



A State False Claims Act Jeopardizes Patient Access to Care in Rural Communities

A state false claims act (FCA) would jeopardize the financial viability of struggling rural hospitals and likely would result in a net financial drain to the state.¹

The majority of the commonwealth’s rural hospitals operate in the red, providing critical care despite having negative operating margins.

In fact, Governor Wolf recently [acknowledged the financial vulnerability of rural hospitals](#) while promoting efforts for rural hospitals to “help achieve financial stability,” recognizing that doing so will “improve the overall health of the community.”² The Legislature recently passed Rural Health Redesign Center legislation in conjunction with the Governor’s Rural Health Payment Model.

Given their precarious financial landscape, many rural hospitals are only one frivolous lawsuit away from closing their doors

- Legal observers fear a state FCA will have unintended consequences on rural hospital viability and, in turn, on the physical and economic health of rural Pennsylvania
- Rural areas, whose residents are generally older, poorer, and sicker than suburban or urban residents, housed more than a quarter of all Pennsylvanians during 2018—almost 3.4 million people³, according to the [Center for Rural Pennsylvania](#)
- Beyond delivering critical health care to residents, rural hospitals are often the economic engine of their communities, supporting more than [88,000 jobs](#) for Pennsylvanians, nearly 50,000 of which were directly funded by hospitals

“Providing quality health care to residents living in rural communities has been one of the main priorities of the department under Governor Tom Wolf... Rural hospitals are essential members of our communities, and their success impacts the lives of every Pennsylvanian.” *Rachel Levine, MD, Secretary of Health*



Hospitals are also among the **top ten largest employers** in 39 of Pennsylvania’s 48 rural counties (that is, 39 of the 41 rural counties with hospitals).

A State FCA is Unnecessary, Redundant, and Ripe for Abuse

- Pennsylvania’s hospitals work hard to prevent any kind of billing mistakes and prevent fraud by working with state and federal agencies and developing internal processes
- It is never a good use of hospital resources, time and money, to be spent on responding to requests for information and defending lawsuits brought against them for baseless and innocent mistakes
- The hospital industry already is heavily regulated by state and federal compliance entities. All hospitals maintain corporate compliance programs—which include written policies, a compliance officer and committee, education programs, a compliance hotline, and ongoing monitoring/auditing—to ensure that dollars go to patient care
- The Pennsylvania Office of Attorney General (OAG) **already** has authority to pursue criminal actions against individuals or businesses that defraud the commonwealth's Medicaid Program
 - The OAG currently participates in federal FCA settlements
 - Fraud and Abuse provisions in state law cover the same violations as the federal FCA and authorize **recovery of twice** the amount of any actual losses, plus interest
- A state FCA would **be duplicative** of the federal FCA, which already applies to Medicaid fraud. Whistleblowers file most cases in federal courts under the federal FCA
- The burden of proof is very low, leaving the door wide open for unnecessary and expensive legal costs for actions like billing mistakes



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¹ Hyer AM. [The good, the bad, and the ugly: the unnecessarily broad impact of qui tam civil False Claims Act cases on rural health care providers](#). Health Matrix Clevel. 2013 Fall;23(2):459-91.

² [Wolf Administration Announces Newest Participants in Rural Health Model](#). Press release 12/26/19.

³ Center for Rural Pennsylvania. [Demographics: Quick Facts](#). Last accessed: 1/21/2020.