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IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF ARIZONA

Arizona Physicians IPA, Inc. d/b/a UnitedHealthcare Community Plan of Arizona,

Plaintiff,

v.

IAS Arizona PLLC,

Defendant.

No. CV-26-00667-PHX-KML

PLAINTIFF ARIZONA PHYSICIANS IPA, INC.'S OPPOSITION TO DEFENDANT'S MOTION TO DISMISS

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page(s)

CASES

STATUTES

RULES

TREATISES

OTHER AUTHORITIES

I. INTRODUCTION

IAS Arizona PLLC ("IAS") committed willful fraud. The facts cannot be disputed: IAS submitted a Medicaid claim that was expressly ineligible for the No Surprises Act's ("NSA") Independent Dispute Resolution ("IDR") process and fraudulently attested that it was eligible. IAS knew the truth. Arizona Physicians IPA, Inc. d/b/a UnitedHealthcare Community Plan of Arizona ("United") provided IAS with clear, industry standard documentation confirming the patient's Medicaid enrollment *before* IAS initiated the IDR dispute. Yet IAS submitted the claim anyway, deliberately misrepresenting the patient's insurance status to improperly initiate the NSA IDR process in an effort to ultimately secure a windfall award *fourteen times greater* than the Arizona Medicaid rate. IAS does not and cannot deny these facts. Instead, IAS asks this Court to immunize providers from liability when they abuse the NSA IDR process for monetary gain. United respectfully submits that this Court should deny IAS's Motion.

IAS contends that United brings this action only because "United does not like the insurance claim dispute resolution process that Congress created under the No Surprises Act." Mot. at 1. IAS is right, but not for the reasons IAS suggests. United "does not like" the IDR process because providers like IAS are systematically abusing it through fraud. Providers, like IAS, knowingly submit ineligible Medicaid and Medicare claims with false attestations of eligibility under the NSA, securing awards that are orders of magnitude higher than the government-mandated, taxpayer-funded reimbursement rates. Nearly one in five claims submitted to IDR is ineligible, yet the system's perverse financial incentives encourage this abuse. Compl. ¶¶ 47-49. Congress created the NSA to protect patients and contain health care costs, not to provide a vehicle for providers to commit fraud.

Unable to defend its conduct on the merits, IAS seeks refuge in procedural arguments, all of which fail. IAS contends that: (a) this Court lacks federal question jurisdiction; (b) United did not adequately plead fraud; and (c) United's Complaint should be dismissed for failure to join an indispensable party. None of these arguments has merit.

First, this Court has subject-matter jurisdiction because United's Complaint necessarily raises substantial, disputed questions that require interpretation of federal law. Tellingly, IAS's Motion carefully avoids conceding that the Medicaid claim at issue was ineligible, referring to it as "allegedly ineligible" and ineligible merely "according to United." Mot. at 3. And that confirms why subject-matter jurisdiction exists: whether this Medicaid claim is eligible for the IDR process under the NSA is genuinely disputed and requires interpretation of federal law, making this case ripe for federal court adjudication. In addition, adjudication of this matter will require further interpretation of the NSA, including to resolve the parties' dispute over whether IDR awards improperly issued on ineligible claims are binding and whether submitting a knowingly false attestation of IDR eligibility constitutes actionable fraud. These are pure questions of statutory interpretation under the NSA with implications far beyond this single case.

Second, United has adequately pleaded fraud with specificity. United alleged that IAS, acting through its agent HaloMD, LLC ("HaloMD"), submitted an eligibility attestation that misrepresented the patient's insurance status, a quintessential factual question, and that IAS knew the truth. United alleged that it was forced to rely on that attestation by participating in the IDR process, lest it waive its rights. And United alleged that it suffered harm in the form of administrative and IDRE fees, which are cognizable damages under Arizona law. Pleading fraud requires no more.

IAS's objections ignore bedrock principles of agency and the plain language of the NSA. Moreover, IAS's conception of fraud would bar judicial review of any fraud claim arising from the IDR process, no matter how egregious the provider's misconduct. Congress did not confer blanket immunity on bad actors. And the NSA itself forecloses IAS's attempt to escape liability. IDR awards are binding only "in the absence of a fraudulent claim or evidence of misrepresentation of facts." 42 U.S.C. § 300gg-111(c)(5)(E)(i)(I). Congress understood that providers might abuse the IDR process and expressly preserved judicial remedies to address such abuse. IAS's arguments would immunize the very fraud Congress sought to prevent, creating a perverse system in which

a provider could knowingly submit ineligible claims, sign false attestations, secure windfall awards, and then defeat any challenge by arguing that the health plan should have known better. Under IAS's theory, the more brazen the fraud, the more effective the defense. This absurd and inequitable result is not what Congress intended.

Third, the IDRE is not an indispensable party and need not be joined. United's claim arises from IAS's knowing submission, through its agent HaloMD, of a false eligibility attestation. United seeks an injunction to halt IAS's conduct, a declaration that IAS's conduct was fraudulent and unlawful, and damages from IAS. The relief that United seeks can be granted, in full, without joining the IDRE. The fact that IDREs may be guided by this Court's interpretation of the NSA in future disputes does not make them indispensable parties to this action.

Finally, any technical deficiencies in United's pleading, if they exist, can be cured through amendment. Under these circumstances, leave to amend must be freely given.

IAS committed fraud. It cannot dispute the facts, so it attacks the forum. IAS's Motion should be denied in its entirety.

II. FACTUAL BACKGROUND

The facts here are simple. IAS, through its agent HaloMD, submitted a formal attestation—in violation of federal law—falsely certifying eligibility of a Medicaid claim for the NSA IDR process despite having received explicit documentation showing that the claim was ineligible. IAS, through its agent HaloMD, then persisted in pursuing that claim through the IDR process despite United's repeated explanation that the claim was ineligible. IAS ultimately obtained a $1,575 windfall award from the IDRE on a claim for which IAS was actually entitled to only $112.42 under Arizona's Medicaid fee schedule. Compl. ¶¶ 58, 72. IAS does not dispute these facts in its Motion, and they paint an unmistakable picture of IAS's intentional fraud.

A. IAS Submitted An Ineligible Claim To The IDR Process

IAS billed United on March 7, 2025, for anesthesia services provided to a Medicaid patient at Tucson Medical Center. Compl. ¶¶ 53, 57. United paid the claim on March 22,

2025, and sent IAS the Provider Remittance Advice ("PRA") explaining the payment amount. The PRA expressly informed IAS that the patient was insured under a Medicaid plan and detailed the amount United was obligated to pay under Arizona's Medicaid fee schedule. *Id.* ¶ 60.

Despite having been informed of the patient's Medicaid coverage, IAS escalated the dispute to the IDR process through its agent, HaloMD, on May 16, 2025. When IAS, through its agent HaloMD, submitted the claim, it falsely certified that "the item(s) and/or service(s) at issue are qualified item(s) and/or service(s) within the scope of the Federal IDR process." *Id.* ¶ 68. As soon as IAS, via HaloMD, initiated the IDR process, United was automatically forced to participate, including by paying administrative and IDRE fees, or risk a default determination.

The day after IAS illegally initiated the IDR process, United attested through the IDR portal that the claim was "not eligible for IDR under the NSA because this Member is enrolled in a Medicare, Medicaid, Children's Health Insurance Program, or TRICARE plan," and attached the PRA that IAS previously received as evidence. *Id.* ¶ 69. United also sent a letter directly to the IDRE, Network Medical Review Company ("NMRC"), on September 1, 2025, reiterating that the claim was "not eligible" for IDR adjudication because "this Member is enrolled in a Medicaid plan." *Id.* ¶ 71. Despite United's repeated, documented objections, including the unambiguous PRA, the IDRE credited IAS's false attestation and ruled in IAS's favor, noting only that it had "consider[ed] all permissible information submitted by both parties." *Id.* ¶ 72. In other words, the IDRE plainly relied on and accepted IAS's fraudulent eligibility attestation by accepting the dispute over which it had no jurisdiction and ultimately issuing an award in IAS's favor. *Id.*

B. IAS's Fraud Is Not An Isolated Incident, And Providers' Systemic Abuse Of The NSA IDR Process Is Thwarting Congressional Intent

Congress had two goals when it adopted the NSA: protect patients from surprise medical bills and lower health care costs. The Congressional Budget Office determined the IDR process would reduce federal deficits by approximately $17 billion and reduce

premium rates by 0.5 to 1 percent. *See* CBO Estimate for Divisions O through FF of H.R. 133 (Jan. 14, 2021).[1] The House Report accompanying the NSA found that surprise billing arose from a "failure in the health care market, which causes providers—particularly in certain specialties [like anesthesia]—to have little or no incentive to contract to join a health plan's network." The Report went on to note that "[t]hese circumstances enable some providers to charge amounts for their services that exceed the marginal cost of producing those services," resulting in "compensation far above what is needed to sustain their practice." H.R. Rep. No. 116-615, 53 (2020).

Congress assumed that providers would act in good faith by submitting only qualified claims to the NSA IDR process. Unfortunately, nearly one in five claims submitted to IDR is ineligible. Compl. ¶ 48. And when health plans spend the time and resources to try to convince an IDRE to properly exclude ineligible claims, the odds of success are alarmingly small. IDREs dismissed only 17% of ineligible cases during the first half of 2025. *See* Am. Health Ins. Plans & Blue Cross Blue Shield Ass'n, *New AHIP/BCBSA Survey Finds Providers are Flooding IDR System with Ineligible Disputes*.[2]

In other words, IAS's conduct is part of a broader pattern of systemic abuse of the IDR process calculated to overwhelm IDREs with volume, knowing that some ineligible claims will slip through and yield windfall recoveries that dwarf the occasional detection and rejection. The economics of this scheme are straightforward: if even a fraction of fraudulent claims succeed, the resulting awards more than compensate for any losses on the 17% of ineligible claims that are rejected. IAS and its affiliated entities have initiated thousands of disputes against United, including ineligible disputes like the one described herein. Compl. ¶ 5. IAS's agent HaloMD is among the three most prolific filers of IDR process disputes and initiates hundreds of disputes against health plans every day. *Id.* ¶

[1] https://www.cbo.gov/system/files/2021-01/PL_116-260_div%20O-FF.pdf (last visited Apr. 10, 2026).

[2] https://ahiporg-production.s3.amazonaws.com/documents/202510_AHIP_IB_No_Surprises_Act_Survey51.pdf (last visited Apr. 10, 2026).

66. This flood of claims is inconsistent with a careful, good-faith effort to submit only eligible disputes; it is entirely consistent with a deliberate strategy of fraudulently hijacking the NSA IDR process, overwhelming IDREs and collecting windfall awards when ineligibility goes undetected. Submitting ineligible claims flouts the intended purpose and reach of the NSA and allows providers like IAS to collect windfall awards – the antithesis of what Congress intended when it enacted the NSA.

Providers' abuses of the NSA IDR process have already ***added at least $5 billion*** to overall health system costs. *Id.* ¶ 47. Here, IAS's fraud resulted in an improper award of $1,575 on an ineligible Medicaid claim for which IAS was entitled to $112.42. If the Court accepts IAS's arguments, providers will continue to systematically abuse the NSA IDR process at the expense of Arizona's Medicaid program and taxpayers.

III. ARGUMENT

A. This Court Has Subject-Matter Jurisdiction Over This Dispute

This Court has subject-matter jurisdiction over United's claims because federal law is embedded in the very foundation of United's cause of action. United's right not to be bound by IDR awards issued on ineligible Medicare and Medicaid claims is an essential element of its claim. United's Complaint satisfies the "well-pleaded complaint" rule and presents the type of "substantial federal question" that demands federal court resolution.

In determining whether federal question jurisdiction exists, the "well-pleaded complaint" rule asks whether a federal right or immunity is "an element, and an essential one, of the plaintiff's cause of action." *Cal. Shock Trauma Air Rescue v. State Comp. Ins. Fund*, 636 F.3d 538, 541 (9th Cir. 2011). This standard is satisfied when, as here, the allegations in the complaint require resolution of federal law.

United's fraud claim cannot be resolved without first answering three distinct questions of federal law: (a) whether the Medicaid claim submitted by IAS, through HaloMD, was eligible for the federal NSA IDR process in the first instance; (b) whether IDR awards issued on claims that fall outside the NSA's statutory scope are binding on health plans; and (c) whether submitting a knowingly false attestation of IDR eligibility

constitutes actionable fraud. These are not tangential references to federal law. They are pure questions of statutory and regulatory interpretation that lie at the heart of United's claims. Contrary to IAS's assertion that United does not "call the NSA's 'scope, validity, and authority' into dispute," Mot. at 8, United directly challenges whether the NSA applies to Medicaid claims and the legal consequences of ineligible submissions and fraudulently procured awards. Because the right not to be bound by ineligible and fraudulently procured IDR awards is an essential element of United's cause of action, United's claim satisfies the well-pleaded complaint rule. *See Cal. Shock Trauma*, 636 F.3d at 541.

IAS cites *Billing v. Premera Blue Cross*, 2025 WL 2921909 (W.D. Wash. Oct. 15, 2025) and *Columbus Emergency Group, LLC v. Blue Cross & Blue Shield of North Carolina*, 2024 WL 1342764 (E.D.N.C. Mar. 29, 2024), but both cases are inapposite. In those cases, the plaintiffs were *medical providers* seeking to *confirm IDR awards* already issued in their favor under state arbitration statutes. *See Billing*, 2025 WL 2921909, at *1; *Columbus Emergency*, 2024 WL 1342764, at *1. The federal questions in those cases arose *only as defenses* to the providers' state-law claims, as the defendant insurers challenged the awards by arguing that the IDREs exceeded their federal statutory authority. *See Billing*, 2025 WL 2921909, at *3; *Columbus Emergency*, 2024 WL 1342764, at *3. It is settled law that "[a] defense that raises a federal question is inadequate to confer federal jurisdiction." *Merrell Dow Pharm., Inc. v. Thompson*, 478 U.S. 804, 808 (1986). Here, the procedural posture is reversed: United is the plaintiff, and the federal questions arise from United's affirmative claims, not from any defense. United's right to be free from fraudulently obtained IDR awards issued on ineligible claims under the NSA forms the basis of its lawsuit. It is the sword, not the shield. This critical distinction places this case squarely within the well-pleaded complaint rule's grant of federal jurisdiction.

Even if United's claim did not independently satisfy the well-pleaded complaint rule, this Court would have jurisdiction under the exception articulated in *Grable & Sons Metal Products, Inc. v. Darue Engineering & Manufacturing*, 545 U.S. 308 (2005). The *Grable* framework provides jurisdiction over state-law claims "when federal law is a

necessary element of the [plaintiff's] claim for relief." *Cty. of San Mateo v. Chevron Corp.*, 32 F.4th 733, 746 (9th Cir. 2022). Under *Grable*, "federal jurisdiction over a state law claim will lie if a federal issue is: (1) necessarily raised, (2) actually disputed, (3) substantial, and (4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress." *Gunn v. Minton*, 568 U.S. 251, 258 (2013) (applying *Grable*, 545 U.S. at 313-14). United's claims satisfy all four prongs of this test.

First, the federal issues are "necessarily raised" because United's claims cannot be adjudicated without construing the NSA's scope and effect. To grant the relief United seeks—a declaration that awards on ineligible claims are void and an injunction against future false attestations—the Court must interpret federal law.

Second, the federal issues are "actually disputed" between the parties. IAS argues that there is no federal question jurisdiction because "United's claims do not 'dispute[] the meaning of the NSA.'" Mot. at 8 (quoting *Billing*, 2025 WL 2921909, at *4). But IAS's own Motion refutes this claim. United contends that IDR awards procured through false eligibility attestations are not binding under the NSA and its implementing regulations; IAS apparently disputes this interpretation. Most telling, IAS has refused to concede the threshold factual question of whether the Medicaid claim was even eligible for IDR, referring to it as only "allegedly ineligible" and ineligible "according to United." *Id.* at 3. Under *Grable*, jurisdiction exists when "the meaning of the federal statute is actually in dispute." 545 U.S. at 315. Here, the parties hold fundamentally incompatible views on what the NSA permits, what it prohibits, and what legal consequences flow from submitting a claim that Congress expressly excluded from the statute's scope. This is precisely the type of genuine federal controversy over which this Court has jurisdiction.

Third, the federal issues are "substantial" because they are "significant to the federal system as a whole," *Gunn*, 568 U.S. at 264, and present "nearly pure issue[s] of law" that "could be settled once and for all." *Empire Healthchoice Assurance, Inc. v. McVeigh*, 547 U.S. 677, 700 (2006). The stakes extend far beyond this case, and this Court's ruling will determine whether health plans have any meaningful recourse against providers who

knowingly abuse the IDR system with fraudulent submissions. If false attestations are consequence-free, the NSA's eligibility requirements become unenforceable suggestions.

Finally, exercising jurisdiction will not disrupt the federal-state balance. This is not a case where federal courts would be flooded with routine state-law disputes incidentally touching on federal law. Rather, this case presents discrete, important questions about a federal statutory scheme that can be "settled once and for all" by this Court. *Empire Healthchoice*, 547 U.S. at 700. United's claims satisfy the well-pleaded complaint rule and all four *Grable* factors. This Court has subject-matter jurisdiction.

B. IAS's Fraud Arguments Are Without Merit

1. United Has Satisfied Rule 9(b)'s Heightened Pleading Standard

United's Complaint satisfies the Rule 9(b) pleading standard—what IAS refers to as "the who, what, when, where, and how" of IAS's fraud. Mot. at 12. IAS's arguments to the contrary proceed from the false premise that IAS is not responsible for the actions of its contracted agent, HaloMD.

United alleged that IAS, through its agent HaloMD (the "who"), submitted the claim to the IDR process on May 16, 2025 (the "when"). Compl. ¶ 68. While the exact location of the HaloMD employee who pressed the button to submit the claim is not required, United has alleged that HaloMD is "based in Texas" (the "where") and that HaloMD, operating on IAS's behalf, "initiated the IDR proceeding via an online federal web portal" with an attestation of eligibility (the "how"). *Id.* ¶¶ 66-67. United has also alleged that the eligibility attestation was false, and that IAS knew it was, because IAS possessed the PRA before, and at the time of, submission, and the PRA clearly informed IAS of the patient's Medicaid plan enrollment (the "what"). *Id.* ¶¶ 60-65.

IAS now argues that United is "point[ing] to a third party to try to carry its burden," ignoring the fact that this party was *serving as IAS's agent*. *Id.* ¶ 65 ("IAS initiated an IDR dispute through its agent HaloMD, LLC."). The liability of a principal for the wrongful acts of its agent is a foundational principle of tort law. *See eUnify Inc. v. Anthony M. Serra CPA Inc.*, 642 F. Supp. 3d 971, 981 (D. Ariz. 2022) (finding that under Arizona law, the

principal can be "vicariously liable for the torts of an agent"); Ariz. Rev. Stat. Ann. § 12-2506 ("a party is responsible for the fault of another person" where "other person was acting as an agent or servant of the party"). Though United contends that IAS was fully aware, as only IAS knows what claims to submit to HaloMD, in fraud cases, a principal is vicariously liable for the acts of its agent regardless of whether the principal is aware of the agent's fraud. *See Miller v. Mason-McDuffie Co. of S. Cal.*, 739 P.2d 806, 812-13 (Ariz. 1987). United's allegations demonstrating the agency relationship between IAS and HaloMD include that HaloMD works for providers like IAS on a contingent-fee basis, gathers and organizes the provider's records, prepares the provider's case for the IDR proceeding in a manner representing the "provider's position," and signs attestations as "representative of the initiating party." Compl. ¶¶ 65-66, 105. Here, IAS submitted disputes through HaloMD's portal using IAS's own documentation, and HaloMD signed the fraudulent attestation on IAS's behalf. *Id.* ¶¶ 66, 105. IAS cannot escape liability by ignoring these well-pleaded facts and scapegoating the very agent it engaged to submit claims of its choosing on its behalf. *McGowan v. Weinstein*, 505 F. Supp. 3d 1000, 1016 (C.D. Cal. 2020) (denying motion to dismiss when plaintiff "sufficiently allege[d] a plausible theory" of agency).

2. IAS's False Attestation of Eligibility Was a Misrepresentation of Fact

IAS's attestation was a misrepresentation of fact, not law. IAS argues that "[w]hether a claim constituted a qualified item or service under the NSA is a quintessential question of law." Mot. at 12. But that mischaracterizes what IAS attested. IAS certified that the claim was "within the scope of the Federal IDR process." Compl. ¶ 68. That attestation necessarily implied that the patient was insured under a commercial insurance plan rather than a Medicaid plan, which is a factual assertion, not a legal opinion. *See* 42 U.S.C. §§ 300gg-111(c)(1)(A)-(B). The patient's insurance status is an objective fact. And IAS knew that representing the patient as a commercially-insured patient was false because United's PRA expressly stated that the patient was insured under a Medicaid plan.

Compl. ¶¶ 60-62. IAS's attempt to recast this obvious factual misrepresentation as a mere "legal opinion" is a transparent effort to avoid accountability for its false statements.

Even if IAS's assertion could be read, in part, as a misrepresentation of law, statements that "blend" legal conclusions with factual assertions are actionable when the speaker misrepresents the underlying facts. *Johnson v. Wal-Mart Stores, Inc.*, 544 Fed. App'x 696, 698 (9th Cir. 2013) (holding that a fraud claim can arise from "a misrepresentation as to a matter of law [that] includes, expressly or by implication, a misrepresentation of fact"); Restatement (2d) of Torts § 545 cmt. C (stating that a legal conclusion may "carry with it by implication the assertion that the facts known to the maker are not incompatible with his opinion" and in that circumstance may justifiably be relied upon). When a statement of law implies a misrepresentation of fact, "the recipient is justified in relying upon the misrepresentation of fact to the same extent as though it were any other misrepresentation of fact." *Johnson*, 544 Fed. App'x at 698. IAS's characterization of its attestation as purely legal ignores the necessary factual foundation of that attestation. The attestation was, at its core, a factual misrepresentation that commercial insurance coverage existed.

3. United Has Adequately Alleged Reliance

United justifiably relied on IAS's false attestation. IAS argues that United cannot show reliance because United "knew" the attestation was false. Mot. at 13-14. This argument, if accepted, would immunize every provider who submits a fraudulent attestation, as insurers necessarily know whether a claim is eligible for IDR. Under IAS's theory, a fraudster is rewarded for lying so long as the victim recognizes the lie. This turns fraud law on its head. United's participation in the IDR process was compelled by IAS's fraud, not voluntary.

Even if IAS's illogical theory could stand (it cannot), justifiable reliance is a factual issue rarely suitable for resolution on a motion to dismiss. *Lerner v. DMB Realty, LLC*, 322 P.3d 909, 914 (Ariz. Ct. App. 2014) ("Questions about materiality and reasonable reliance, however, usually are for the jury, not for the court to decide on a motion to

dismiss."). Here, IAS's false attestation deprived United of the very interest that the reliance element is designed to protect: its decisional autonomy. The wrong of fraud is fundamentally "an interference with [the injured party's] interest in being able to make . . . decisions in certain settings free of misinformation generated by others." John C.P. Goldberg, Anthony J. Sebok & Benjamin C. Zipursky, *The Place of Reliance in Fraud*, 48 ARIZ. L. REV. 1001, 1002 (2006). Once IAS's agent HaloMD submitted the false attestation, United (a) was automatically required to pay an administrative fee for the ineligible claim, and (b) had no choice but to participate in the IDR process or face default. Compl. ¶ 107. And once the IDRE exceeded its jurisdiction and issued its improper determination, United was ostensibly bound by the outcome (at least until a court determines that the award was procured by fraud). Mot. at 16 (IDREs "receive competing offers for payment, consider information supporting the offers, and then choose one of the offers, which is binding on the providers and insurers" (citing 42 U.S.C. § 300gg-112(b)(4), (b)(5))). That is precisely why United seeks a declaration that fraudulently obtained awards on ineligible claims are not binding. Compl. ¶ 97. The fact that the award is ostensibly binding, compelling United to either pay or sue, makes IAS's fraud actionable. United's only recourse was to bring this action challenging IAS's fraud.

The fact that IAS's false attestation forced United into a binding IDR process, stripping United of decisional autonomy and leaving litigation as its only recourse, distinguishes United's claim from claims asserted in cases like *Borecki v. Safeguard Security & Communications, Inc.*, 2012 WL 1343952, at *2 (D. Ariz. Apr. 18, 2012). In *Borecki*, the defendant allegedly deceived an administrative law judge regarding the plaintiff's unemployment benefits, but the plaintiff had an opportunity to contest the defendant's false claims and did so. *Id.* at *1. Unlike a judicial proceeding, the IDR process affords no discovery, no evidentiary hearing, and most importantly, no neutral factfinder. IDREs are paid only if they resolve a claim on the merits. Compl. ¶ 82.

Furthermore, in *Borecki*, the allegedly fraudulent statements were not the *basis* for the judicial proceeding in question; they were merely evidence presented in the course of

that proceeding. 2012 WL 1343952, at *2. Here, IAS's fraudulent attestation was a necessary step for the IDR process to begin, and, by itself, forced United to pay the IDRE and administrative fees. Compl. ¶¶ 81, 91, 100. The harm alleged in United's Complaint is not just that the IDRE *credited* the false statements; it is that, merely by making these fraudulent statements, IAS triggered the IDR process, thereby directly and immediately forcing United to pay IDRE and administrative fees that would not have existed at all had IAS not fraudulently submitted an ineligible claim to IDR. *Id.*

4. United Has Adequately Alleged Scienter

IAS acted with scienter because it had actual notice that the claim it submitted was fraudulent, and even if it did not, the knowledge of its agent, HaloMD, is imputed to IAS. Regarding actual notice, IAS possessed the PRA, which expressly stated that the patient was insured under a Medicaid plan. Compl. ¶¶ 60, 62. The PRA could not have been clearer: the patient was enrolled in Medicaid, and Medicaid claims are ineligible for the NSA IDR process. IAS submitted the Medicaid claim to the NSA IDR process anyway. This is not an innocent mistake or a good-faith misunderstanding. IAS had the truth and it chose to submit a false attestation regardless. That is either actual knowledge of falsity or reckless disregard for the truth, and either suffices to establish scienter for fraud.

IAS argues that it lacked "actual knowledge" because HaloMD submitted the claim. Mot. at 14-15. But this argument fundamentally misunderstands agency law. HaloMD was IAS's agent for the purposes of IDR claim submission, *see supra* § III.B.1, and a principal is liable for the fraud of its agent acting within the scope of authority, regardless of the principal's actual knowledge. *See Miller*, 739 P.2d at 812-13; Restatement (Second) of Agency § 257 ("A principal is subject to liability for loss caused to another by the other's reliance upon a tortious representation of a servant or other agent, if the representation is . . . within the power of the agent to make for the principal"). Submitting attestations of eligibility for IAS's IDR claims was squarely within HaloMD's scope of authority. Compl. ¶ 66. IAS cannot delegate its claims-submission process to an agent and then disclaim responsibility when that agent submits fraudulent attestations. Moreover, the knowledge

element is satisfied by *HaloMD's* knowledge, which is imputed to IAS. Under Arizona law, "knowledge acquired by an agent in the course of employment is imputed to the principal." *S Dev. Co. v. Pima Cap. Mgmt. Co.*, 31 P.3d 123, 133 (Ariz. Ct. App. 2001); *Manley v. Ticor Title Ins. Co. of Cal.*, 816 P.2d 225, 229 (Ariz. 1991). HaloMD knew, based on the documents provided to it by IAS and its "advanced analytics[] and deep specialty expertise" in IDR disputes, that Medicaid claims are ineligible for IDR. Compl. ¶¶ 65-66. That knowledge is imputed to IAS. *See S Dev. Co.*, 31 P.3d at 133. IAS's position is circular. The knowledge IAS seeks to disclaim reached HaloMD because IAS itself provided HaloMD the documents that contained it.

5. United Has Adequately Alleged Damages

The administrative and IDRE fees United was forced to pay constitute damages directly and proximately caused by IAS's fraudulent conduct. Compl. ¶¶ 81, 91. But for IAS's fraud, United would not have incurred these fees, which were assessed the moment IAS initiated the IDR process. United paid $115 in nonrefundable administrative fees and a separate fee to the IDRE simply to defend against IAS's fraudulent claim. *Id.* ¶ 81. These are not speculative damages; they are concrete, out-of-pocket losses directly caused by IAS's wrongful conduct—the very definition of compensable harm.

IAS relies on *Wichansky v. Zowine*, 150 F. Supp. 3d 1055 (D. Ariz. 2015), but misstates its holding and context. *Wichansky* addressed the American Rule's bar on recovering attorneys' fees incurred in prosecuting or defending litigation. *Id.* at 1064-65. The American Rule reflects a policy judgment about the costs of voluntary access to courts: *parties who choose to litigate* bear their own costs absent a fee-shifting statute or contract. That rationale has no application here. The administrative and IDRE fees United paid were mandatory fees imposed by an inapplicable federal regulatory scheme that IAS illegally triggered through its fraudulent attestation, not voluntary litigation costs. United was forced to bear these costs solely because of IAS's fraud.

Arizona courts have consistently held that costs incurred as a direct and proximate result of a defendant's wrongful conduct are recoverable damages, distinct from litigation

expenses covered by the American Rule. *See Fairway Builders, Inc. v. Malouf Towers Rental Co.*, 603 P.2d 513, 529 (Ariz. Ct. App. 1979) (recognizing recovery of "legal consequences of the original wrongful act"); *Standard Chartered PLC v. Price Waterhouse*, 945 P.2d 317, 343 (Ariz. Ct. App. 1996) (noting that fraud "is a legal cause of a pecuniary loss resulting from action or inaction in reliance upon it"). The administrative and IDRE fees are analogous to costs a fraud victim incurs to mitigate damages or comply with obligations wrongfully triggered by the fraud, making them the direct, foreseeable consequence of IAS's false attestation, not collateral expenses of pursuing a legal remedy. *See Sweidy v. Spring Ridge Acad.*, 2023 WL 8254468, at *2 (D. Ariz. Nov. 29, 2023) ("Under Arizona law, consequential damages may be available if they arise from fraudulent conduct.").

Moreover, United faces ongoing exposure to substantial additional damages. IAS and its affiliated entities have initiated thousands of IDR disputes against United, including ineligible claims. Compl. ¶ 5. Each fraudulent submission forces United to pay nonrefundable fees. *Id.* ¶ 81. These concrete harms satisfy the damages element and warrant judicial intervention.

C. The IDRE Is Not an Indispensable Party

The IDRE is not an indispensable party. This Court can grant United complete relief without the IDRE's participation. IAS's joinder argument fails at the threshold: a party can be "indispensable" only if that party is "required to be joined" as provided by Rule 19(a). Fed. R. Civ. P. 19(b). Rule 19(a)(1)(A), in turn, asks whether the court can grant complete relief to persons already named as parties; if it can, no other entity is "necessary." *Salt River Project Agric. Improvement & Power Dist. v. Lee*, 672 F.3d 1176, 1180 (9th Cir. 2012). IAS makes no argument as to why the IDRE is a necessary party to this dispute.[3] Nor could it. The absence of the IDRE does not prevent this Court from

[3]IAS's citation to *E.E.O.C. v. Peabody Western Coal Co.*, 400 F.3d 774, 780 (9th Cir. 2005) is inapposite. In *Peabody*, all parties agreed that the Navajo Nation was a necessary party because it was a signatory to the contract at issue—a textbook "inconsistent obligations" scenario. No such circumstances exist here.

clarifying which claims are eligible for the NSA IDR process or from enjoining IAS's fraudulent conduct. United seeks a declaration that *IAS*'s conduct was fraudulent and unlawful, and an injunction preventing *IAS* from submitting more false attestations. Compl. ¶¶ 95, 99. This Court can grant that relief in full without the IDRE's participation, and complete relief among the existing parties is all that Rule 19(a)(1)(A) requires.

The fact that other entities may be impacted by the declaratory relief does not render them necessary parties. Such a proposition would lead to absurd results: every IDRE, insurer, and provider who has ever engaged in the IDR process would be a necessary party to *any* action seeking to clarify the scope of the NSA. Federal courts routinely interpret statutes without joining every entity that might be affected by the interpretation. A party is only "necessary" under Rule 19(a)(1)(B) if it claims "a 'legally protected interest' in the subject of the action" and that party's absence will "'impair or impede' the party's ability to protect that interest or will leave an existing party subject to multiple, inconsistent legal obligations[.]" *White v. Univ. of Cal.*, 765 F.3d 1010, 1026 (9th Cir. 2014). But that interest must be more than merely an interest in the regulatory landscape in which the non-party operates its business. *Cachil Dehe Band of Wintun Indians of the Colusa Indian Cmty. v. Cal.*, 547 F.3d 962, 971-72 (9th Cir. 2008). Instead, it must be highly specific to the non-party, legally protectable, and not merely a financial interest or speculation about future events. *White*, 765 F.3d at 1026-27. IDREs have no such interest here. IDREs are merely arbiters who consider other parties' claims; they have no stake in the outcome of this litigation beyond applying whatever law this Court articulates.

IAS also argues that dismissal is required because IDREs allegedly enjoy arbitral immunity and therefore cannot be joined even if necessary. Mot. at 16-17 (citing *Guardian Flight, L.L.C. v. Med. Evaluators of Tex. ASO, L.L.C.*, 140 F.4th 613 (5th Cir. 2025)). Arbitral immunity, like judicial immunity, shields the decision-maker from suit for its quasi-judicial functions. It does not transform the immune party into a "necessary" party for litigation against someone else. The question under Rule 19(a) is whether complete relief can be afforded among the existing parties, not whether some non-party might have

immunity if sued directly. IAS's argument conflates these distinct inquiries. IAS cannot manufacture an indispensable party problem by pointing to a non-party's claimed immunity from suit.

D. Leave To Amend Must Be Granted If Deficiencies Exist In The Complaint

United's Complaint states a coherent and well-pleaded theory of fraud over which this Court has jurisdiction. To the extent the Court identifies any technical deficiencies, they can readily be cured through amendment. "Dismissal with prejudice and without leave to amend is not appropriate unless it is clear . . . that the complaint could not be saved by amendment." *Eminence Cap., LLC v. Aspeon, Inc.*, 316 F.3d 1048, 1052 (9th Cir. 2003) (per curiam). This is United's first Complaint; IAS has not previously sought to dismiss, and United has not previously amended. Under these circumstances, leave to amend should be freely given. Fed. R. Civ. P. 15(a)(2).

IAS argues that amendment would be "futile," but futility requires showing "beyond a doubt that there are no set of facts that defendants can prove in support of the proposed amendment." *Steigleman v. Symetra Life Ins. Co.*, 2019 WL 13199202, at *2 (D. Ariz. Nov. 25, 2019). IAS has not met this standard. United has alleged specific, concrete facts establishing each element of fraud. IAS's futility argument is nothing more than an attempt to avoid litigating this case on the merits.

Even if this Court were to credit IAS's jurisdictional or joinder arguments, dismissal must be entered without prejudice. *See, e.g.*, *Barke v. Banks*, 25 F.4th 714, 721 (9th Cir. 2022) (per curiam); *Dredge Corp. v. Penny*, 338 F.2d 456, 464 (9th Cir. 1964). Under any theory IAS advances, dismissal with prejudice would be inappropriate, and United respectfully requests leave to amend should the Court find any deficiency in its pleading.

IV. CONCLUSION

For the foregoing reasons, United respectfully requests that this Court deny IAS's Motion to Dismiss in its entirety.

RESPECTFULLY SUBMITTED this 13th day of April, 2026.

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