Third Circuit Holds Claims Asserted by GEICO Subject to Arbitration



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In a recent decision, the United States Court of Appeals for the Third Circuit reversed three separate lower court decisions which found that an insurer's fraud claims against medical practices are not subject to arbitration under the New Jersey Insurance Fraud Prevention Act (IFPA). GEICO initiated civil lawsuits against three New Jersey healthcare providers seeking relief under the IFPA, claiming the providers engaged in a pattern of submitting fraudulent claims for PIP benefits. In the lawsuits, GEICO alleged that the providers filed exaggerated claims for medical services, billed medically unnecessary care, and engaged in illegal kickback schemes.

The three cases originated in the Federal District Court for the District of New Jersey, which held in each case that claims under the IFPA cannot be arbitrated, even if the agreements between the parties included arbitration clauses. The Third Circuit disagreed, determining that the New Jersey Supreme Court would likely allow arbitration of IFPA claims, and that arbitration is compelled by the IFPA because the law is broad and encompassing, does not carve out fraud, and explicitly includes fraud-like claims. The Third Circuit also held that because the contracts themselves included arbitration clauses, the claims are subject to an arbitration agreement and must be compelled to arbitration under the Federal Arbitration Act.

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For more information, contact:
Keith J. Roberts | 973.364.5201 | kroberts@bracheichler.com
Shannon Carroll | 973.403.3126 | scarroll@bracheichler.com

Paul DeMartino | 973.364.5228 | pdemartino@bracheichler.com

Authors

The following attorneys contributed to this insight.



Keith J. Roberts

Member
Litigation, Healthcare Law

973.364.5201 · 973.618.5585 Fax

kroberts@bracheichler.com



Shannon Carroll

Member
Healthcare Law, Litigation

973.403.3126 · 973.618.5988 Fax

scarroll@bracheichler.com



Paul J. DeMartino, Jr.

Counsel
Healthcare Law, Litigation

973.364.5228 · 973.860.4221 Fax

pdemartino@bracheichler.com