



Client Alert

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Georgia Supreme Court Rejects Deference to the State's Interpretation of Medicaid Provider Manuals

On July 11, 2008, the Georgia Supreme Court issued a significant decision for providers in *Pruitt Corp. v. Dept. of Community Health*. The decision reverses a Court of Appeals' decision giving substantial deference to the Department of Community Health's (DCH's) interpretation of its Medicaid reimbursement manuals. Indeed, the Supreme Court's ruling potentially swings the pendulum the other way, meaning that any ambiguities in the reimbursement manuals will be construed against the Department and in favor of providers. [Arnall Golden Gregory, LLP](#) represented the provider in the case, with Glenn Hendrix handling oral argument and Ashley Kelly and Richard Gardner assisting on the brief.

In this case, [Pruitt Corporation](#), a provider of skilled nursing center services, won its Medicaid reimbursement appeal at the Administrative Law Judge ("ALJ") level, but that decision was reversed by the DCH Commissioner. The superior court then overturned the Commissioner and adopted the ALJ decision in favor of the provider; however, the Court of Appeals reversed in favor of DCH.

The case involved the interpretation of DCH's Medicaid policy and procedures manuals, which set forth the terms and conditions of reimbursement to Medicaid providers. In recent years, most ALJs have applied the rules of contract construction in interpreting the manuals, which generally works to the benefit of providers. The Court of Appeals' decision took an approach that was much more deferential to DCH, treating the manuals as administrative rules and holding that "we must defer to the department's decisions regarding policy, as well as the department's interpretation and enforcement of its own rules." The Court of Appeals' decision significantly reduced the odds of a successful appeal by a Medicaid provider of an adverse reimbursement determination by DCH.

The Supreme Court specified the issues to be addressed on appeal as follows: "Whether the Court of Appeals was correct in its application of the 'clearly erroneous' standard and in its holding that the Department's interpretation of its manual is entitled to deference."

The Court decided each of those issues in the provider's favor. Among some of the key points in the ruling:

- The Supreme Court held that “the Court of Appeals erred in affording judicial deference to DCH’s interpretation of the manual.”
- The Court ruled that the disputed language from the DCH manual is “a contractual provision, and its meaning is determined by application of the rules of contract construction.” This finding is significant because if the DCH manual were interpreted as a regulation, as opposed to a contract, DCH’s interpretation would be entitled to deference. Application of the rules of contract construction may go beyond leveling the playing field to actually tip it in favor of providers. In that regard, ambiguities in a contract are construed against the drafter, and the DCH manual is of course drafted by DCH
- The Court “disagree[d] with the Court of Appeals’ agreement with DCH’s assertion that the final decision of the administrative agency was entitled to deference if there was any evidence to support it” and held further that the court is “authorized to reverse or modify the agency decision upon a determination that the agency’s application of the law to the facts is erroneous.” In so ruling, the Georgia Supreme Court disavowed language in its prior opinions issued in 1977 and 1991 which could be interpreted to the contrary.

An amicus brief was filed by the Georgia Health Care Association, the Georgia Hospital Association, the Medical Association of Georgia, the Georgia Dental Association, the Georgia Psychological Association and the Georgia Pharmacy Association. AGG attorneys Glenn Hendrix, Rich Gardner, and Ashley Kelly assisted in the preparation of that amicus brief. An amicus brief was also filed by Georgia Legal Services.

Please [click here](#) for a copy of the opinion. For more information, please contact [Glenn Hendrix](#), [Rich Gardner](#), or [Ashley Kelly](#).

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