**MAINE SUPREME JUDICIAL COURT**
**SITTING AS THE LAW COURT**

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**Law Court Docket No. AND-25-479**

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**ASHLEY LYNNE, et al.**
*Plaintiffs/Appellees*

**v.**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES, et al.**
*Defendants/Appellants*

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**On Appeal from Androscoggin County Superior Court**

# Brief of Defendants/Appellants Department of Health and Human Services and Commissioner Sara Gagné-Holmes

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## INTRODUCTION

The Department of Health and Human Services and Commissioner Sara Gagné-Holmes (collectively, "DHHS") have appealed the Order on DHHS's Motion for Summary Judgment entered by the Androscoggin County Superior Court (*Archer, J.*). This matter concerns DHHS's efforts to collect reimbursement for Medicaid payments that it made on behalf of Plaintiff L.W. The Medicaid reimbursement is sought from the medical expenses portion of the settlement that Plaintiffs Ashley Lynne and L.W. obtained from liable third parties.

The parties agree that the State of Maine, having elected to operate a Medicaid program, is required by federal law to seek these funds from the settlement. The issue presented to this Court is how to determine the proper calculation of the amount that federal law requires to be recovered. The Superior Court's Order results in a reimbursement amount that is not reasonable and not consistent with federal law, and consequently not consistent with the pertinent state law, 22 M.R.S.A. § 14 (Supp. 2025). The Court should vacate the Superior Court's Order and remand the case to the Superior Court with instructions to enter judgment in favor of DHHS.

## STATEMENT OF FACTS AND PROCEDURAL HISTORY

The following facts are undisputed and taken from the summary judgment record below. On April 10, 2021, Plaintiff L.W. suffered an injury to her arm and elbow. (Appendix ("A.") 51, 54.) Medical expenses incurred by L.W. in relation to this injury totaled $207,591.04. (A. 52, 54.) At all relevant times, including from April 10, 2021, through November 15, 2024, L.W. was covered by MaineCare, the State's Medicaid program, for medical insurance. (A. 51-52, 54.)

DHHS's Office of MaineCare Services ("OMS") is responsible for administering MaineCare. (A. 51, 54.) DHHS through MaineCare paid $34,078.70 in satisfaction of the medical expenses that L.W. incurred associated with the April 10, 2021 injury. (A. 52, 54.) Pursuant to 22 M.R.S.A. § 14(1), DHHS has an automatic statutory lien for "the cost of benefits provided" on "the proceeds of an award or settlement from a 3rd party . . . to the extent of the recovery for medical expenses[]" (the "MaineCare Lien"). 22 M.R.S.A. § 14(1). In this matter, DHHS has a lien of $34,078.70 on the settlement award produced through the underlying tort case. (A. 52, 54-55, 59.)

On May 18, 2023, in connection with the April 10, 2021 injury, Ms. Lynne and L.W. initiated a lawsuit against potentially liable third parties, Quadrant Associates and Quadrant Property Management, in Androscoggin County Superior Court. (A. 52, 55.) Ms. Lynne and L.W. valued their underlying tort case against Quadrant Associates and Quadrant Property Management at a total value of $375,000 in damages. (A. 52, 55.) DHHS does not disagree with this figure. The calculation of the total damages of their underlying tort case included $204,183.78 in medical expenses.[1] (A. 52, 55.) On October 24, 2024, the parties to the May 18, 2023 lawsuit agreed to settle Ms. Lynne's and L.W.'s claims in consideration of a payment of $160,000. This settlement amount is subject to the MaineCare Lien. (A. 52, 55.)

On August 21, 2024, Ms. Lynne and L.W. initiated this civil action against DHHS pursuant to 22 M.R.S.A. § 14(2-F). (A. 4). They filed an amended complaint on August 26, 2024. (A. 4.)

[1] The Superior Court noted the slight discrepancy in the summary judgment record regarding the amount of medical expenses. (*See* A. 9 (Order n. 2).) $207,591.04 is the amount of medical expenses determined by OMS. $204,183.78 is the amount of medical expenses that Ms. Lynne and L.W. used in their calculations of the value of the underlying tort case for settlement purposes. As $204.183.78 is the amount used by Ms. Lynne and L.W. for that calculation, that is the amount that is relevant to the Court's settlement apportionment analysis. The difference is not material.

Under Section 14(2-F):

> Except as otherwise provided in this subsection, a disbursement of any award, judgment or settlement may not be made to a recipient without the recipient or the recipient's attorney first paying to the department that amount of the award, judgment or settlement that constitutes reimbursement for medical payments made or obtaining from the department a release of any obligation owed to it for medical benefits provided to the recipient.

Section 14(2-F) further provides that, if there is a dispute about the amount to be reimbursed to DHHS, then either DHHS or a MaineCare recipient "may apply to the Superior Court … for an order to determine a reasonable amount in satisfaction of the statutory lien, consistent with federal law."

On March 13, 2025, DHHS moved for summary judgment, asking the court to rule that the entire MaineCare Lien amount of $34,078.70 must be reimbursed (i.e., paid to DHHS) from the third-party settlement. (A. 5, 44-45.) On October 6, 2025, the Superior Court (*Archer, J.*) entered an order denying DHHS's summary judgment motion and, pursuant to M.R. Civ. P. 56(c), entering judgment in favor of Ms. Lynne and L.W. (the "Superior Court Order"). (A. 8-19.) The Superior Court ruled that $14,540.25 was a reasonable amount to satisfy DHHS's MaineCare Lien,

consistent with federal law. (A. 18-19.) On October 23, 2025, DHHS timely filed its Notice of Appeal. (A. 6.)

## ISSUE PRESENTED FOR REVIEW

I. Whether it was an error of law when the Superior Court entered judgment in favor of Ms. Lynne and L.W., where the Superior Court Order did not determine a reasonable amount to satisfy DHHS's MaineCare Lien consistent with federal law.

## SUMMARY OF THE ARGUMENT

Ms. Lynne brought this action pursuant to 22 M.R.S.A. § 14(2-F) requesting that the Superior Court limit DHHS's MaineCare Lien on her third-party tort settlement. (A. 24-26.) Under Section 14(2-F), the Court's role is to determine what is a "reasonable amount" to satisfy the MaineCare Lien, "consistent with federal law."

In its motion for summary judgment, DHHS accepted Ms. Lynne's and L.W.'s representation of the facts regarding the value of the underlying tort claim and settlement amount, including the amount of medical expenses included in the value of the underlying tort claim. There are no genuine issues as to any material fact. Given the undisputed facts in this matter and pursuant to the federal Medicaid Act as interpreted by the Supreme Court of the United States in *Arkansas Department of Health and Human Services v. Ahlborn*, 547 U.S. 268

(2006), and its progeny, the Court should conclude that the "reasonable amount" to satisfy the MaineCare Lien, consistent with federal law, is $34,087.70. That amount is far less than the portion of the $160,000 settlement amount that is attributable to medical expenses. The Superior Court Order results in a reimbursement amount that does not bear a rational relationship to the amount of medical expenses included in the settlement and is neither reasonable nor consistent with federal law.

## ARGUMENT

### I. The Superior Court committed an error of law by entering judgment in favor of Ms. Lynne and L.W. as its Order incorrectly determines a reasonable amount to satisfy the MaineCare consistent with federal law.

#### A. Standard of Review

This Court reviews "the entry of a summary judgment for errors of law, independently viewing the evidence in the parties' statements of material facts and any record references therein in the light most favorable to the party against whom the judgment was entered." *N. Sebago Shores, LLC v. Mazzaglia*, 2007 ME 81, ¶ 12, 926 A.2d 728. The Court's review is *de novo*. *Rowe v. State Mut. Ins. Co.*, 2025 ME 89, ¶ 14, 345 A.3d 162. The Court will uphold the summary judgment where

"there is no genuine issue as to any material fact and the [prevailing] party is entitled to judgment as a matter of law." *Id.* The Court reviews questions of law *de novo*. *Doane v. Dep't of Health & Hum. Servs.*, 2021 ME 28, ¶ 15, 250 A.3d 1101 (quotation marks omitted).

B. Federal and State Framework

Medicaid is a joint federal and state program that provides payment for medical assistance to individuals who are unable to purchase other means of medical insurance. *See* 42 U.S.C.A. § 1396a (Westlaw through Pub. L. No. 119-59). States that elect to participate in the Medicaid program are subject to certain federal requirements to operate the program for its residents. *Id.* "States participating in Medicaid must comply with [the Medicaid Act's] requirements or risk losing Medicaid funding." *Gallardo By & Through Vassallo v. Marstiller*, 596 U.S. 420, 424 (2022) (quotation marks omitted).

MaineCare is Maine's Medicaid program. *See* 22 M.R.S.A. § 3173 (Supp. 2025). DHHS's "MaineCare program is the payor of last resort and shall provide medical coverage only when there are no other available resources." 22 M.R.S.A. § 14(1); *see also Ahlborn*, 547 U.S. at

291 (". . . Congress, in crafting the Medicaid legislation, intended that Medicaid be a 'payer of last resort.'").

The federal Medicaid Act requires as a condition of eligibility that Medicaid recipients assign to the State any rights to payment for medical care from a third party (the "Medicaid Recovery Requirement"). 42 U.S.C.A. §§ 1396a(a)(45) and 1396k(a)(1)(A) (Westlaw through Pub. L. No. 119-59); *see also Gallardo*, 596 U.S. at 424 ("[T]he Medicaid Act requires a State to condition Medicaid eligibility on a beneficiary's assignment to the State of any rights ... to support ... for the purpose of medical care and to payment for medical care from any third party." (quotation marks omitted)).

Participating states are required to "take all reasonable measures to ascertain the legal liability of third parties . . . to pay for care and services available under the plan[.]" 42 U.S.C.A. § 1396a(a)(25)(A). Once legal liability is ascertained and Medicaid funded medical assistance has been provided to the Medicaid recipient, the participating state must seek cost-effective reimbursement to the extent of such legal liability. 42 U.S.C.A. § 1396a(a)(25)(B).

States that elect to participate in the Medicaid program, as Maine has, must enact a law that provides that if Medicaid payments are made for medical assistance and a third party is legally liable to pay for that assistance, "the State is considered to have acquired the rights of such individual to payment by any other party for such health care items or services." 42 U.S.C.A. § 1396a(a)(25)(H). In accordance with Section 1396a(a)(25)(H), the Maine Legislature enacted 22 M.R.S.A. § 14.

Section 14(1) provides in pertinent part that:

> When benefits are provided or will be provided to a member under the MaineCare program . . . for the medical costs of injury, disease, disability or similar occurrence for which a 3rd party is, or may be, liable, the commissioner may recover from that party the cost of the benefits provided.

"The commissioner's right to recover the cost of benefits provided constitutes a statutory lien on the proceeds of an award or settlement from a 3rd party . . . to the extent of the recovery for medical expenses." *Id.* (emphasis added). This is the "MaineCare Lien."

The Medicaid Recovery Requirement, described above, is limited by the Medicaid Act's "Anti-Lien Provision" found at 42 U.S.C.A. § 1396p(a)(1) (Westlaw through Pub. L. No. 119-59). The Anti-Lien Provision provides that "[n]o lien may be imposed against the property of

any individual prior to his [or her] death on account of medical assistance paid or to be paid on his [or her] behalf under the State plan." 42 U.S.C.A. § 1396p(a)(1).

C. The Superior Court Order is Contrary to Federal Law and Supreme Court Precedent.

DHHS must recover the amount of its MaineCare Lien amount on settlement award up to the amount represented by medical expenses. *Wos v. E.M.A. ex rel. Johnson*, 568 U.S. 627, 633 (2013). In this matter, $375,000 was the total value of the damages in the underlying tort claim. Medical expenses comprised $204,183.78 of the total value of that $375,000. The underlying tort claim settled for $160,000. Medical expenses comprised 54% of the total value of the damages – using the proration formula which was found acceptable by the Supreme Court in *Ahlborn*, $86,400 of the $160,000 settlement is attributed to medical expenses and available to satisfy the entirety of DHHS's $34,078.70 MaineCare Lien. *See* 22 M.R.S.A. § 14(1).

*i.* Reconciling the "Medicaid Recovery Requirement" and the "Anti-Lien Provision"

In *Ahlborn*, the Supreme Court addressed the tension between the Medicaid Recovery Requirement and the Anti-Lien Provision. Under

*Ahlborn*, State Medicaid programs, including DHHS, are required to seek reimbursement for Medicaid payments made on behalf of Medicaid recipients when there is a legally liable third party that is required to make those payments on behalf of that recipient. 547 U.S. at 275-77. The Court in *Ahlborn* held that States may collect no more than the amount of the award or settlement that is attributable to medical expenses. *Id*. at 280-81.

The dispute in *Ahlborn* was between a Medicaid recipient, Heidi Ahlborn, and the Arkansas Medicaid Administrator. *Id*. at 272-73. The Arkansas Medicaid program paid for Ms. Ahlborn's medical care and sought recovery of its medical costs from Ms. Ahlborn's settlement award from a third-party tortfeasor. *Id*. Ms. Ahlborn settled her case for $550,000. *Id.* at 274. The Arkansas Medicaid program asserted a Medicaid Lien of $215,645.30, the full amount of its Medicaid payments made on behalf of Ms. Ahlborn, and not just the portion of a judgment or settlement that represents "payment for medical expenses." *Id*. at 274, 278. Ms. Ahlborn argued that the Anti-Lien Provision prohibited Arkansas from recovering any portion of the settlement that was not attributable to medical expenses. *Id*. at 279-80.

The parties in *Ahlborn* stipulated to the following facts: 1) that Ms. Ahlborn's underlying tort claim was reasonably valued at $3,040,708.12; 2) that the settlement was one-sixth of the underlying tort claim's value; and 3) that the Arkansas Medicaid program would be entitled to only $35,581.47 if Arkansas could only recover the portion of the settlement payment that was attributable to medical expenses settlement. *Id.* at 274, 280 ("ADHS has stipulated that only $35,581.47 of that sum represents compensation for medical expenses").

The Supreme Court in *Ahlborn* held that the Anti-Lien Provision prohibits states from taking a Medicaid recipient's property absent a statutory exception. *Id.* at 283-85; *see* 42 U.S.C.A. § 1396p(a)(1). The Court further held that the Medicaid Recovery Requirement in 42 U.S.C.A. §§ 1396a(a)(25)(A)-(B), (H) and 1396k(a)(1) was an exception to the Anti-Lien Provision and permitted states to recover medical expenses paid out by Medicaid. *Ahlborn*, 547 U.S. at 284. The Medicaid Recovery Requirement allows states to recover from the liable third-party only that portion of the award or settlement that is attributable to medical expenses, but not other property interest (*i.e.*, pain and suffering damages and lost wages). *Id.* at 280-81, 284, 291-92; *see also Matter of*

*Est. of Martin v. Ark. Dep't of Hum. Servs.*, 574 S.W.3d 693, 700 (Ark. App. Ct. 2019) ("The only restriction that the *Ahlborn* Court placed on DHS's repayment is that DHS cannot infringe on the nonmedical-damages portion of a recipient's settlement." (emphasis added)).

Under the stipulations in *Ahlborn*, the portion of the settlement payment that was attributable to medical expenses was $35,581.47. *Id.* at 280. Thus, Arkansas was entitled to just $35,581.47, rather than the full amount of its Medicaid payments ($215,645.30). 547 U.S. at 292.

*ii.* Determining What Portion of a Settlement is Attributable to Medical Expenses

*Ahlborn* establishes that states are limited to recovering only that portion of a third-party award or settlement attributable to medical expenses, but does not address how to allocate medical expenses in an unallocated settlement. *Wos*, 568 U.S. at 634 ("A question the Court had no occasion to resolve in *Ahlborn* is how to determine what portion of a settlement represents payment for medical care."). This is because in *Ahlborn*, the parties stipulated the amount of the award that was attributable to medical expenses. *Id.*

*Wos* addressed North Carolina's Medicaid Recovery Requirement statute, which created a conclusive presumption that one-third of every award was recoverable, attributing that amount to medical expenses unless the Medicaid Lien was lower. *Id.* at 632. The Court held that North Carolina's approach was preempted by the Medicaid Act because it potentially violated the Anti-Lien Provision by allowing recovery on the portion of a tort award not actually designated for medical expenses. *Id.* at 636, 639 ("An irrebuttable, one-size-fits-all statutory presumption is incompatible with the Medicaid Act's clear mandate that a State may not demand any portion of a beneficiary's tort recovery except the share that is attributable to medical expenses."). The Court explained that the allocation of medical expenses in settlements could be set by judicial decree or via stipulation of the parties. *Id*. at 638. Otherwise, if the parties cannot agree, they may submit the matter to a court for a decision. *Id*.

The Medicaid Act does not expressly prescribe how Medicaid-participating states are required to calculate the portion of a settlement award allocated for medical expenses. *See* Id. at 641-43 ("States have considerable latitude to design administrative and judicial procedures to

ensure a prompt and fair allocation of damages."). Maine has not prescribed a statutory method for allocation.[2]

In *Gallardo By and Through Vassallo v. Marstiller*, the Court addressed a dispute between a Medicaid recipient and a state Medicaid program administrator in Florida. 596 U.S. at 426-27. The issue in *Gallardo* was whether the Anti-Lien Provision prohibits recovery from the portion of an award or settlement that is attributable to future medical expenses. *Id.* at 428. The Court held that the Anti-Lien Provision does not include such a prohibition and that Medicaid programs "may seek reimbursement from settlement amounts representing payment for medical care, past or future." *Id.* (quotation marks omitted).

While the issue of future medical expenses does not arise in this matter, *Gallardo* makes clear that the portion of the settlement or award that represents "medical expenses" is not limited to past payments actually made by the Medicaid agency. 596 U.S. at 429 ("The relevant distinction is thus 'between medical and nonmedical expenses,' *Wos*, 568

[2] While *Wos* suggests other methods such as establishing "rebuttable presumptions and adjusted burdens of proof" or adopting "*ex ante* administrative criteria for allocating medical and nonmedical expenses[,]" Maine's statute has remained silent on a prescribed method of allocation. 568 U.S. at 641, 643; *cf.* 22 M.R.S.A. § 14.

U.S. at 641, 133 S.Ct. 1391, not between past expenses Medicaid has paid and future expenses it has not."); *see also Matter of Est. of Martin*, 574 S.W.3d at 700.

*iii.* Allocating the Medical Expenses in the Settlement Consistent with *Ahlborn* and its Progeny

The parties agree that a prorated calculation should be used to determine the medical expenses portion of a settlement award and be consistent with federal law as required by 22 M.R.S.A. § 14(2-F). *See Matter of Est. of Martin*, 574 S.W.3d at 696 ("*Ahlborn* does provide that parties may agree to a proportional allocation[.]"). But DHHS does not agree with Ms. Lynne and L.W., or with the Superior Court, on how to calculate those medical expenses consistent with *Ahlborn*.

A determination of the medical expenses portion of an unallocated settlement must be done in accordance with the Supreme Court's rulings in *Ahlborn*, *Wos*, and *Gallardo*. 22 M.R.S.A. § 14(2-F). When prorating a settlement's medical and non-medical damages pursuant to Section 14(2-F), the calculation must be reasonable and thus should be mathematically valid based on the facts presented.

As discussed by a Florida court in *Palacios v. Agency for Health Care Administration*:

> Implicit in proportionality methodology—when the constituent parts of the total damages are proven by clear and convincing evidence—is the premise that a fair allocation of otherwise unallocated settlement proceeds is intended to compensate a portion of each of those established constituent parts. And unless otherwise indicated, the only reasonable way to figure out what those portions are is to maintain the ratio of each component to the whole. After all, "allocate" in this space means to apportion a whole based on a formula or ratio, or divide out a whole into proportional parts.

418 So.3d 800, 807 (Fla. Dist. Ct. App. 2025).

In DHHS's view, the portion of the settlement that is allocated to medical expenses should be determined by dividing M (the amount of medical expenses included in the total of all damages) by T (the total of all damages). This results in R (the ratio of medical expenses to the total of all damages). In other words, M/T = R. *Id*. at 807-08.

$$\frac{\text{Medical Expenses}}{\text{Total Damages}} = \text{Ratio of medical expenses to the total damages}$$

The medical expenses ratio (R) should then be multiplied by the settlement amount to determine the amount of the settlement that is

attributable to medical expenses.[3] *Id.* at 804 ("[I]f x-percent of the valuation of total damages can be proven to be medical expenses, x-percent of the settlement proceeds reasonably can be allocated to those expenses.").

The total damages in the underlying tort case were $375,000 (T). (A. 18.) Ms. Lynne and L.W. allege, and DHHS does not dispute, that medical expenses comprised $204,183.78 (M) of that $375,000. (*See* A. 52, 55.) And $204,183.78 (M) divided by $375,000 (T) equals roughly 0.5444 (R), i.e., roughly 54%.

$$\frac{\$204{,}183.78}{\$375{,}000} = \text{Medical expenses ratio of } 0.54449008$$

As previously explained, a proration calculation requires that both the medical expenses and non-medical expenses portions of the total damages award (or settlement) be reduced ratably. Therefore, the medical expenses ratio (R) should be applied to the settlement amount of

[3] The following hypothetical demonstrates the proration calculation using round numbers for simplicity: Parties agree the total value of a case comprises $100,000 in total damages. Parties agree that medical expenses represent $40,000 of the total value of the damages. This means medical expenses are 40 percent of the total damages. The matter settles for $10,000. All damages are uniformly reduced from the total value of the case to the settlement amount. Medical expenses remain 40 percent of the total damages represented in the settlement. Therefore, medical expenses would comprise $4,000 of this hypothetical settlement.

$160,000 to arrive at the portion of the settlement amount that is attributable to medical expenses. *See Palacios*, 418 So.3d at 807; (A. 52, 55.)

Applying the medical expenses ratio R (0.54) to the settlement amount of $160,000 in this case, $86,400 of the settlement is attributable to medical expenses. Pursuant to *Ahlborn* and its progeny, the Anti-Lien Provision prohibits DHHS from recovering any amount of its MaineCare Lien in excess of $86,400. *Ahlborn*, 547 U.S. at 280-81.

DHHS paid only $34,078.70 in medical services related to the April 10, 2021 injury. Thus, in this case, the MaineCare expenditures of $34,078.70 is the cap on what DHHS must recover pursuant to its statutory lien (*i.e.*, DHHS cannot recoup more than it spent even when the medical expenses represented in the award or settlement is higher than the MaineCare Lien amount; any additional medical expenses damages included in the settlement award would remain with Ms. Lynne and L.W.).

The pertinent Maine statute directs a court to make a determination of "a reasonable amount in satisfaction of the statutory lien, consistent with federal law." 22 M.R.S.A. § 14(2-F) (emphasis

added). Here, the medical expenses included in the settlement agreement ($86,400) are significantly higher than the payments made by DHHS ($34,087.70).

Thus, this case presents no tension between the MaineCare Lien amount and the Anti-Lien Provision. As such, DHHS is required by federal law to recover the entirety of the MaineCare Lien amount of $34,087.70. *See Gallardo*, 596 U.S. at 425 ("T]he State must use these (and other) tools to seek reimbursement from third parties to the extent of [their] legal liability' for a beneficiary's care and services available under the plan. . . a State may seek reimbursement from the portion of a settlement designated for the 'medical care' described in those provisions[.]") (quotation marks omitted)).

In light of *Ahlborn*, *Wos*, and *Gallardo*, payment of the MaineCare Lien in full in this case is the only "reasonable amount in satisfaction of the statutory lien, consistent with federal law." 22 M.R.S.A. § 14(2-F). Any reduction of the MaineCare Lien based on factors outside of the Medicaid Act or that conflict with the Medicaid Act's requirement that states seek payment recovery from potentially liable third parties would

be unreasonable and inconsistent with federal law. *See* 42 U.S.C.A. §§ 1396a(a)(25) & 1396k(a)(1).

*iv*. The Superior Court Order Contains an Error of Law, as it Misconstrues What the Federal Law Requires

The Superior Court erred by determining that $14,540.25 was a reasonable determination of the portion of the $160,000 settlement that was attributable to medical expenses in light of the undisputed facts. (A. 18.) The Superior Court correctly states that "neither *Ahlborn* nor *Wos* prescribed a specific formula to determine how to calculate the attributable portion of medical payments in a settlement." (A. 15.) The Court then concludes that "[t]he values necessary to apply the *Ahlborn* formula include the settlement amount, the full value of a plaintiff's claim, and the amount of medical bills actually paid." (A. 18.)

This interpretation conflicts with *Ahlborn*. *See* 547 U.S. at 281 n.10 ("The effect of the stipulation is the same as if a trial judge had found that Ahlborn's damages amounted to $3,040,708.12 (<u>of which $215,645.30 were for medical expenses</u>), but because of her contributory negligence, she could only recover one-sixth of those damages." (emphasis added)). *Ahlborn* supports DHHS's view that the correct methodology is

to determine the ratio of medical expenses to total damages and multiply that fraction by the settlement amount to determine the amount of the settlement that is attributable to medical expenses. *Id*. *Ahlborn* does not support an automatic reduction of the Medicaid Lien by determining the proportion of the settlement to the total value of the tort claim and multiplying that fraction by the MaineCare Lien, as mandated in the Superior Court Order. *Id.*; *see Matter of Estate of Martin,* 574 S.W.3d at 696 ("Nor does *Ahlborn* require an automatic reduction—or any reduction—in the amount of Medicaid's claim." (emphasis added)); (A. 18.)

The Superior Court Order relied on two cases: *Southwest Fiduciary, Inc. v. Arizona Health Care Cost Containment System Administration*, 249 P.3d 1104 (Ariz. Ct. App. 2011), and *Farah v. Department of Medical Assistance Services*, 868 S.E.2d 422 (Va. 2022). (A. 17.) Neither case is controlling here, and the Court should not give weight to them.

Moreover, *Southwest Fiduciary, Inc.* was decided prior to *Wos* and *Gallardo*, and the Arizona court's conclusion that *Ahlborn* only allowed for examination of the amount paid by the Medicaid agency rather than apportioning the settlement between medical and non-medical expenses

is directly rejected by the subsequent Supreme Court decisions. *See e.g.*, *Gallardo*, 596 U.S. at 429 ("The relevant distinction is thus 'between medical and nonmedical expenses,' *Wos*, 568 U.S. at 641, 133 S.Ct. 1391, not between past expenses Medicaid has paid and future expenses it has not.").

*Farah* does not resemble the legal question presented in this case. In *Farah*, the Virginia trial court was not prorating the settlement based on undisputed facts concerning the total value of the underlying tort case and the amount of medical expenses included in that value. Rather, it held a hearing and, based on the evidence presented at hearing, independently ordered allocation of the settlement between medical expenses and non-medical expenses. 868 S.E.2d at 424. The court in *Farah* squarely rejected the contention that it was required to use the formula adopted by the Superior Court below. *Id*. at 426 ("[Medicaid recipient] contends that case law from the United States Supreme Court requires a State to employ the following formula: [Total Settlement ÷ Full Value of Claim] x Medicaid Lien Amount]. . . .We discern nothing in either *Wos* or *Ahlborn* that compels the use of such a formula.").

The Superior Court Order is inconsistent with *Farah*. In *Farah*, an expert testified at hearing that the Medicaid recipient's total case value was $4 million, the settlement amount was $375,000, and the Medicaid lien was $96,481.40. *Id.* at 424. The *Farah* court in its apportionment reduced the Medicaid lien by 11% to $85,500 even though, according to the evidence, the settlement accounted for only 10% of the total value of the case. *Id.* If *Farah* had used the method provided in the Superior Court Order, the Medicaid lien would have been reduced by roughly 90% to approximately $9,000 instead of to $85,500.

The Superior Court Order incorrectly states that DHHS "injects the total medical expenses billed into the equation, rather than the amount MaineCare actually paid." (A. 16.) DHHS did not insist on the use of the amount paid or the amount billed but rather deferred to Ms. Lynne's and L.W.'s calculation of the total damages of the underlying tort action to negotiate their settlement. In DHHS's view, once a MaineCare recipient has calculated the total amount of their damages in the underlying tort action by using the amount of medical expenses billed, the same damages that were used to calculate the total value must be used when prorating the resulting settlement that is based on that total value.

In other words, if billed medical expenses are used to calculate the total value of the case for purposes of settlement, then billed medical expenses must be used to determine the amount of the settlement this is attributable to medical expenses. Otherwise, there is no rational relationship between the total value of the case and the settlement allocation. *See Palacios*, 418 So.3d at 807 ("If [Medicaid recipient]'s medical expenses made up one-eighth of his total claim . . . they also should be allocated as one-eighth of the settlement amount.").

The Superior Court Order prescribes the following steps for prorating a settlement to find the amount of medical expenses in the settlement: (1) calculate the total value of the underlying tort case using the medical billed amount as the medical expenses damages; (2) ascertain the settlement amount; (3) calculate the ratio/percentage of the settlement amount to the calculated total value of the underlying tort case (i.e., divide (2) by (1)); and (4) apply that settlement ratio/percentage directly to the MaineCare payments to determine the medical expenses portion of the settlement, even though the MaineCare payments were not used to calculate the medical expenses portion of the total value of the underlying tort claim in the first place.

The Superior Court Order does not result in a proration of the medical expenses portion of the settlement amount. Rather, it proscribes a formula for an automatic reduction of the MaineCare Lien in all cases that are settled. Pursuant to the Superior Court Order, a settlement (for less than full value of the underlying tort claim) would always result in a MaineCare Lien reduction. That is not a "reasonable" result or one that is "consistent with federal law." 22 M.R.S.A. § 14(2-F); *see Smalley v. Neb. Dep't of Health & Hum. Servs.*, 811 N.W.2d 246, 256 (Neb. 2012) ("*Ahlborn* held that the federal Medicaid statutes forbid state Medicaid programs from imposing a lien on any portion of a personal injury judgment or settlement which does not represent payments for medical care. It did not, however, hold that a state Medicaid administrator is never entitled to full reimbursement[.]")

Contrary to the Superior Court's suggestion, (A. 16), DHHS's formula determines "the reasonable 'amount of the … settlement that constitutes reimbursement for *medical payments made*.' 22 M.R.S.A. § 14(2-F)." DHHS's formula would result in a reimbursement for the medical payments that it made on behalf of L.W. That is the result required by Section 14(2-F).

D. Equity Supports DHHS's Interpretation

The Superior Court Order is also inequitable as it enables (and may require) plaintiffs to use one amount of medical expenses when valuing their case and a different amount of medical expenses when apportioning the resulting settlement.

In the underlying tort case, and in this matter, Ms. Lynne and L.W. consistently represented that the medical bills associated with the April 10, 2021 accident total $204,183.78. This amount was used by them and the Superior Court to calculate the total value of the underlying tort claim, $375,000. (A. 52, 55, 60.)[4]

The MaineCare expenditure amount was not used to calculate the total value of the underlying tort claim. Had it been used, then the total value of the case (and hence the settlement amount) would have reflected the lower medical expenses damages and almost certainly been lower. *See, e.g.*, *Barricella v. Cardiology, P.C.*, 179 N.Y.S.3d 548, 550 (N.Y. Sup.

[4] DHHS is not disputing the reasonableness of these figures or questioning whether it is proper to use them to determine the total value of the underlying claim. In DHHS's view, once the claimant used a certain amount of medical expenses to calculate the value of the underlying tort (amount of medical expenses billed), the claimant cannot change the medical expenses number from the amount billed to the amount paid when apportioning the settlement amount to determine how much of it was attributable to medical expenses.

Ct. 2022) (calculating the total value of a case and proportional reduction using the Medicaid Lien amount rather than the medical billed amount). It would be fundamentally inequitable for claimants to be able to use different amounts in this way.

Additionally, the Superior Court Order would treat similarly situated plaintiffs differently based on whether they decided to go to trial or settle their case, contrary to federal law. *See Ahlborn*, 547 U.S. at 282 n.12 ("[T]here is no textual basis for treating the settlement here differently from a judge-allocated settlement or even a jury award; all such awards typically establish a third party's 'liability' for both 'payment for medical care' and other heads of damages."); *see also Wos*, 568 U.S. at 638 ("When there has been a judicial finding or approval of an allocation between medical and nonmedical damages—in the form of either a jury verdict, court decree, or stipulation binding on all parties—that is the end of the matter." (emphasis added)).

If a plaintiff that had their medical expenses paid by DHHS through the MaineCare program proceeded to a trial that resulted in an award for less than the amount of the total damages sought; the MaineCare Lien would be recoverable from the entirety of what the

factfinder assigned to medical expenses. 22 M.R.S.A. § 14(1) ("The commissioner's right to recover the cost of benefits provided constitutes a statutory lien on the proceeds of an award or settlement from a 3rd party if recovery for MaineCare costs was or could have been included in the recipient's claim for damages from the 3rd party to the extent of the recovery for medical expenses") (emphasis added); *see also Ahlborn*, 547 U.S. at 282 n.12 ("[Agency] concedes that, had a jury or judge allocated a sum for medical payments out of a larger award in this case, the agency would be entitled to reimburse itself only from the portion so allocated.").

The amount awarded at trial for medical expenses will presumably have a relationship to the evidence that the plaintiff presented to support the total distinct damages in the tort action. *See* Alexander, *Maine Jury Instruction Manual* § 7-108 at 7-172 (2025 ed.) (concerning medical expenses instructions). There is no opportunity for this plaintiff to switch their evidence supporting medical expenses out for a lower number. However, under the Superior Court Order, if that same plaintiff settles for an identical compromised amount of the total claimed damages, the MaineCare Lien would automatically be reduced regardless of the

evidence that supports the total distinct damages in the tort action. (A. 18.)

The MaineCare Lien statute does not distinguish between jury awards and settlements. The Superior Court's adoption of a formula that determines medical expenses for settlements differently from jury awards conflicts with the plain meaning and intent of 22 M.R.S.A. § 14. *Waterman v. Wheeler*, 2025 ME 96, ¶ 4, 347 A.3d 1028 (stating that statutory interpretation looks at "the plain meaning of the statutory language and construing it to avoid absurd, illogical, or inconsistent results"). Due to the difference in treatment between settlements and trial awards, a prescriptive formula that results in an automatic MaineCare Lien reduction for settlements cannot be a "reasonable amount" as required by 22 M.R.S.A. § 14.

## CONCLUSION

For the reasons stated above, this Court should vacate the Superior Court's entry of summary judgment in favor of Ms. Lynne and L.W. and remand the matter to the Superior Court with instructions to enter judgment in favor of DHHS.

Respectfully submitted,

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Dated: February 2, 2026

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