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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.

Case No. 2:26-cv-00667-KML

DEFENDANT IAS ARIZONA PLLC'S REPLY TO PLAINTIFF'S RESPONSE TO MOTION TO DISMISS

Plaintiff Arizona Physicians IPA, Inc., d/b/a UnitedHealthcare Community Plan of Arizona ("United") has failed to state a claim—much less a claim that can be heard in federal court. United's dissatisfaction with the dispute resolution process established by the No Surprises Act ("NSA") and administered by independent dispute resolution entities ("IDREs") does not entitle it to pursue a state-law fraud claim against IAS Arizona PLLC ("IAS") in federal court. At the threshold, United's fraud claim does not confer federal

question jurisdiction. Multiple other federal courts confronted with the same theory—that a state-law claim purportedly raising "questions under the NSA" supports federal jurisdiction—have rejected it and dismissed for lack of subject-matter jurisdiction. And even if jurisdiction existed, United failed to properly allege its sole state-law fraud claim, a failure that cannot be cured by amendment. United alleges no recoverable damages, and it concedes that it did not rely on the alleged misrepresentation, a concession fatal to its sole fraud claim.[1] This action should proceed no further. The Complaint should be dismissed in its entirety with prejudice because United cannot cure these defects.

A. United Fails to Satisfy the Well-Pleaded Complaint Rule.

As a preliminary matter, United's Response does not even attempt to argue that its declaratory judgment claim independently satisfies § 1331, resting its entire jurisdictional theory on the assertion that "United's fraud claim cannot be resolved" without answering three questions of federal law. DKT. 13 at 6. Because the declaratory count cannot serve as a jurisdictional hook, United must effectively concede IAS's point: there is no coercive federal cause of action available to either party under the NSA, which provides no private right of action. This alone demonstrates that United failed to satisfy the well-pleaded complaint rule, as federal jurisdiction rises or falls with United's state-law fraud claim, the elements of which are governed entirely by Arizona common law.

As for its fraud claim, United claims that three "questions" require interpretation of federal law: (1) "whether this Medicaid claim is eligible for the IDR process";[2] (2) "whether IDR awards improperly issued on ineligible claims are binding"; and (3)

[1] United inappropriately claims throughout its response that IAS "does not and cannot" deny United's claims, but United's attorneys know, of course, that IAS's motion to dismiss is not the proper place for IAS to deny United's factual allegations or lay out what actually happened. *See Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009).

[2] There is no dispute about whether Medicaid claims are eligible for IDR. They are not. 42 U.S.C. 300gg-111(c)(1)(A)–(B). IAS does not dispute this, and the Complaint does not allege that any such dispute exists. Rather, the Complaint alleges that IAS and the IDRE *should have known* that the claim was a Medicaid claim rather than a commercial insurance claim (DKT. 1 at ¶¶ 56, 60–62, 65, 79), and therefore, the eligibility certification was fraudulent (*id.* at ¶ 68). And United itself argues at length that the eligibility question is a question of fact, not law. *See* DKT. 13 at 15–16 ("The attestation was, at its core, a factual misrepresentation that commercial insurance coverage existed.").

"whether submitting a knowingly false attestation of IDR eligibility constitutes actionable fraud." DKT. 13 at 7. The first two questions are not elements of United's sole state-law fraud claim, and the third question is purely a question of state law. This is fatal to United's argument. Arizona fraud requires proof of nine elements: a representation, its falsity, its materiality, the speaker's knowledge of falsity, the speaker's intent, the hearer's ignorance, the hearer's reliance, the hearer's right to rely, and consequent injury. *See Green v. Lisa Frank, Inc.*, 221 Ariz. 138, 156, 211 P.3d 16, 34 (Ariz. Ct. App. 2009). At most, the IDR process provides the backdrop against which the alleged fraud occurred; it is not "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).

United's effort to distinguish the two cases that squarely address challenges to the IDR process—precisely the challenge United brings here—*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), falls short. United contends those cases are inapposite because the plaintiffs there were medical providers seeking to confirm IDR awards, and the federal questions arose "only as defenses," whereas here, United is the plaintiff, and the federal questions purportedly arise from its "affirmative claims." DKT. 13 at 7. But this is a distinction without a difference. The dispositive holdings in both cases are not limited to who occupied the plaintiff's chair, a point underscored by the recent dismissal of claims brought by health insurers alleging, as United does here, that providers committed fraud when they certified claims were eligible for IDR. *See Anthem Blue Cross Life and Health Ins. Co., et al. v. HaloMD, LLC, et al.*, 2026 WL 982629, No. 8:25-cv-01467-KES (C.D. Calif. Apr. 9, 2026); *Aetna Health Inc., et al. v. Radiology Partners, Inc., et al.*, No. 3:24-cv-01343-BJD-LLL (M.D. Fla. Apr. 16, 2026).

In *Anthem*, the court dismissed all of Anthem's claims. 2026 WL 982629, at *2. Anthem alleged federal RICO violations based on wire fraud and requested vacatur of the allegedly fraudulently obtained IDR awards. *Id.* at *1. Like United's claims, Anthem's

claims rested on allegations that HaloMD and the healthcare providers for whom HaloMD submitted claims committed fraud by falsely certifying that claims were eligible for IDR. *Id.* at *4. The court concluded that the NSA specifically precluded judicial review of the IDR awards. *Id.* *8–9. The court reasoned that Anthem alleged, as United does here, that it knew the claims were ineligible and contested eligibility before the IDRE. *Id.* The IDRE considered Anthem's objections and sided with HaloMD and the healthcare providers, thus precluding judicial review of the IDR award. *Id.* The Court determined that review of Anthem's RICO fraud claims would require the Court to determine whether the IDR was correct in siding with HaloMD and the providers, which would constitute impermissible judicial review of IDR awards. *Id.* at *9–10. The court further concluded that it did not have jurisdiction to grant Anthem's request—nearly identical to United's request here—for declaratory and injunctive relief, noting that Anthem's "theories are all end runs around the NSA's limits on judicial review." *Id.* at *10. After *dismissing with prejudice* all of Anthem's federal claims, the court refused to exercise supplemental jurisdiction over Anthem's state-law claims. *Id.*

In *Aetna Health Inc.*, the court reached the same conclusion and dismissed Aetna's claims that a healthcare provider committed fraud by falsely certifying that claims were eligible for IDR. *Aetna Health Inc.*, at 4. The court concluded that allowing Aetna's fraud claim to proceed "would have the same effect as discarding the administrative process established by Congress [in the NSA]." *Id.* at 9. The court also denied Aetna's request for declaratory and injunctive relief, noting that "the Court is not empowered to take a preliminarily [sic] review" of claims not yet submitted to IDR. *Id.* at 9–10.

United's claims against IAS are strikingly similar to the claims the insurers asserted in *Anthem* and *Aetna Health Ins.*, and similarly, United's claims should be dismissed.

Moreover, United's efforts to distinguish *Billing* and *Columbus* are unavailing. In *Billing*, the court held that the three questions the insurer raised—"whether the NSA applied, whether the IDREs had authority, [and] whether payment is required"— "are not elements of Petitioners' state law confirmation claim"; rather, they are "challenges to the

validity of the awards" that do not satisfy the well-pleaded complaint rule. 2025 WL 2921909, at *3.

Likewise, in *Columbus*, the court rejected the insurer's contention that the claims required deciding whether IDR awards were "validly awarded" and "enforceable," finding that the defendant "conflates the general legal elements of the state law claims asserted with the specific facts of this case." 2024 WL 1342764, at *3. That is precisely what United does here: it conflates the factual setting of its fraud allegations—the IDR process—with the legal elements of Arizona common-law fraud. Whether the plaintiff is a provider, insurer, or some other third party is immaterial. The jurisdictional analysis is the same: if the elements of the state-law claim do not require interpreting federal law, the well-pleaded complaint rule is not satisfied, and jurisdiction does not lie. Just like in *Billing*, although United's "complaint details the Parties' participation in the NSA's IDR procedures, it does not invoke the NSA as the basis for relief..." *Billing*, 2025 WL 2921909, at *3. For this reason alone, United's Complaint should be dismissed.

B. United's Claims Do Not Satisfy the Grable/Gunn Factors.

Even assuming *arguendo* that the well-pleaded complaint rule does not independently foreclose jurisdiction, United's claims still fail because they do not fit within the "special and small category" of cases recognized in *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308 (2005) in which federal question jurisdiction still lies. Under that framework, federal jurisdiction over a state-law claim exists only when 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). All four prongs must be satisfied, and United has not met any of them.

First, no federal issue is "necessarily raised" because United's fraud claim can be adjudicated entirely under Arizona common law without construing the NSA. "[A] plaintiff's right to relief for a given claim necessarily depends on a question of federal law only when every legal theory supporting the claim requires the resolution of a federal

issue." *Columbus Emergency*, 2024 WL 1342764, at *2 (quoting *Flying Pigs, LLC v. RRAJ Franchising, LLC*, 757 F.3d 177, 182 (4th Cir. 2014)). Here, United's fraud claim requires proof that IAS made a false representation, that United relied on it, and that United suffered injury—none of which demands interpretation of the NSA. The NSA merely describes the procedural setting; it is not a "necessary element." *Billing*, 2025 WL 2921909, at *3.

Second, no federal issue is "actually disputed" between the parties in the manner *Grable* envisions. In *Grable*, "the meaning of the federal statute" was "the only legal or factual issue contested in the case." 545 U.S. at 315. Here, by contrast, the "central point," according to United, is IAS's alleged factual misrepresentation that commercial insurance coverage existed for the claim submitted to IDR—not a genuine contest over the meaning of the NSA. *See* DKT. 13 at 15-16. United's conclusory assertion that its state tort claim will require judicial interpretation of the NSA cannot transform a fact-specific state-law fraud claim into a federal dispute.

Third, United's claims present no "substantial" question of federal law. Substantiality looks to the importance of the issue "to the federal system as a whole." *Gunn*, 568 U.S. at 260. A common-law tort claim like United's requires an inherently fact-specific analysis, which is exactly the type of case that federal courts have rejected as presenting a substantial question of federal law. *City of Oakland v. BP PLC*, 969 F.3d 895, 907 (9th Cir. 2020); *see also Merrell Dow*, 478 U.S. at 814 (holding that "the presence of the federal issue as an element of the state tort is not the kind of adjudication for which jurisdiction would serve congressional purposes and the federal system"). United's single-claim dispute over one allegedly ineligible submission is precisely such a fact-bound controversy that lacks the hallmarks of substantiality.

Finally, exercising federal jurisdiction here would disrupt the federal-state balance. If every state-law fraud claim that happened to arise in the context of a federal regulatory process could be pulled into federal court, the exception would swallow the rule, and the "special and small category" that *Gunn* described would be neither special nor small. The

Court should "veto" federal jurisdiction and dismiss for lack of subject-matter jurisdiction. *See Grable*, 545 U.S. at 313.

C. United Failed to State a Claim for Common Law Fraud Under Arizona Law.

Even if the Court were to find that it has federal question jurisdiction, United's Complaint should be dismissed because it fails to state a claim for common law fraud under Arizona law. United's Response does not cure the fundamental defects that IAS identified in its Motion. Rather, United's opposition confirms that its fraud theory depends on stretching Arizona's common law elements beyond recognition—substituting a third party's reliance for the plaintiff's own, imputing knowledge through an agent to manufacture scienter, and repackaging mandatory arbitration fees as fraud damages. None of these maneuvers states a plausible claim for relief.

First, United's Response fails to overcome IAS's showing that United did not comply with Rule 9(b)'s heightened pleading standard. United does not dispute that HaloMD—not IAS—submitted the claim and signed the attestation through the IDR portal. Instead, United invokes agency principles and contends that HaloMD acted as IAS's agent. DKT. 13 at 9–10. But even accepting the agency theory at face value, Rule 9(b) still requires United to plead "the who, what, when, where, and how" of the fraud with particularity. *Vess v. Ciba-Geigy Corp. USA*, 317 F.3d 1097, 1106 (9th Cir. 2003). United never alleges that any IAS employee reviewed the patient claim, directed HaloMD to submit the attestation, or had any involvement in the specific submission at issue. The Complaint merely asserts in conclusory fashion that IAS acted "with full knowledge of, or at the very least with reckless disregard to, the falsity" of the attestation. DKT. 1 at ¶ 106. Labeling HaloMD as an "agent" does not supply the particularized factual allegations that Rule 9(b) demands. *See Cruz v. Dollar Tree Stores, Inc.*, 2007 WL 2729214, at *4 (N.D. Cal. Sept. 18, 2007) ("The specific identity of those who allegedly perpetrated the fraud is clearly important in satisfying the heightened pleading requirement of Rule 9(b).").

Second, United has not and cannot adequately plead reliance or ignorance of falsity. United's own Complaint demonstrates that it never relied on IAS's attestation and was

never ignorant of its alleged falsity. United admits that it immediately contested eligibility with the IDRE (DKT. 1 at ¶ 69) and subsequently reiterated to the IDRE that the claim was "not eligible" for IDR because the patient was enrolled in Medicaid (DKT. 1 at ¶ 71). United does not and cannot credibly allege that it relied on the attestation. *See Arnold & Associates, Inc. v. Misys Healthcare Sys.*, 275 F. Supp. 2d 1013, 1028 (D. Ariz. 2003) ("the absence in the Complaint of any allegations of a justifiable right to rely is fatal to [the] claim"). United attempts to salvage its claim by arguing that the attestation "forced" United into the IDR process, stripping it of "decisional autonomy." DKT. 13 at 11–12. But this theory substitutes coercion for reliance and finds no support in the law. The reliance element requires that the plaintiff actually and justifiably relied on the alleged misrepresentation; being compelled to participate in an IDR process is not the same as relying on a false statement. Moreover, United's attempt to distinguish *Borecki v. Safeguard Security & Comm'cs, Inc.*, 2012 WL 1343952 (D. Ariz. Apr. 18, 2012), is unavailing. In *Borecki*, the court dismissed a fraud claim where the plaintiff alleged that a third-party administrative decision-maker's reliance on the defendant's alleged misrepresentation satisfied the reliance element of fraud. *Id.* at *2. United's theory is functionally identical: United alleges that the IDRE relied on IAS's attestation and that this third-party reliance somehow "forced" United to rely as well. DKT. 1 at ¶ 107. The court in *Borecki* held that "[e]ven if true, these facts would not state a claim for fraud." 2012 WL 1343952, at *2. Thus, United has not and cannot allege reliance.

Third, United has not adequately alleged scienter. United concedes that HaloMD—not IAS—submitted the claim and made the attestation. United does not allege that IAS oversaw HaloMD's submission, nor does it allege that IAS had actual knowledge of the specific claim being submitted or the attestation being made. Instead, United relies on the legal fiction that HaloMD's knowledge is automatically imputed to IAS under agency law. DKT. 13 at 13–14. But conclusory assertions of agency cannot substitute for the factual allegations that *Iqbal* and *Twombly* require. Further, even assuming the attestation was a misrepresentation, it was directed at the IDRE—not United—which defeats any claim that

IAS intended for United to act upon it. *See Navajo Health Found.-Sage Mem'l Hosp. Inc. v. Razaghi Dev. Co. LLC*, 800 F. Supp. 3d 955, 983 (D. Ariz. 2025).

Finally, United has not (and cannot) allege cognizable damages. United concedes that it has not paid the IDR award. DKT. 1 at ¶ 110. The only damages claimed are the administrative and IDRE fees incurred in the IDR process. But Arizona follows the American Rule, under which litigation costs, arbitration costs, attorneys' fees, and the like "are not recoverable either in the same or a subsequent action unless provided for by statute or by agreement of the parties." *Wichansky v. Zowine*, 150 F. Supp. 3d 1055, 1065 (D. Ariz. 2015). United contends that administrative and IDRE fees are not "voluntary litigation costs" but rather "mandatory fees imposed by an inapplicable federal regulatory scheme." DKT. 13 at 14. This characterization does not change the result. Whether denominated as "administrative fees" or "arbitration costs," these are the costs of participating in a dispute resolution process—precisely the type of expenditure the American Rule bars as a basis for damages. Moreover, because United does not allege that it actually relied on IAS's attestation, it cannot show that the fees were the "hearer's consequent and proximate injury" resulting from reliance on a misrepresentation, as Arizona law requires. *See Green*, 211 P.3d at 34. Without reliance, there can be no damages flowing from reliance, and United's fraud claim fails on this independent basis as well.

D. <u>The IDRE Is an Indispensable Party That Cannot Be Joined.</u>

United glosses over its sweeping request that the Court declare that "***IDREs*** have no authority or jurisdiction over [Medicare/Medicaid] claims under the NSA," DKT. 1 at ¶ 97 (emphasis added). To be clear, United is asking the Court to declare the rights of a party or parties that are not defendants in this case. United contends that these IDREs are not necessary parties because "such a proposition would lead to absurd results[,]" requiring "every IDRE" to "be a necessary party to any action seeking to clarify the scope of the NSA." DKT. 13 at 21. While IAS agrees that United's request for declaratory relief is absurd, it is not the absence of the insurers and providers that makes this request absurd. It is that United is asking the Court to enjoin and declare the rights of a party that is not

present to defend itself. And the reason why United has not added the IDRE is clear: IDREs enjoy arbitral immunity. Granting United's requested relief would directly impair IDREs' legally protected interests and subject them to conflicting obligations if other courts ruled differently. Because United seeks to bind absent, immune parties, the action cannot proceed "in equity and good conscience" and must be dismissed. *See Welsh v. Loudbear*, 2025 WL 2380442, at *4 (D. Ariz. Aug. 15, 2025).

E. Leave to Amend Would be Futile and Should Not be Granted.

Even if United could cure its failure to plead the requisite "who, what, when, where, and how" of its fraud claim, amendment would be futile. United concedes that it did not rely on the complained-of attestation and cannot plead recoverable damages—fatal defects that cannot be cured by repleading.

Conclusion

For the foregoing reasons, IAS respectfully requests that the Court dismiss United's Complaint *with prejudice*.

DATED this 28th day of April, 2026.

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CERTIFICATE OF SERVICE

I hereby certify that on April 28, 2026, I caused a true and correct copy of the foregoing document to be filed with the Clerk of the Court through the U.S. District Court Electronic Filing System, which caused notice of such filing to be sent electronically to the registered attorneys of record.

/s/ Michael A. McCanse
Michael A. McCanse