

Federal and State Laws Relating to False Claims and False Statements

Purpose

This policy outlines the legal framework governing false claims and false statements submitted to government programs, including Medicaid. It reflects the YAI Network's commitment to ethical conduct, accurate billing, and full compliance with federal and state laws. The policy covers relevant statutes and enforcement mechanisms in the jurisdictions of the United States federal government, New York State, New Jersey, and California.

Federal Laws

Under federal law, individuals and organizations may be subject to significant penalties for submitting false or fraudulent claims to the government. The primary statute governing such conduct is the Federal False Claims Act (31 U.S.C. §§ 3729–3733). This law prohibits knowingly submitting false claims for payment, using false records or statements to support such claims, or retaining government funds through fraudulent means. Importantly, liability under the Act extends not only to intentional fraud but also to conduct carried out in deliberate ignorance or reckless disregard of the truth.

Violations of the Federal False Claims Act are subject to civil penalties ranging from \$13,508 to \$27,018 per claim, as adjusted for inflation in 2023. In addition, violators may be liable for up to three times the amount of damages sustained by the government. Providers found in violation may also be excluded from participation in Medicare and Medicaid programs.

A related statute, the Program Fraud Civil Remedies Act (31 U.S.C. §§ 3801–3802), provides administrative remedies for false claims submitted to federal agencies. Unlike the False Claims Act, a violation under this law occurs upon submission of a false claim, regardless of whether payment is made. Enforcement is handled through administrative proceedings rather than the federal courts. Penalties include civil fines of up to \$5,000 per false claim or statement and assessments of up to twice the amount of the claim.

New York State Laws

New York State has enacted its own False Claims Act (N.Y. State Finance Law §§ 187–194), which closely mirrors the federal statute. It applies to false or fraudulent claims submitted to any state or local government entity, including Medicaid. Civil penalties under the New York False Claims Act range from \$6,000 to \$12,000 per claim, with recoverable damages between two and three times the amount falsely received. The law also allows for the recovery of legal fees incurred by the government.

In addition to the False Claims Act, New York's Social Services Law § 145-b prohibits the knowing submission of false statements or the concealment of material facts to obtain payment from public funds. Violations may result in civil penalties ranging from \$2,000 to \$7,500 per claim and up to treble damages. Social Services Law § 145 makes it a misdemeanor to submit false information in order to receive public assistance, including Medicaid. Under § 145-c, individuals who make false or misleading statements in connection with applications for public assistance may be excluded from such programs for periods ranging from six months to several years, depending on the number of offenses.

Additional provisions under Social Services Law §§ 366-b, 366-d, and 366-f impose criminal and civil penalties of up to \$10,000 on individuals or entities who knowingly submit false information to obtain greater compensation or authorization for services under the Medicaid program.

New York Penal Law also addresses fraudulent conduct. Section 155 defines larceny to include obtaining property through trick, embezzlement, false pretense, or false promise. This statute has been applied in Medicaid fraud cases. Penalties vary based on the value of the property involved, ranging from a Class E felony for amounts over \$1,000 to a Class B felony for amounts exceeding \$1 million.

Penal Law § 175 imposes criminal penalties for falsifying business records or submitting false claims to public offices. Depending on the nature and intent of the violation, offenses may be classified as misdemeanors or felonies. Section 176 addresses insurance fraud, including Medicaid claims, with penalties ranging from a Class A misdemeanor to a Class B felony. Section 177 similarly penalizes false statements or omissions in connection with health insurance claims.

New Jersey State Laws

New Jersey's False Claims Act (N.J.S.A. 2A:32C-1 et seq.) imposes civil penalties on individuals and entities that knowingly submit false claims to the state. As amended by P.L. 2023, c.073 (A5584), the penalty range is now explicitly tied to the federal False Claims Act and adjusted for inflation. As of 2025, penalties range from approximately \$13,508 to \$27,018 per violation, plus up to three times the damages sustained by the state. The Act includes qui tam provisions, allowing whistleblowers to bring actions on behalf of the state and share in recoveries.

The New Jersey Medical Assistance and Health Services Act (N.J.S.A. 30:4D-17) criminalizes fraudulent conduct in connection with Medicaid benefits. Willfully obtaining unauthorized payments or submitting false statements is classified as a third-degree crime, punishable by three to five years of imprisonment. Repeat offenses or fraud exceeding \$1,000 elevate the charge to a second-degree crime, carrying a penalty of five to ten years. Civil penalties include repayment of excess benefits, interest, up to three

times the amount obtained, and fines matching federal FCA ranges. Additional penalties of \$15,000 to \$25,000 per violation may also apply.

The New Jersey Health Care Claims Fraud Act (N.J.S.A. 2C:21-4.2 and 2C:21-4.3) targets fraudulent health care claims. Licensed practitioners who knowingly commit fraud face second-degree charges, while reckless conduct results in third-degree charges. Non-practitioners face third-degree charges for knowing violations and fourth-degree charges for reckless conduct. Repeat offenses involving five or more claims totaling \$1,000 or more escalate to second-degree charges. Fines may reach up to five times the monetary benefit obtained.

Under the Uniform Enforcement Act (N.J.S.A. 45:1-21), professional licensure boards may refuse to admit individuals to examinations or may suspend or revoke licenses for engaging in fraud, deception, or misrepresentation. The New Jersey Consumer Fraud Act (N.J.S.A. 56:8-2 et seq.) prohibits unconscionable commercial practices, deception, and fraud in connection with the sale or distribution of goods and services. Violations may result in penalties and restitution to victims.

California State Laws

The California False Claims Act (Cal. Gov't Code §§ 12650–12656) imposes civil penalties of \$5,500 to \$11,000 per violation, adjusted for inflation, plus treble damages. The Act includes qui tam provisions that allow whistleblowers to bring actions on behalf of the state. A 2024 amendment (AB 256) expanded the scope of the Act to include false claims arising from violations of labor standards on public works contracts. Contractors who misrepresent compliance with prevailing wage laws or apprenticeship requirements may now be held liable under the CFCA.

California Welfare and Institutions Code § 14107 criminalizes fraudulent claims submitted to the Medi-Cal program. Knowingly submitting false claims or information to obtain greater compensation is punishable as either a misdemeanor (up to six months in jail and a \$1,000 fine) or a felony (two, three, or five years imprisonment and fines up to three times the fraud amount).

California Penal Code § 550(a)(5)–(7) addresses false health care benefit claims to insurers. Penalties vary based on the amount involved, with misdemeanors for claims under \$950 and felonies for larger claims. Felony penalties include imprisonment of up to five years and fines of up to \$50,000 or double the fraud amount. Penal Code § 72 makes it a crime to knowingly present false or fraudulent claims to state or local government entities. This is a wobbler offense, punishable as either a misdemeanor (up to one year in jail and a \$1,000 fine) or a felony (up to three years imprisonment and a \$10,000 fine).

Whistleblower Protections

Both federal and state False Claims Acts include provisions that protect whistleblowers from retaliation. Individuals with direct and independent knowledge of false claims may file lawsuits on behalf of the government and, under certain circumstances, receive an award of 15 to 30 percent of the monies recovered, in addition to attorneys' fees and costs. However, awards may be reduced or barred if the whistleblower planned or initiated the violation, or if the matter is already under investigation or previously disclosed.

Federal and New York laws, including N.Y. Labor Law §§ 740 and 741, protect employees who report fraud or improper patient care in good faith. Under § 741, disclosures related to patient care are protected, and employees must generally notify their supervisor and give the employer a reasonable opportunity to correct the violation. Penalties for retaliatory action include reinstatement with comparable seniority, back pay with interest, compensation for special damages, attorneys' fees, and civil penalties in cases of bad faith.

New Jersey's Conscientious Employee Protection Act (CEPA) and California's Government Code § 12653 provide similar protections for employees who report suspected fraud or misconduct.

YAI Network Policy

All employees, agents, and contractors of the YAI Network are expected to support the organization's commitment to accurate billing and the prevention and detection of false claims. Any concerns or suspected violations should be reported to a supervisor or the Compliance Officer. Retaliation against individuals who report concerns in good faith is strictly prohibited and may result in disciplinary action.

For Policy Committee Use ONLY

Document History:

<u>Summary of Changes</u>	<u>Effective Date</u>
Initial Version	2007
Updated statutory references and reformatted document	May 25, 2012
Minor changes to the scope of policy to include other YAI corporations.	August 1, 2014

Updated format and added reference to NJ and CA	July 7, 2022
Reviewed without revisions	03/23/2023
Reformatted, added further detail about NJ and CA laws	12/29/2025