

Sheppard Mullin Obtains Landmark Victory in Federal Circuit on Behalf of Health Plans in Affordable Care Act Risk Corridor Litigation

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In a published opinion, the U.S. Court of Appeals for the Federal Circuit sided with Sheppard Mullin clients, a group of health plans and insurers, and vacated a \$185 million fee award the U.S. Court of Federal Claims had granted to class counsel Quinn Emanuel Urquhart & Sullivan LLP.

Background on the Case

Beginning in 2018, in several class actions, groups of health plans challenged the federal government's failure to make mandatory "risk corridors" payments to health plans that suffered losses associated with their participation in the Affordable Care Act's marketplaces. Quinn Emanuel served as class counsel in two of those cases.

In 2020, in one of the cases brought by a group of health plans not represented by Quinn Emanuel, the Supreme Court ruled in favor of the class and held that the government must pay risk corridor payments as it promised. After that decision, judgment was entered in favor of all health plans and insurers in all of the cases, including those brought by Quinn Emanuel.

After judgment was entered Quinn Emanuel asked for \$185 million in fees to be paid from the class members' recovery. A group of class members, represented by Sheppard Mullin, objected to the fee motion contending it was inconsistent with promises Quinn Emanuel made to class members in the class notice. The Claims Court rejected the objections and granted Quinn Emanuel the full amount it sought. The objectors appealed, arguing that the Claims Court disregarded the terms of the class notice by failing to conduct a lodestar cross-check to determine whether the fee award was reasonable in light of the hours that Quinn Emmanuel spent working on the case. On January 31, in an unanimous ruling, the Federal Circuit agreed with the objectors, vacated the "extraordinarily high" fee award and ordered the Claims Court to reconsider the appropriate amount in a manner consistent with the class notice.

Partner Moe Keshavarzi and associates Jack Burns and Matthew Halgren represented the health plan and insurer objectors.

The cases are *Health Republic Ins. Co., et al. v. United States*, Fed. Cir., No. 22-1018 and *Common Ground Healthcare Cooperative et al. v. United States*, Fed. Cir., No. 22-1019.

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Practice Areas

Litigation

Industries

Healthcare