

Daily Journal

FEBRUARY 19, 2020

Top Verdicts

The largest and most significant verdicts and appellate reversals in California

TOP DEFENSE VERDICTS

State of California ex rel. Rapier v. SRCC Associates LLC



PETER A. STROTZ



JAMES W. BOSWELL III



MICHAEL PAULHUS



STEPHANIE JOHNSON



VINAY KOHLI

California Department of Insurance lawyers intervened and prosecuted a whistleblower’s complaint against Prime Healthcare Services, which operates 45-hospitals in 14 states, including its Encino Hospital affiliate. The complaint alleged insurance fraud.

Lawyers at King & Spalding defended Prime Healthcare Services, one of the many defendants in the case, and obtained a complete defense verdict from Judge William F. Fahey of Los Angeles County Superior Court. *State of California ex rel. Rapier v. SRCC Associates LLC*, BC641254 (L.A. Super. Ct., filed Nov. 18, 2016).

King & Spalding’s lead lawyers, Peter A. Strotz and James W. Boswell III, said the plaintiff’s case was flawed and the defense established an important principle for future similar complaints.

“The court said the CDI over-

reached by going after claims over which it had no jurisdiction, such as claims submitted to other state insurers,” noted Boswell, the leader of his firm’s national healthcare team. “They brought fraud claims where the facts really did not support fraud.”

The judge also ruled that claims seeking penalties under California’s IFPA statute are not subject to jury trial because they are equitable in nature.

Strotz, the managing partner of King & Spalding’s Los Angeles office, said very few such cases get to trial at all because of the threat that an adverse verdict could be subject to trebling.

“There are many more resolutions than trials in this area, but what animated our decision to try the case was that fraud is a very serious allegation and our client wasn’t willing to settle,” Strotz said.

Added Boswell: “We came in to replace other counsel as the case pointed toward trial. We looked hard at the facts and found it defensible. There was simply no intent on the part of our client to submit false claims. Other providers will be encouraged by this because we called out government overreaching.”

A Department of Insurance spokesman, Michael Soller, emailed, “The department respectfully disagrees with the trial court decision and has appealed the judgment.” The appeal contends that numerous key points were never rebutted by the defendants. Its motion for a new trial also includes allegations that the judge treaded the plaintiffs unfairly. “The Court interrupted Plaintiffs’ closing over 50 times,” it said. “A new and fair trial is required.”

—John Roemer

case INFO

**Insurance Frauds Prevention Act
Los Angeles County
Superior Court Judge William F. Fahey**

Defense lawyers: King & Spalding LLP, Peter A. Strotz, James W. Boswell III, Mike E. Paulhus, Stephanie F. Johnson, Vinay Kohli, Lee Nutini; Wilson Elser Moskowitz Edelman & Dicker LLP, Dean A. Rocco, Scott Tropio, Daniel S. Hurwitz, Herbert P. Kunowski, Craig C. Hunter

Plaintiff’s lawyers: California Department of Insurance, Michael J. Levy, J. Scott McNamara, Nicholas G. Campins; Waters Kraus & Paul; Kay Gunderson Reeves, Michael L. Armitage, Charles S. Siegel; Bartlett Barrow LLP, Brian P. Barrow, Jennifer L. Bartlett