Press Coverage | July 27, 2026

Exclusions May Climb as HHS Expands Authority to CMS; HHS Pauses $1B in Medicaid Payments

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Callan G. Stein

Cal Stein, a partner in Troutman Pepper Locke's Health Care + Life Sciences Practice Group, was quoted in the July 27, 2026, *Report on Medicare Compliance* article, "Exclusions May Climb as HHS Expands Authority to CMS; HHS Pauses $1B in Medicaid Payments."

> States are essentially being hit with a large-scale version of credible allegations of fraud, said attorney Callan Stein, with Troutman Pepper Locke. CMS has the authority to suspend Medicare or Medicaid payments to individual providers in the face of a credible allegation of fraud.
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> "Many providers have received a credible-allegation-of-fraud letter alleging they're engaging in fraud, waste and abuse. CMS is permitted to suspend payments" until completing an investigation, he said.
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> What CMS is doing at the state level is comparable, Stein said. "I have seen this a million times on the provider level," he noted. "It's a similar philosophy for combating fraud, waste and abuse."
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> He doesn't think CMS is saying $867.5 million worth of California's Medicaid claims are fraudulent. "They're saying, 'we have a credible allegation of fraud.'"
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> CMS will presumably work with the states to evaluate what it believes is fraud, potentially affecting hundreds of thousands of providers, Stein said.
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> "When this is resolved, and some of the state money is retained by HHS, there will be prosecutions of those providers," Stein said.
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> Stein is less impressed with the extension of exclusion authorities to CMS because credible allegations of fraud letters are "effectively an exclusion from Medicare while they investigate. One could argue that CMS has been effectively excluding providers for some time now."
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> The de facto exclusion can last years, and it can't be appealed, he noted.
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> Stein said a lab client received a credible-allegation-of-fraud letter about a specific service and "it was three years before the investigation resolved itself." The lab was forced to close because it wasn't receiving Medicare payments.

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