

Health Law & Business

Illinois Long-Term Care Providers' Medicaid Pay Suit Revived

By Mary Anne Pazanowski

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- Providers had property interest in receiving Medicaid payment
 - Department failed to notify them of deficiencies after audit
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Three Illinois long-term care providers are getting a chance to get back Medicaid money after the Seventh Circuit found Monday that they should have been given a chance to argue against retroactive reductions in their payment rates.

Rock River Health Care LLC, International Nursing & Rehab Center LLC, and Island City Rehabilitation Center LLC had legitimate property interests in their Medicaid reimbursement rates that entitled them to due process protections that the Illinois Department of Healthcare and Family Services failed to provide, the U.S. Court of Appeals for the Seventh Circuit said.

The department administers the state's Medicaid program and pays providers per diem reimbursements for care provided to Medicaid beneficiaries. Reimbursement rates are based on the type and amount of services provided to each beneficiary and are calculated based on support costs, nursing costs, and capital costs.

Following an audit, the department recalculated the providers' reimbursement rates for the first three months of 2016 by retroactively decreasing the nursing components by 87%, 57%, and 20%, the providers said. The adjustment violated their due process rights because the department didn't give them notice of evidence it independently collected or an opportunity to present other data, they said.

A federal trial court dismissed the suit after finding the providers had no property interest in their reimbursement rates.

But, contrary to the department's argument, the providers weren't seeking whatever rate they thought was appropriate, the Seventh Circuit said in an opinion by Judge Ilana D. Rovner. Rather, they claimed a right to be reimbursed at the legally established rate.

The court used an employment analogy to explain that the providers are entitled to due process in this instance. An employee who can be fired only for cause has a property interest in her employment, it said. An audit may produce cause for firing, but doesn't negate her property interest in her employment or her right to dispute that cause for firing her exists, it said.

Similarly, the providers have a right under Medicaid law to be repaid at certain rates. If the information establishing the rate can't be confirmed, they may not be entitled to repayments calculated based on those rates, but they still have a right to payment that's protected by due process, the court said.

The providers sufficiently alleged the department deprived them of due process when it failed to tell them about inadequacies or deficiencies in the claims they submitted or its opinion regarding the sufficiency of that information, the court said.

The court reversed the district court's dismissal of the providers' suit and sent it back to the trial court for further proceedings.

Judges Frank H. Easterbrook and Daniel A. Manion joined.

Sb2 Inc. represent the nursing homes. The Illinois Attorney General's Office represents the department.

The case is Rock River Health Care, LLC v. Eagleson, 2021 BL 377599, 7th Cir., No. 19-2750, 10/4/21.

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Documents

Decision

Opinion

Docket

Seventh Circuit docket

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