

NEWS RELEASES

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Services

Appellate
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Professionals**BRIAN G. FLOOD**

AUSTIN:

512.370.3443

BRIAN.FLOOD@

HUSCHBLACKWELL.COM

LORINDA G. HOLLOWAY

AUSTIN:

512.479.1149

LORINDA.HOLLOWAY@

HUSCHBLACKWELL.COM

NICHOLAS D. STEPP

HOUSTON:

713.525.6228

NICK.STEPP@

HUSCHBLACKWELL.COM

DANNY G. SOLOMON

Husch Blackwell Assists LabCorp in Securing Texas Supreme Court Victory in Medicaid Fraud Statute Case

Husch Blackwell, serving as Texas local counsel, helped secure a significant victory for client Laboratory Corporation of America Holdings (LabCorp) at the Supreme Court of Texas. It held that the Texas Health Care Program Fraud Prevention Act requires the State to prove materiality in order to impose liability for alleged omissions as well as for false statements or misrepresentations. The victory is especially significant given that the State threatened sanctions if LabCorp continued to press certain defenses to which the State objected and given the State's forceful effort to further distance its Act from the federal False Claims Act and *Escobar*.

The Court reversed the First District Court of Appeals' contrary ruling and reinstated the trial court's summary judgment in LabCorp's favor, finding that no materiality existed on the record. LabCorp had openly disclosed its billing practices to the Office of the Attorney General in 2014, and the State continued to pay LabCorp's claims for seven years thereafter without any kind of objection or protest.

The Supreme Court's decision provides critical guidance on the materiality requirement under the Texas Health Care Program Fraud Prevention Act—a threshold element that can determine whether liability attaches at all in Medicaid fraud and qui tam actions. The Court aligned Texas law with the U.S. Supreme Court's landmark ruling in *Universal Health Services, Inc. v. United States ex rel. Escobar*, holding that not every regulatory violation gives rise to statutory liability and that a violation is not material simply because compliance is designated a condition of payment. Attorneys and healthcare

providers navigating Texas Medicaid compliance and fraud-prevention obligations should be aware of this favorable precedent.

The dispute arose from a qui tam action in which NPT Associates sued LabCorp, alleging it violated Texas Medicaid billing regulations by failing to offer the State the same pricing and discounts extended to other payors. The State of Texas intervened, seeking substantial civil penalties for transactions spanning more than twenty years. LabCorp had disclosed its two-tier pricing structure and billing practices to state investigators in 2014 through document productions, in-person presentations, and a detailed white paper, yet the State continued to pay each of LabCorp's claims through 2021 without lodging any objection. The trial court granted LabCorp summary judgment.

The Husch Blackwell team was led by partners Brian Flood and Lorinda Holloway, and included appellate support from Nick Stepp, Danny Solomon, Michael Raupp, and Sandy Hellums-Gomez.