

Hospital's Reasonable Interpretation of Ambiguous Law Supports Dismissal of Relator's Case

Article By:

Tony Maida

In a decision issued August 8th, the Eighth Circuit affirmed the dismissal of a whistleblower's False Claims Act (FCA) suit alleging the University of Minnesota Medical Center-Fairview (UMMC) wrongly claimed a "children's hospital" exemption to Medicaid cuts based on a reasonable interpretation of an unclear state law.

In 2011, Minnesota passed an amendment that cut Medicaid reimbursement levels for inpatient services by 10 percent, but exempted "children's hospitals." The law did not define the term "children's hospital," instead the statute exempted "children's hospitals whose inpatients are predominantly under 18 years of age" from the rate cut. UMMC believed that the University of Minnesota Children's Hospital should qualify for this exemption and contacted the Minnesota Department of Human Services (MDHS) to obtain confirmation. In 2012, MDHS issued the exemption and a retroactive refund.

The relator, an MDHS official who claimed to be the drafter of the exemption language, complained within MDHS that UMMC's children's hospital did not qualify based on the intended meaning of the term "children's hospital." After further review prompted by the relator, MDHS reversed its position, finding a "lack of clarity in the statutory definition of what constitutes a children's hospital" but that the UMMC exemption was not "consistent with the law or how other similarly situated children's facilities are treated" and sought return of the retroactive refund. The Minnesota Legislature later amended the law in May 2014 to retroactively exempt all UMMC Medicaid patients aged under 18 from the rate reduction.

The relator's suit, filed in September 2013, alleged that UMMC knew that University of Minnesota Children's Hospital (which is a unit inside a larger hospital) did not legally qualify as a "children's hospital" under the state law. The relator attempted to characterize UMMC's efforts to obtain an exemption as making false claims or false statements to MDHS as well as support for a "reverse false claims" theory because, according to relator's logic, UMMC had an obligation to refund the money received after obtaining the exemption because UMMC knew it was not entitled to the exemption in the first place.

The district court and the Eighth Circuit disagreed with the relator. Both courts found that the state

law was unclear and “in the absence of a statutory definition of ‘children’s hospital,’ it was reasonable for UMMC to inquire about the proper classification of its children’s unit ... A reasonable interpretation of ambiguous statutory language does not give rise to a FCA claim.” The relator relied heavily on his role as drafter of the relevant amendment and the legislature’s historical treatment of children’s hospitals in making his arguments. The court found “this reliance cripples his argument. Legislative history is properly consulted only in light of a textual ambiguity.”

Whether a reasonable interpretation of an ambiguous law can state a claim under the FCA has been the subject of several recent decisions in favor of defendants, many of which we have covered on this blog, such as: [Eight Circuit Affirms Summary Judgment Grant Based on Reasonable Interpretation of Ambiguous Regulation](#) and [Court Holds Defendant’s Interpretation of Ambiguous Regulation Need Not Be ‘Most Reasonable’ Interpretation](#)

An unusual aspect of UMMC’s litigation battle with the relator was the initial approval of UMMC’s interpretation by the state, as well as what effectively was a subsequent ratification of that position by the state legislature. In any event, this latest decision confirms that we can anticipate more judicial skepticism of FCA claims involving conflicting, but reasonable, interpretations of ambiguous laws. This growing line of cases is important where the Supreme Court has now recognized implied certification as a theory of liability, pursuant to which FCA claims are based on alleged violations of underlying regulations, statutes or contract provisions. Purported violations of ambiguous laws will not support such implied certification claims.

© 2025 McDermott Will & Emery

National Law Review, Volume VI, Number 230

Source URL: <https://natlawreview.com/article/hospital-s-reasonable-interpretation-ambiguous-law-supports-dismissal-relator-s-case>