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“All Foam and No Beer:” First Circuit Shields Lab From Relator’s Ginned-Up FCA Case

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The U.S. Court of Appeals for the First Circuit has weighed in on Omni Healthcare, Inc.’s (Omni) False Claims Act (FCA) allegations against MD Labs, issuing a decisive win for the defendant. On December 1, 2025, a unanimous First Circuit panel held there was insufficient evidence to find that MD Labs “knowingly” submitted false Medicare claims, thereby affirming the Massachusetts district court’s decision granting motion for summary judgment for MD Labs. *U.S. ex rel. Omni Healthcare Inc. v. MD Spine Solutions, LLC, et al*, Case No. 25-110 (1st Cir. 2025). The First Circuit (in a matter of first impression) held that in FCA cases alleging Medicare fraud based on laboratory testing, a laboratory may rely on a doctor’s order to show that tests are “reasonable and necessary” (as required by the Medicare Act). *Id.* The burden then shifts to the FCA claimant to rebut this showing. *Id.* The First Circuit agreed with the district court in concluding that Omni failed to present any evidence through which a reasonable jury could find that MD Labs knowingly submitted false Medicare claims.

Between 2017 and 2019, Omni sent MD Labs samples for UTI testing. MD Labs ran the tests and reported the results, and Medicare reimbursed MD Labs for a portion of the tests. Omni’s owner instructed medical assistants to order only newer, more expensive testing from MD Labs, even if the provider had requested the older, less expensive testing to beef up a Medicare fraud case against MD Labs (UTI test claims). Omni, a frequent flyer in the *qui tam* world, sued MD Labs on behalf of the government for a host of claims, including Medicare fraud under the FCA. Omni claimed that the more expensive tests were medically unnecessary, and thus MD Labs, in recouping payments for these tests, submitted claims that did not comply with Medicare’s “reasonable and necessary” standard, thus “knowingly” submitting false claims. The U.S. intervened in part, but declined to intervene on Omni’s claims relating to the UTI test claims. MD Labs settled with the government and Omni to resolve the intervened claims. As part of the settlement, Omni retained the right to pursue the claims against MD Labs about unnecessary test submissions. Omni’s UTI test claims continued, and in January 2025, the court granted summary judgment to MD Labs, finding that MD Labs and its employees did not know that the laboratory was performing medically unnecessary tests. *Omni Healthcare, Inc. v. MD Spine Sols. LLC*, 761 F. Supp. 3d 356, 370-71 (D. Mass. 2025). MD Labs then moved for an award of attorneys’ fees incurred defending against those claims.

In September 2025, Judge Saris granted MD Labs’ motion for attorneys’ fees in a rare fee-shifting ruling. *Omni Healthcare, Inc. v. MD Spine Sols. LLC*, No. 18-cv-12558-PBS, 2025 U.S. Dist. LEXIS 173361 (D. Mass. Sept. 5, 2025).The court found that Omni “misused [its] statutory privilege and distorted the intent” of the FCA. Judge Saris agreed with MD Labs’ allegation that Omni knowingly manufactured false claims solely to substantiate a *qui tam* action and found Omni’s conduct was “extremely troubling.” Dkt. 286 at 1; *Omni Healthcare, Inc. v. MD Spine Sols. LLC*, 761 F. Supp. 3d at 360, 369. While the FCA provides financial incentives to encourage potential

relators to expose fraud, it "does not prioritize this aim at all costs," Judge Saris ruled. Now that the First Circuit has affirmed the summary judgment decision, a fee award determination is likely forthcoming, thus ending this saga.

The FCA allows defendants to receive reasonable attorneys' fees and expenses if the defendant prevails and if "the court finds that the claim of the [Relator] was clearly frivolous, clearly vexatious, or brought primarily for purposes of harassment." 31 U.S.C. § 3730(d)(4). To prevail on a motion seeking attorneys' fees under § 3730(d)(4), a defendant "must demonstrate that the plaintiff has misused his statutory privilege and distorted to the intent of the legislature." *U.S. ex rel. Grynberg v. Praxair, Inc.*, 389 F.3d 1038, 1058 n.22 (10th Cir. 2004).

This ruling against a relator stands in notable contrast to communications and actions by the Department of Justice (DOJ) in recent months, which seek to expand the scope and impact of the FCA. *See, e.g.*,The False Claims Act Enters the School Zone; Recent DOJ Intervention Highlights FCA Use Against Customs Fraud.

This case shows that while the power of the FCA is alive (and growing), the statutory boundaries of relator conduct will still be enforced, particularly in cases where the relators themselves contribute to and cause the fraudulent conduct.

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