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UNITED STATES DISTRICT COURT  
DISTRICT OF NEVADA

\* \* \*

UNITED STATES OF AMERICA, et al.,  
Plaintiffs,  
v.  
APS HEALTHCARE, INC., et al.,  
Defendants.

Case No. 2:11-cv-01454-MMD-GWF

ORDER

(Defendants' Motion to Dismiss Relator's  
Complaint – dkt. no. 18)

**I. SUMMARY**

Before the Court is Defendants' Motion to Dismiss Relator's Complaint. (Dkt. no. 18.) For the reasons stated below, the Motion is granted in part and denied in part.

**II. BACKGROUND**

On April 8, 2008, APS Healthcare, Inc. ("APS") contracted with the State of Nevada Department of Health and Human Services ("NDHHS"), Division of Health Care Financing and Policy ("DHCFP" or "Medicaid"), to provide certain care management and care coordination services to a specific population of Nevada Medicaid beneficiaries. The program aimed to improve the overall health status of aged, blind, and disabled ("ABD") recipients within the Medicaid Fee-for-Service system. The program was known as the Care Management, Care Coordination, and Behavioral Health Provider Recruitment Program (the "Program"), and was designed to decrease Medicaid's costs associated with treating severely or chronically ill patients by utilizing preventative care to reduce emergency room visits and inpatient hospitalizations.

1 Plaintiff Relator Cheryle Kerr (“Relator”) is a former APS employee. She was  
2 formerly employed as a Client Services Coordinator II in APS’ Las Vegas, Nevada office.  
3 She held the position from September 2, 2008, through December 28, 2009, when she  
4 resigned. Relator alleges that APS engaged in Medicaid fraud. Relator asserts that  
5 APS violated federal and state False Claims Act (“FCA”) by failing to carry out certain  
6 purported requirements under contract and billing DHCFP as if APS had fulfilled such  
7 contractual obligations. For example, Relator alleges that APS enrolled patients in the  
8 Program without their consent and billed Medicaid for these patients’ participation in the  
9 program, despite the fact that APS did not actually provide services under the Program.  
10 She further alleges that APS enrolled and billed Medicaid for “ghost patients” – that is,  
11 even when APS employees were unable to obtain a patient’s consent to participate in  
12 the Program, APS employees were instructed to enter a notation into the computer  
13 system that the contact had been “successful,” and that the patient had been enrolled  
14 “for mailings only.” Relator also contends that APS unilaterally disbanded the field-  
15 based model of healthcare provision required in its contract with the government.

16 Relator alleges that APS concealed its contractual breaches by (1) fabricating  
17 electronic and paper records and making false statements to Nevada Medicaid officials,  
18 and (2) pressuring Relator to lie to a Nevada Medicaid official reviewing APS’ field-based  
19 model.

20 Relator filed this action under seal pursuant to the federal FCA, 31 U.S.C. § 3729,  
21 *et seq.*, and the Nevada FCA, NRS § 354.040, *et seq.*, on September 9, 2011. (Dkt. no.  
22 1.) The United States and the State of Nevada declined to intervene. (Dkt. no. 9.) The  
23 Court ordered the Complaint unsealed on May 17, 2012.

### 24 **III. SUBMITTING FALSE CLAIMS**

#### 25 **A. Legal Standard**

26 On a 12(b)(6) motion, the court must determine “whether the complaint’s factual  
27 allegations, together with all reasonable inferences, state a plausible claim for relief.”  
28 *Cafasso, U.S. ex rel. v. Gen. Dynamics C4 Sys.*, 637 F.3d 1047, 1054 (9th Cir. 2011)

1 (citing *Ashcroft v. Iqbal*, 556 U.S. 662, 678-79 (2009)). “The heightened pleading  
2 standard of Rule 9(b) governs FCA claims.” *Cafasso*, 637 F.3d at 1054 (citing *Bly-*  
3 *Magee v. California*, 236 F.3d 1014, 1018 (9th Cir. 2001)). “Rule 9(b) [of the Federal  
4 Rules of Civil Procedure] provides that ‘[i]n alleging fraud or mistake, a party must state  
5 with particularity the circumstances constituting fraud or mistake.’” *Id.* (citing Fed. R. Civ.  
6 P. 9(b)). “To satisfy Rule 9(b), a pleading must identify ‘the who, what, when, where,  
7 and how of the misconduct charged,’ as well as ‘what is false or misleading about [the  
8 purportedly fraudulent] statement, and why it is false.’” *Id.* (citing *Ebeid ex rel. United*  
9 *States v. Lungwitz*, 616 F.3d 993, 998 (9th Cir. 2010)).

10 Further, “claims of fraud or mistake — including FCA claims — must, in addition to  
11 pleading with particularity, also plead plausible allegations [in accordance with *Iqbal*, 556  
12 U.S. at 678-79].” *Cafasso*, 637 F.3d at 1055. “That is, the pleading must state ‘enough  
13 fact[s] to raise a reasonable expectation that discovery will reveal evidence of [the  
14 misconduct alleged].” *Id.* (citing *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 556  
15 (2007) (brackets in *Cafasso*)).

## 16 **B. Analysis**

17 “The FCA was enacted during the Civil War with the purpose of forefending  
18 widespread fraud by government contractors who were submitting inflated invoices and  
19 shipping faulty goods to the government.” *Ebeid*, 616 F.3d at 995 (citing *United States*  
20 *ex rel. Hopper v. Anton*, 91 F.3d 1261, 1265-66 (9th Cir. 1996)). “To encourage insiders  
21 to disclose fraud and thereby bolster enforcement, the FCA contains a *qui tam* provision  
22 that permits private persons (known as ‘relators’) to bring civil actions on behalf of the  
23 United States and claim a portion of any award.” *Ebeid*, 616 F.3d at 995 (citing 31  
24 U.S.C. § 3730(b), (d) (2008) and *Anton*, 91 F.3d at 1266 n.7).

25 The FCA “attaches liability, not to underlying fraudulent activity, but to the claim  
26 for payment.” *Anton*, 91 F.3d at 1266 (citation and quotation marks omitted). “What  
27 constitutes the FCA offense is the knowing presentation of a claim that is either  
28 fraudulent or simply false.” *Id.*

1 “The archetypal *qui tam* FCA action is filed by an insider at a private company  
2 who discovers his employer has overcharged under a government contract.” *Anton*, 91  
3 F.3d at 1266 (citing *United States ex rel. Green v. Northrop Corp.*, 59 F.3d 953 (9th Cir.  
4 1995). “However, FCA actions have also been sustained under theories of supplying  
5 substandard products or services (*see, e.g., United States v. Aerodex*, 469 F.2d 1003  
6 (5th Cir. 1972)); false negotiation, including bid rigging and defective pricing (*see, e.g.,*  
7 *United States v. Ehrlich*, 643 F.2d 634 (9th Cir. [1981]). . . ; and false certification (*see,*  
8 *e.g., United States v. Hibbs*, 568 F.2d 347 (3d Cir. 1977)).” *Anton*, 91 F.3d at 1266.

9  
10 **1. Presenting False Claims—31 U.S.C. § 3729(a)(1) and NRS § 357.040(1)(a)<sup>1</sup>**

11 Section 3729(a)(1) prohibits knowingly presenting, or causing to be presented, a  
12 false or fraudulent claim for payment or approval to an officer or employee of the United  
13 States. A relator may establish falsity under a theory of factual falsity or legal falsity.  
14 Only factual falsity is at issue here. (See *dk. no. 28* at 13, n.2.) “In a run-of-the-mill  
15 ‘factually false’ case, proving falsehood is relatively straightforward: [a] relator must  
16 generally show that the government payee has submitted an incorrect description of  
17 goods or services provided or a request for reimbursement for goods or services never  
18 provided.” *U.S. ex rel. Conner v. Salina Reg’l Health Ctr., Inc.*, 543 F.3d 1211, 1217  
19 (10th Cir. 2008) (internal quotation marks and citation omitted).

20 **a. False Statements**

21 Defendants argue that the Complaint does not allege the *sine qua non* of a FCA  
22 claim – that APS’ billing statements to Medicaid contained false information. The Court  
23 agrees with Defendants regarding some of Relator’s allegations, but determines that  
24 other allegations do in fact claim that APS submitted false claims to the government.  
25 Therefore, Relator’s 31 U.S.C. § 3729(a)(1) and NRS § 357.040(1)(a) claims survive

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28 <sup>1</sup>The parties agree that the Nevada FCA is virtually identical to the federal FCA,  
and analyze the statutes jointly in their pleadings. The Court does the same.

1 Defendants' Motion, but these claims may only proceed on the theories articulated  
2 herein.

3 Several of Relator's allegations do not relate to false invoices. These allegations  
4 are either wholly unrelated to false claims submitted by APS to Medicaid, or involve an  
5 alleged breach of APS' contractual obligations with DHCFP rather than APS submitting  
6 false claims to the agency. *Cf. Cafasso*, 637 F.3d at 1057 ("breach of contract claims  
7 are not the same as fraudulent conduct claims . . . unsavory conduct is not, without  
8 more, actionable under the FCA."). These allegations are as follows:

- 9 • APS contracted to receive compensation for its mailing and referral  
10 services based upon the number of contacts made, up to a monthly limit of  
11 \$50,179.67. (Dkt. no. 2 at ¶ 8.) However, APS provided inadequate  
12 disease management and care coordination services to certain persons  
13 legitimately enrolled in the Program by only contacting clients by phone  
14 once a month, regardless of the patients' need. This resulted in incomplete  
15 or non-existent patient assessments (dkt. no. 2 at ¶ 27);
- 16 • APS failed to obtain verbal consent for certain patients enrolled in its field-  
17 based program, thus enrolling them against their will (*id.* at ¶ 13);
- 18 • Medicaid patients were not enrolled on-site and were not assisted with  
19 discharge planning as contractually required, but instead were  
20 automatically enrolled without their consent. APS achieved this enrollment  
21 from lists of inpatients which APS employees obtained from the Las Vegas  
22 hospitals they serviced (*id.* at ¶ 21);
- 23 • Relator witnessed instances of incomplete patient assessments resulting in  
24 inadequate care plans (*id.* at ¶ 28);
- 25 • APS was understaffed, which resulted in many cases sitting dormant for  
26 months and patients not receiving services (*id.* at ¶ 29);
- 27 • In order to manage APS' case backlog, APS management un-enrolled  
28 patients from disease management and care coordination services by  
altering patients' levels of acuity and decreasing their level of service to  
receive mailings only. This allegedly resulted in hundreds of severely ill  
patients receiving no or inadequate services (*id.* at ¶ 30);
- Patients received out-of-date or inadequate telephone referral information  
on the emergency contact line and other inadequate information regarding  
their healthcare needs from APS (*id.* at ¶ 32-36).

26 These allegations all fail to allege the submission of false invoices. They  
27 generally fall into one of two camps: (1) allegations concerning sub-par medical services;  
28 and (2) allegations that APS did not abide by its contractual obligations. The first set of

1 allegations – contained in paragraphs 13 and 32-36 – cannot state a viable FCA claim.  
2 Relator cannot proceed on her 31 U.S.C. § 3729(a)(1) or NRS § 357.040(1)(a) claims  
3 based on these allegations. The second set of allegations also do not serve as a basis  
4 for Relator’s federal or state FCA causes of action as currently pled. These allegations  
5 demonstrate that APS did not fulfill its contractual obligations, but do not plead a nexus  
6 between this failure and the submission of false claims. (See dkt. no. 2 at ¶¶ 21, 27-29,  
7 30).

8 However, several of Relator’s allegations do relate to potentially false claims  
9 submitted by APS to Medicaid:

- 10 • Relator was asked to reassign case loads of departing APS employees.  
11 Some of these cases had allegedly been inactive for months but Medicaid  
was billed as if services were provided (*id.* at ¶ 31);
- 12 • Many patients enrolled in the Program between July 2009 and December  
13 2009 were never provided with any services, but APS continued to bill  
14 Medicaid for months as if services had been provided to these patients on  
a monthly basis (*id.* at ¶¶ 13-15, 21-22).<sup>2</sup>
- 15 • Between at least September 2008 and fall 2009, APS had a policy of billing  
16 Medicaid for “ghost patients.” Patients for whom APS representatives  
17 could not contact were nonetheless entered into the Care Connection  
18 computer program as successfully contacted, and that these patients were  
enrolled in the Program “for mailings only.” APS billed Medicaid for these  
patients as if they had actually consented and been enrolled in the  
Program (*id.* at ¶¶ 23-25).

19 These allegations support the *sine qua non* of an FCA claim—that APS submitted  
20 false claims to Medicaid by billing Medicaid for services not provided.

21 **b. Rule 9(b)**

22 Although several of Relator’s allegations satisfactorily allege submission of a false  
23 claim, *see supra*, Defendants assert that Relator has not pled these claims with the  
24 particularity required by Fed. R. Civ. P. 9(b). Defendants argue that Relator fails to  
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26 <sup>2</sup>The allegations in paragraphs 3-15 and 21-22, when read together, support the  
27 contention in the last bullet-point. Read individually, not all of these paragraphs make an  
28 assertion regarding submission of billing statements. But taken together, they explain  
how APS billed DHCFP for services not provided.

1 present the “who, what, when, where, and how” to adequately place APS on notice of  
2 the specific fraudulent conduct for which they must defend. To this end, Defendants  
3 assert that Relator fails to identify with particularity a single, specific instance of a  
4 “service” that was billed to DHCFP which was not legally reimbursable.

5 Defendants concede that the Ninth Circuit does not require a relator to identify  
6 every specific false claim on a motion to dismiss. (Dkt. no. 29 at 7.) In fact, a relator is  
7 “not required to plead representative examples of false claims submitted to the  
8 Government to support every allegation, but he must plead with sufficient particularity to  
9 lead to a strong inference that false claims were actually submitted.” *U.S. ex rel. Frazier*  
10 *v. IASIS Healthcare Corp.*, 812 F. Supp. 2d 1008, 1012 (D. Ariz. 2011). However, a  
11 relator must provide “reliable indicia” that could “lead to a strong inference that the  
12 claims were actually submitted.” *Id.*

13 The allegations regarding the “ghost patients” are sufficiently particularized to  
14 survive Defendants’ Motion to Dismiss. Relator pleads the timeframe in which such  
15 enrollment occurred (September 2008 through fall 2009), names the APS supervisor  
16 involved in instructing APS employees on such registration (supervisor Brooke Greenlee,  
17 dkt. no. 2 at ¶ 24), and describes how the false claims were entered into the Care  
18 Connection computer program. *Accord ex rel. McCarthy*, 140 F. Supp. 2d at 1068.  
19 Defendants are incorrect that the Complaint lacks particularized facts concerning  
20 whether the billing statements contained false statements. Rather, the allegations  
21 regarding ghost patients specifically allege that APS billed Medicaid for telephone  
22 services provided to patients who never in fact received such services. This is a false  
23 claim. Moreover, although Relator does not describe *how* APS billed Medicaid for these  
24 ghost patients, she does allege that the practice violated APS’ contract with NDHHS,  
25 that APS discontinued the practice, and that APS was on an “action plan” with Medicaid  
26 because of such registrations. This constitutes “reliable indicia” that the false claims  
27 were submitted. *See ex rel. Frazier*, 812 F. Supp. 2d at 1012.

28 ///

1 Likewise, the allegations in paragraphs 13-15 and 21-22 (taken together, see  
2 *supra* note 2) regarding APS' submission of claims for services not rendered survive  
3 Defendants' Motion. Relator provides the approximate time frame that the false  
4 statements were submitted. She also describes the database in which the false  
5 statements were stored – in the Care Connection computer program (dkt. no. 2 at ¶ 22).  
6 Relator provides sufficient detail about what was contained in the false statements. That  
7 is, APS made it seem as if patients were enrolled in the on-site programs and had  
8 consented to being enrolled in the Program. But in reality, many of these patients were  
9 not provided with any services. APS billed Medicaid for months as if services had been  
10 provided to these patients. Relator also names Ms. Greenlee as the supervisor who  
11 instructed her to enroll patients once enrolled in the on-site Program into the telephone  
12 Program. (*Id.* at ¶ 15.) These allegations provide particularized facts sufficient to place  
13 Defendants on notice of Relator's allegation that between July and December 2009,  
14 APS fraudulently billed Medicaid for patients whom did not receive any services.

15 The allegations in paragraph 31 also support Relator's FCA claims. The  
16 allegations point to an incident in which Relator was asked to reassign the caseload of a  
17 departed colleague, Ms. Gulseth. Relator alleges that she was instructed to discontinue  
18 follow-up activity with Ms. Gulseth's clients, and to enroll these clients in the monthly  
19 mailing program. Relator also alleges that Ms. Greenlee instructed her to enter activity  
20 into the case logs of Ms. Gulseth's clients for the month of December to show that APS  
21 had in fact interacted with a patient, and would bill Medicaid as if it had such an  
22 interaction, even though no December interaction had occurred. These allegations  
23 demonstrate the "who, what, and when" necessary to put Defendants on notice  
24 regarding the specifics of their allegedly fraudulent conduct.

### 25 c. Materiality

26 Finally, Defendants argue that Relator fails to plead the element of materiality by  
27 failing to allege that DHCFP would not have paid APS had it known about any of the  
28 alleged contractual violations.



1           “The accepted definition of materiality for civil FCA claims, as for other federal  
2 statutes, equates materiality with ‘ha[ving] a natural tendency to influence, or [being]  
3 capable of influencing, the decision of the decisionmaking body to which it was  
4 addressed.’” *United States v. Southland Mgmt. Corp.*, 326 F.3d 669, 679 (5th Cir. 2003)  
5 (*en banc*) (citing *Kungys v. United States*, 485 U.S. 759, 770 (1988)) (brackets in  
6 *Southland*).

7           Regarding the “ghost patient” allegations, Defendants point to the fact that  
8 DHCFP placed APS on an “action plan” as evidence that the agency knew about APS’  
9 false claims but continued to compensate APS. They argue that Relator fails to allege  
10 that APS was not entitled to continue submitting invoices while negotiating with DHCFP  
11 regarding performance issues. Defendants are correct that Relator has not *proven*  
12 materiality, but she has certainly pled facts sufficient to demonstrate materiality. The  
13 evidence of the “action plan” infers that DHCFP understood that APS was submitting at  
14 least some false claims. But it is unclear from the Complaint whether or not DHCFP  
15 continued to compensate APS for the “ghost patients” once it realized false claims were  
16 submitted.<sup>3</sup> Therefore, it is plausible that the submission of claims for non-existent  
17 patients did affect the DHCFP’s decision to compensate APS.

18           The allegations in paragraphs 13-15 and 21-22, concerning APS’ fraudulent  
19 billing for patients not receiving services, also satisfy the materiality requirement. It is  
20 plausible that the government would not have compensated APS for Program services  
21 not provided had DHCFP known that APS was not in fact providing services. The  
22 allegations in paragraph 31 are material for this reason as well.

23           For the reasons stated above, Defendants’ Motion to Dismiss Relator’s 31 U.S.C.  
24 § 3729(a)(1) and NRS § 357.040(1)(a) claims is denied. These claims may proceed on

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26           <sup>3</sup>The case cited by Defendants, *Southland Mgmt.*, 326 F.3d at 679, is inapposite  
27 as that case involved the appellate court affirming a motion for summary judgment, and  
28 based much of its materiality discussion on evidence in the *Southland* record. Comparable evidence in this case is simply not available to the Court at the motion to dismiss stage.

1 Plaintiff's allegations that APS fraudulently (1) billed Medicaid for patients not signed up  
2 for the Program (*see* dkt. no. 2 at ¶¶ 23-25) and (2) billed Medicaid for services not  
3 provided (*see id.* at ¶¶ 13-15, 21-22, 31). The claims may not proceed on a theory that  
4 APS provided poor services to its patients. Nor may the claims proceed on a theory that  
5 APS merely failed to meet its contractual obligations.

6 **2. Knowingly Presenting a False or Fraudulent Record—31 U.S.C. §**  
7 **3729(a)(2) NRS § 357.040(1)(b)**

8 Subsection (a)(2) "imposes liability on any person who 'knowingly makes, uses, or  
9 causes to be made or used, a sales record or statement to get a false or fraudulent claim  
10 paid or approved by the Government.'" *Hopper v. Solvay Pharms., Inc.*, 588 F.3d 1318,  
11 1327 (11th Cir. 2009). A plaintiff must show that "(1) the defendant made a false record  
12 or statement for the purpose of getting a false claim paid or approved by the  
13 government; and (2) the defendant's false record or statement caused the government  
14 to actually pay a false claim, either to the defendant itself, or to a third party." *Id.* "The  
15 primary distinction between a claim under section 2 and a claim under section 1 is that  
16 section 2 requires an affirmative false statement. To provide any distinct meaning to  
17 section 1 it is clear that no such express false statement is required." *United States ex*  
18 *rel. Fallon v. Accudyne Corp.*, 921 F. Supp. 611, 627 (W.D. Wis. 1995).

19 Relator alleges that her supervisor asked her to misinform Mr. Whaley, a  
20 representative of the state Medicaid program, about the functioning of field-based  
21 enrollment programs in designated hospitals. The Court agrees with Defendants that the  
22 Complaint fails to connect the allegedly false statements made to Mr. Whaley to any  
23 submission of false claims. Relator has not alleged the existence of a false statement or  
24 record distinct from an underlying false claim made for the purpose of getting a false  
25 claim paid. The allegations concerning Mr. Whaley demonstrate that APS may have  
26 failed to comply with its contractual obligations, and attempted to misinform Mr. Whaley  
27 that it was in fact complying with its obligations. But, nowhere does the Complaint allege  
28 that these misrepresentations were made in order to get a false claim paid or approved

1 by the government. The Complaint must make such an allegation to satisfy the  
2 requirements of 31 U.S.C. § 3729(a)(2). This claim is therefore dismissed without  
3 prejudice.<sup>4</sup>

#### 4 **IV. RETALIATION—31 U.S.C. § 3730(H) AND NRS § 357.240(2)**<sup>5</sup>

##### 5 **A. Legal Standard**

6 The heightened pleading standard articulated in Fed. R. Civ. P. 9(b) is not  
7 applicable to Relator’s retaliation claims. Rather, the notice pleading requirements of  
8 Fed. R. Civ. P. 8(a) apply to these claims. *Mendiondo v. Centinela Hosp. Med. Ctr.*, 521  
9 F.3d 1097, 1102 (9th Cir. 2008).

10 “A claim has facial plausibility when the plaintiff pleads factual content that allows  
11 the court to draw the reasonable inference that the defendant is liable for the misconduct  
12 alleged.” *Iqbal*, 556 U.S. at 678 (citing *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 556  
13 (2007)).

14 When determining the sufficiency of a claim, “[w]e accept factual allegations in the  
15 complaint as true and construe the pleadings in the light most favorable to the non-  
16 moving party[; however, this tenet does not apply to] . . . legal conclusions . . . cast in the  
17 form of factual allegations.” *Fayer v. Vaughn*, 649 F.3d 1061, 1064 (9th Cir. 2011)  
18 (citation and internal quotation marks omitted). “Therefore, conclusory allegations of law  
19 and unwarranted inferences are insufficient to defeat a motion to dismiss.” *Id.* (citation  
20 and internal quotation marks omitted); *see also Iqbal*, 556 U.S. at 678 (quoting *Twombly*,  
21 550 U.S. at 555) (“A pleading that offers ‘labels and conclusions’ or ‘a formulaic  
22 recitation of the elements of a cause of action will not do.’”).

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24 <sup>4</sup>The only allegations appearing to give rise to a potential § 3729(a)(2) claim are  
25 those concerning APS’ interaction with Mr. Whaley. Save this allegation, Relator fails to  
26 allege the existence of specific false records or statements made for the purpose of  
influencing the government’s decision to pay a false claim. *See Hopper*, 588 F.3d at  
1327.

27 <sup>5</sup>The Nevada FCA retaliation statute is substantially similar to the federal statute,  
28 and the Court accordingly analyzes Relator’s claims under the two statutes jointly for the  
purposes of this Motion.

1           **B. Analysis**

2           “Congress added 31 U.S.C. § 3730(h) to the FCA in 1986 to protect  
3 ‘whistleblowers,’ those who come forward with evidence their employer is defrauding the  
4 government, from retaliation by their employer.” *Anton*, 91 F.3d at 1269. The statute  
5 contains three elements: “1) the employee must have been engaging in conduct  
6 protected under the Act; 2) the employer must have known that the employee was  
7 engaging in such conduct; and 3) the employer must have discriminated against the  
8 employee because of her protected conduct.” *Id.*

9           Regarding element 1, “the plaintiff must be investigating matters which are  
10 calculated, or reasonably could lead, to a viable FCA action.” *Anton*, 91 F.3d at 1269.  
11 Defendants argue that Relator merely took efforts to cause APS to comply with her  
12 understanding of APS’ Medicaid contract (dkt. no. 18 at 24), and that the Complaint fails  
13 to adequately plead a nexus between Relator’s investigation and an FCA violation. The  
14 Court disagrees. Though Relator has not proven that her investigation was directly  
15 related to potential fraud, the allegations taken together allege that Relator investigated  
16 matters which she reasonably believed could amount to a false claim or which could  
17 reasonably lead to a viable FCA action. *Accord LeVine v. Weis*, 90 Cal. App. 4th 201,  
18 209-10 (2001) (under the retaliation provision of the False Claims Act, “[p]laintiff . . .  
19 need only show that he had reasonably based suspicions of a false claim”). For  
20 example, she inquired about the legality of the “ghost patient” program, and raised  
21 concerns about the program to her supervisors. (Dkt. no. 2 at ¶ 24.) And while  
22 “[i]nvestigation into an employer’s noncompliance with state or federal regulations is  
23 insufficient to state a claim for retaliation under the FCA[.]” *Brazill v. California Northstate*  
24 *Coll. of Pharm., LLC*, No. 2:12-1218, 2012 WL 3204241, at \*5 (E.D. Cal. Aug. 2, 2012),  
25 the Complaint taken as a whole adequately alleges that Relator’s inquiries about the  
26 legality of the program were related to matters that could reasonably lead to a viable  
27 FCA action. She inquired about APS’ policy of billing non-existent “ghost patients,” (dkt.  
28 no. 2 at ¶ 24), and about its policy of not providing services to hundreds of patients (*id.* at

1 ¶ 31). (See also *id.* at ¶ 37: Relator spoke with her supervisors about APS’ “referral  
2 practices.”) She also alleges that she entered data into the Care Connection program  
3 about these services not rendered, and the Complaint when read as a whole makes it  
4 clear that this documentation may have formed the basis for APS’ fraudulent billing of  
5 DHCFP. (See *dk.* no. 2 at ¶ 22.)

6 Element 2 is also satisfied for the purposes of this Motion because Relator pleads  
7 that she spoke directly to APS employees and supervisors about her concerns regarding  
8 the Program. (See, *e.g.*, *dk.* no. 2 at ¶ 24.)

9 Defendants argue that Relator has failed to plead facts sufficient to satisfy  
10 element 3 – that APS discriminated against Relator because she engaged in protected  
11 conduct. “[A]n action may be cognizable as discrimination under the False Claims Act . .  
12 . if it is reasonably likely to deter employees from engaging in activity protected under  
13 either of these statutes.” *Moore v. Cal. Inst. of Tech. Jet Propulsion Lab.*, 275 F.3d 838,  
14 848 (9th Cir. 2002). The Complaint details how Relator experienced workplace taunts  
15 and was assigned retaliatory tasks after she raised concerns regarding APS’ failure to  
16 provide services to patients signed up for the Program (among other concerns). (*Dkt.*  
17 no. 2 at ¶ 37-39.) These allegations describe behavior on APS’ part which is reasonably  
18 likely to deter employees from raising concerns about a potential FCA violation. See  
19 *Moore*, 275 F.3d at 848.

20 For these reasons, Defendants’ Motion to Dismiss Relator’s retaliation causes of  
21 action fails.

## 22 **V. CONCLUSION**

23 For the foregoing reasons, Defendants’ Motion to Dismiss (*dk.* no. 18) is  
24 GRANTED IN PART and DENIED IN PART as follows:

- 25 • Defendants’ Motion is DENIED as it relates to Relator’s 31 U.S.C. §  
26 3729(a)(1) and NRS § 357.040(1)(a) causes of action. Relator may  
27 proceed on these causes of action only under the theories described  
28 *supra*;

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- Defendants' Motion is GRANTED as it relates to Relator's 31 U.S.C. § 3729(a)(2) NRS § 357.040(1)(b) claims. Those claims are DISMISSED WITHOUT PREJUDICE;
- Defendants' Motion is DENIED in all other respects.

DATED THIS 30<sup>th</sup> day of January, 2013.



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MIRANDA M. DU  
UNITED STATES DISTRICT JUDGE