reporter, *Adam Laughton*, Houston, +1 713 276 7400, alaughton@kslaw.com.

Health Headlines – Editor:

Dennis M. Barry
dbarry@kslaw.com
+1 202 626 2959

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