IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

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| UNITEDHEALTHCARE OF PENNSYLVANIA, INC. d/b/a UNITEDHEALTHCARE COMMUNITY PLAN,<br><br>*Plaintiff*,<br><br>vs.<br><br>NORTHSTAR ANESTHESIA OF PENNSYLVANIA, LLC,<br><br>*Defendant*. | Case No. 2:25-cv-07187-MAK |

**REPLY MEMORANDUM IN SUPPORT OF DEFENDANT'S MOTION TO DISMISS**

Despite accusing NorthStar of fraudulent, systemic business practices and bemoaning alleged abuses involving other unidentified providers, United's Opposition confirms that this case involves a *single* ineligible IDR award of $7,075 that United never paid, arising from a billing oversight that has since been corrected. Rather than use the administrative and judicial mechanisms Congress and the Centers for Medicare & Medicaid Services (CMS) specifically created for eligibility disputes, United deployed a 41-page sledgehammer against an infirm, gnat of a claim, hoping this Court would don blinders and remake the entire IDR system.

## ARGUMENT

### I. United Has Not Adequately Pled Fraud Under Rule 9(b)

#### A. *United Admits It Never Relied on NorthStar's Attestation*

United *knew* the IDR attestation was false and said so immediately. (Opp'n at 10 ("United objected to eligibility at every stage of the IDR process . . . .").) That fact alone is fatal to its claim. United cannot simultaneously say it knew the attestation was false *and* that it was deceived into relying on it. *See Mirachi v. Marshall & Swift*, 2023 U.S. Dist. LEXIS 51935, at *6 (E.D. Pa. March 27, 2023) ("The recipient of a fraudulent misrepresentation is not justified in relying upon its truth if he knows that it is false or its falsity is obvious to him."); *Spinturf, Inc. v. Sw. Rec. Indus., Inc.*, 281 F. Supp. 2d 784, 785-86 (E.D. Pa. 2003).

Nor can United point to a third party's alleged reliance as a Hail Mary. *See Tulp v. Educ. Comm'n for Foreign Med. Graduates*, 376 F. Supp. 3d 531, 544 (E.D. Pa. 2019) ("Plaintiff cannot maintain a claim for fraud based on others' reliance."). In this regard, United does little to distinguish *Angino*, 2020 WL 1082591 (M.D. Pa. Mar. 4, 2020). All United can manage to say is that the plaintiff in *Angino* had the opportunity to contest the false statements in court. But contrary to United's conclusory statement that it "had no such opportunity," United *could* have substantiated its objection to eligibility before the IDRE, sought to reopen and correct the award, or requested

vacatur. It chose none of these, believing its mere proclamation that the claim was ineligible would be enough. But just as in court, a party who is right on the merits may nevertheless lose if it does not present admissible evidence in support of its defense. That is what happened here.

Notably, United does not cite a single case in which a plaintiff was allowed to maintain a fraud claim over representations it knew were untrue or where the only alleged reliance was by a third party. Still, United argues it would be unfair to make it meet all of the longstanding, traditional elements of fraud here because it had no choice but to participate in IDR. This notion of "compelled reliance" finds no support in the law or common sense.

Indeed, a similar argument was rejected in *Mirachi*. There, the plaintiff argued that even though he *knew* the documents he received were false, he was "forced into a settlement agreement he never wanted to make." 2023 U.S. Dist. LEXIS 51935, at *4. The court had none of it, holding the plaintiff's awareness "that the reports were false . . . contradict[ed]" his fraud claim. *Id.* at *6. Similarly, in *Angino*, the fact that the plaintiff had to defend against false statements, on which the court relied, were insufficient to support fraud. 2020 U.S. Dist. LEXIS 37104, at *10-11.

Moreover, United's "compelled reliance" theory conflates being subject to a legal proceeding with relying on a misrepresentation. Every defendant in every proceeding is "subject to" the tribunal's decision, but no court appears to have ever held that merely being hailed into a legal proceeding based on an alleged false statement constitutes "justifiable reliance" or opens the door to a fraud claim. United's admission that it cannot establish its own reliance is dispositive. (United Opp'n at 8.) Just because United has "no path to a fraud claim" does not warrant modifying Pennsylvania state law to accommodate its self-selected sledgehammer. Sometimes facts will not satisfy what the law requires, but the lack of "fit" does not justify creating new state law.

United's procedural argument that the Court should kick the can down the road because

justifiable reliance is a "factual issue rarely suitable for resolution on a motion to dismiss" is meritless and wholly inconsistent with United's later argument that this case presents a "pure issue of law." (United Opp'n at 15; *see also id.* at 5, 14, 16.) Both *Behr* and *Dilworth*, on which United relies, involved factual circumstances and inferences undercutting reliance that would be properly credited or discredited by a jury. Neither involved a plaintiff claiming independent *knowledge* that the statements were false. Where, as here, the plaintiff's own allegations affirmatively negate reliance, dismissal with prejudice is appropriate. *See Angino*, 2020 WL 1082591, at *10-11.

Finally, the provision of the NSA stating that IDR determinations are binding only "in the absence of a fraudulent claim or evidence of misrepresentation of facts presented to the IDR entity," 42 U.S.C. § 300gg-111(c)(5)(E)(i)(I), undercuts United's position. The same subsection of the NSA creates a statutory action for vacatur of IDR determinations "procured by corruption, fraud, or undue means." *Id.* § 300gg-111(c)(5)(E)(i)(II) (incorporating 9 U.S.C. § 10(a)(1)). Read as a whole, this shows Congress anticipated fraud in the IDR process and prescribed a specific mechanism to deal with it. Nowhere did Congress create or bless a freestanding common-law fraud claim for every NSA eligibility dispute.

B. *United Has Not Alleged Proximate Causation*

United's proximate cause theory fares no better. Regardless of whether an inaccurate attestation from NorthStar's IDR vendor, HaloMD, was a "substantial factor" in initiating the IDR process, United admits that one or more intervening acts broke the chain of causation. An intervening act "which actively operates to produce harm after the first person's wrongful act . . . is a superseding cause which prevents the first person from being liable for the harm which his antecedent wrongful act was a substantial factor in bringing about." *Pure Earth, Inc. v. Call*, 618 F. App'x 119, 125 (3d Cir. 2015). There are two superseding causes for United's alleged harm.

First, after the attestation and before the IDRE issued its award in NorthStar's favor, United

decided to simply object and neglected to present evidence to substantiate its defense that the claim was ineligible as required by 45 C.F.R. § 149.510(c)(1)(iii). *See* Balthazor Decl. ¶ 27, Ex. F at NSTAR_000020 (overruling United's objection based on the lack of evidence submitted). United's disregard of the regulation requiring it to submit "supporting information" and the CMS guidance requiring "proof" was an intervening, superseding act that severed causation. Second, the IDRE made an independent adjudicative determination, after considering both parties' submissions, and ruled against United on the merits of its eligibility objection for lack of evidence. The IDRE's independent judgment that United did not meet its burden of proof, regardless of whether the claim was actually ineligible, is itself a superseding cause that breaks the causal chain between the attestation and United's alleged harm. In other words, the IDRE ruled against United because United failed to substantiate its objection—not because of the attestation from HaloMD.[1]

C. *United's "Catch-22" Argument Collapses Under its Own Weight*

United's protest—that NorthStar's arguments present an impossible "Catch-22" where objecting negates reliance and silence negates causation—is meritless. NorthStar's arguments are not contradictory; they are independent legal deficiencies in United's claim because United must independently satisfy each element of fraud. That United cannot satisfy either reliance or causation is not a defect in NorthStar's arguments; it is a confirmation that United's novel fraud theory is fundamentally flawed and simply does not "fit" within longstanding state law.

Moreover, United's Catch-22 complaint rests on the false premise that a common law fraud

[1] United's reliance on *Woodward v. Dietrich* is misplaced. *Woodward* analyzed whether a homebuyer could maintain a fraud claim against the seller who committed fraud regarding a hidden defect where the buyer lacked privity with the seller because of an intervening owner. 548 A.2d 301, 310 (Pa. Super. Ct. 1988). The court held that the intervening owner's failure to detect the fraud did not break causation. *Id.* Unlike in *Woodward*, United knew the attestation was inaccurate and *told* the IDRE as much. The IDRE was not unwitting. To the contrary, it considered United's objection and found United had not met its burden. That decision is a superseding cause.

claim is the only way to get relief from an ineligible IDR submission. It is not. As discussed, Congress and CMS provided that eligibility disputes can be addressed by meeting the applicable burden upon objection,[2] administratively reopening and correcting an award, or seeking a vacatur. Congress and CMS understood that eligibility disputes would arise and that jurisdictional errors would occur in the absence of fraud and created these mechanisms precisely for that purpose.[3] The supposed "Catch-22" exists only if every ineligible IDR submission must be remedied through a fraud claim. But neither Congress nor CMS intended that result. The inability to state a fraud claim neither "immunizes" providers nor leaves United without recourse, as United wrongly suggests.

## II. This Court Lacks Subject-Matter Jurisdiction

Just because United framed its state law fraud claim in the context of a federal statute does not mean federal question jurisdiction exists. *See Merrell Dow Pharm. Inc. v. Thompson*, 478 U.S. 804, 813 (1986). The NSA did not create United's cause of action, and thus United can only travel under a "rare exception," applicable in only a "special and small category of cases," where a state law claim presents a "substantial federal issue." *See Gunn v. Minton*, 568 U.S. 251, 258 (2013). This is not such a case; pounding it into the "rare exception" would swallow the rule.

To establish federal question jurisdiction, United must show that its state law fraud claim satisfies each and every element of *Grable*. That is, the federal question must be necessarily raised, actually disputed, substantial, and capable of resolution in federal court without disrupting the

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[2] *See* CMS, Certified Independent Dispute Resolution (IDR) Entity Selection Response Web Form User Guide, at 6 (July 2025), Certified IDR Entity Selection Response Web Form User Guide ("If the non-initiating party ***attests that the Federal IDR Process does not apply***, additional justification is required, and may require additional . . . documentation."); *see also id.* at 13 (if the non-initiating party contests eligibility, it must "provide additional supporting documentation").

[3] "The Departments have determined that jurisdictional errors [because, for example, it relates to a service payable by Medicare or Medicaid] should be corrected by reopening a dispute to ensure compliance with the NSA's requirements." (Ex. 1 to United Opp'n at 3.)

federal-state balance approved by Congress. *Gunn*, 568 U.S. at 258.

First, as for whether its fraud claim "necessarily raises" a federal issue, United reframes the issues as: (1) whether falsely attesting that a Medicaid claim is eligible for IDR constitutes fraud; (2) whether IDR awards on ineligible claims are binding; and (3) whether administrative remedies must be exhausted before pursuing judicial relief. (United Opp'n at 14.) This reframing does not cure the jurisdictional deficiency. For starters, the first issue is addressable through a straightforward application of Pennsylvania common law. United identifies no provision of the NSA that the Court must interpret in order to address the issue. None exists.

The same is true for the second and third issues. They are not even raised; United has not sought a vacatur on the ground the IDRE exceeded its authority by adjudicating an ineligible claim, and NorthStar does not argue that exhaustion is mandatory. Even if these issues were raised, United identifies no specific statutory provision the Court must interpret in order to address them. United cannot invent federal issues through generalized references to the NSA.

Second, these issues are not "actually disputed." The parties agree: Medicaid claims are ineligible for IDR, federal courts may vacate ineligible IDR awards, and exhaustion is voluntary. So, United instead argues there is a federal interpretive dispute about the "legal consequences" flowing from the submission of an ineligible claim to IDR. But no such dispute exists. Legal consequences are governed by the NSA provisions authorizing vacaturs of IDR awards and state law. United does not invoke the NSA provisions. And any dispute about the legal consequences under state law is, of course, governed by only state law. State law is wholly dispositive of any such dispute. *See MHA LLC v. HealthFirst, Inc.*, 629 F. App'x 409, 413-15 (3d Cir. 2015).

Third, none of these issues are "substantial." United argues that its fraud claim presents a pure question of law because the underlying Medicaid claim was ineligible for IDR. (United Opp'n

at 15-16.) But that undisputed fact does not prove fraud. United must still establish, in addition to reliance and causation, fraudulent intent, which is a question of fact. No matter how hard United pounds the table, the mere submission of an ineligible claim for IDR does not equate to strict liability for fraud. There is no pure question of law here, federal or otherwise.

United's bluster about fraudulent intent carries no weight in the analysis. Because NorthStar makes a factual challenge to jurisdiction, "no presumptive truthfulness attaches to [United's] allegations." *Charlton v. Comm'r.*, F. App'x 91, 93 (3d Cir. 2015). NorthStar's evidence shows HaloMD attested to eligibility to "the best of [its] knowledge" based on United's equivocal and unsupported objection to eligibility during open negotiations, and Arietis's summary of United's 835. *See* Balthazor Decl. ¶ 21, Ex. A (summary), ¶¶ 24-25, Ex. C and D (United's objection and HaloMD's unanswered request for support), and ¶ 26, Ex. E at NSTAR_000017 (attaching summary to attestation as "726743-EOB-726743_5951576_eob.pdf"). The summary omitted the remittance payer field from the 835, which identified the claim as ineligible. *Id.* ¶¶ 12-15, 18, 19, 34. HaloMD's consideration of the information from the 835, and attestation to "the best of [its] knowledge," demonstrates good faith. United presents no evidence in rebuttal.[4]

Fourth, the resolution of factual issues related to one ineligible IDR award cannot possibly have a "broad impact on the Federal Government" because NorthStar's unrebutted evidence shows it rarely submits ineligible claims to IDR. Balthazor Decl. ¶ 35 (identifying four good-faith errors

[4] United excoriates NorthStar for supposedly failing review the patient's insurance card, the face sheet which the facility transmitted to NorthStar, and United's PRA, which United alleges it submitted to the IDRE. (United Opp'n at 2-3, 6.) These inferences have no basis in the evidence. NorthStar had no access to the insurance card. Balthazor Dec. ¶ 8. It did review the face sheet through its billing vendor Arietis, which made a good-faith oversight. *Id.* ¶¶ 8-10, 32, 34. NorthStar has a record of receiving an 835 from United, which it reviewed through Arietis. *Id.* ¶ 21. And NorthStar did not receive the PRA through the IDR process because the IDRE did not share United's submission of the PRA with NorthStar.

across 955 disputes). United's rants about systemic fraud on the IDR system are wholly unsupported as to NorthStar and legally insufficient to show substantiality.

## III. United's Claims Are Moot

### A. *NorthStar Has Provided All Available Relief*

NorthStar's corrective actions deliver complete relief to United. HaloMD asked the IDRE to reopen the dispute, reverse the eligibility determination, close the dispute, and refund the IDRE fee to United. United has never paid the $7,075 award.[5]

United's three objections to mootness are unpersuasive. First, United argues that the reopening request remains pending. But that pendency does not negate mootness where NorthStar has taken all available steps to correct the harm and has asked the IDRE to correct its award. NorthStar's request is like a plaintiff's notice for voluntary dismissal that is yet to be acted upon by a court. The fact it is not yet acted upon does not mean that a live controversy remains.

Second, United argues that its $115 nonrefundable administrative fee cannot be recovered. This fee is due by all parties, in all cases, regardless of whether there is jurisdiction or fraud. The purpose of the fee is to fund the IDR process in which United plays a big part. (Ex. 1 to United Opp'n at 7 n.5.) Any alleged fraud did not cause this fee or make it non-refundable.[6] Even the Technical Assistance Guidance confirms that "[t]he correction of an error does not change the requirement for both disputing parties to pay the administrative fee for all disputes . . . including disputes where the certified IDR entity determines that the item(s) or service(s) under dispute are

[5] United claims that NorthStar intentionally and fraudulently submitted an ineligible claim "to secure a windfall payment to which it was not entitled." (United Opp'n at 3.) There is no windfall. United does *not* pay these awards, and it makes little sense that NorthStar would expend time, money, and resources to intentionally pursue an ineligible claim that will undoubtedly go unpaid.

[6] NorthStar also makes a factual challenge to jurisdiction that is supported with unrebutted evidence that HaloMD acted in good faith when it attested to eligibility. *See supra* n 4. There is no evidentiary basis to infer fraudulent intent.

not eligible . . . ." *Id.* at 6. In other words, the nonrefundable nature of the administrative fee is a feature of the IDR system—it is not a cognizable injury attributable to NorthStar.

Third, United argues NorthStar's corrective actions do not provide the declaratory and injunctive relief United seeks. Such relief would effectively re-write the NSA, enable United to make end runs past the statutory regime for resolving eligibility disputes, and saddle this Court with the perpetual burden of administering a novel, open-ended decree for the sole benefit of a multi-billion dollar insurance conglomerate. United's desire for unprecedented relief cannot and does not defeat mootness where NorthStar has cured the specific harm alleged. This case is simply not the avenue for the inherently legislative changes that United seeks to achieve.

B. *The Voluntary Cessation Doctrine Does Not Apply*

United invokes the voluntary cessation doctrine, arguing that NorthStar's corrective actions were "unilateral and reversible" and taken "only after litigation began" (even though United made no outreach before swinging its sledgehammer). The voluntary cessation doctrine does not apply here because NorthStar did not change its policy in response to litigation. NorthStar's policy has always been to screen Medicaid claims from submission to IDR. Balthazor Decl. ¶¶ 17-19. Its low jurisdictional error rate of *less than 1%* of claims submitted establishes as much. *Id*. ¶ 35. Far from a "pattern," the evidence shows NorthStar's errors are exceedingly rare, not evidence of "gaming the system." NorthStar's operational changes, re-training at Arietis, and disciplinary actions, and the modification of fields on the 835 summaries used in the billing process did not change NorthStar's internal policy. Rather, they improved the efficacy of the process by which ineligible claims may be filtered out. These actions all minimize the chance of recurrence, and contrary to United's argument, mootness does not require a party to "guarantee nonrecurrence." It suffices that NorthStar has taken steps to rectify this specific erroneous IDR award and the handful of others like it and has strengthened its systems to prevent future errors from occurring. Finally, the fact

that NorthStar agrees—and states so on the public docket—that Medicaid claims are ineligible undercuts the contention that these actions are merely voluntary and reversible.

## IV. This Court Should Defer to CMS Under the Primary Jurisdiction Doctrine

Even if the Court determines it has jurisdiction, it should nevertheless exercise its discretion to dismiss without prejudice under the primary jurisdiction doctrine. United argues that primary jurisdiction referrals are "disfavored" and that the issues here are "within the conventional experience of judges." But United mischaracterizes the nature of the issues before the Court.

The question is not simply whether this patient was a Medicaid patient (she was) or whether Medicaid claims are eligible for IDR (they are not). Instead, United wants the Court to address ineligible submissions in the IDR system in the first instance. But that should be the province of CMS. By recasting an eligibility dispute as fraud, United is bypassing the administrative process Congress designed and CMS is implementing by asking the Court for broad and sweeping systemic relief pertaining to a single, unpaid IDR award. This Court should not permit that end-run. CMS has published regulations, guidance, and Technical Assistance materials on this very subject, including a detailed framework for reopening disputes to correct jurisdictional errors like the one at issue here. CMS is best positioned to evaluate the implications of eligibility errors in the first instance and to develop consistent, uniform standards for addressing them. If the courts were to weigh in and press inapplicable state law claims onto the IDR process, it would effectively deprive CMS of the opportunity to develop the framework Congress entrusted to it.

## V. CONCLUSION

United's Complaint is defective. Its own allegations defeat at least two elements of fraud. This Court lacks subject-matter jurisdiction because no substantial federal question is in dispute, and NorthStar's corrective actions moot this action. Moreover, the primary jurisdiction doctrine counsels deferral to CMS. United's Complaint should be dismissed with prejudice.

Dated: April 3, 2026

*/s/ Julie A. Busta*

Jeffery A. Dailey, Esquire
Julie A. Busta, Esquire
Dailey LLP
1650 Market Street, Suite 3600
Philadelphia, PA 19103
(215) 367-1645
jbusta@daileyllp.com
jdailey@daileyllp.com

Brian Stimson (admitted *pro hac vice*)
Kevin Lake (admitted *pro hac vice*)
Jeremy Ritter-Wiseman (admitted *pro hac vice*)
Arnall Golden Gregory LLP
2100 Pennsylvania Ave NW, Suite 350S
Washington, DC 20037
202.677.4948 (Telephone)
brian.stimson@agg.com
kevin.lake@agg.com
jeremy.ritter-wiseman@agg.com

*Counsel for Defendant NorthStar Anesthesia of Pennsylvania LLC*

**CERTIFICATE OF SERVICE**

I hereby certify that on April 3, 2026, I electronically filed the foregoing Defendant NorthStar Anesthesia of Pennsylvania LLC's Reply Memorandum in Support of its Motion to Dismiss Plaintiff UnitedHealthcare of Pennsylvania, Inc. d/b/a UnitedHealthcare Community Plan's Complaint with the Clerk of Court using the CM/ECF system which will automatically send email notification of such filing to all Counsel of Record.

*/s/ Julie A. Busta*

Julie A. Busta, Esquire
Dailey LLP
1650 Market Street, Suite 3600
Philadelphia, PA 19103
(215) 367-1645
jbusta@daileyllp.com