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False Claims Act Alert

February 3, 2026

False Claims Act recoveries hit records in 2025

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Department of Justice FY2025 False Claims Act recoveries signal intensified enforcement in healthcare, trade, and beyond.



What's the impact?

- The DOJ recovered a record \$6.8B in FY2025, driven largely by whistleblower actions and expanding investigations in healthcare, procurement, cybersecurity, and trade.
- Healthcare remained the top enforcement priority, with major Medicare Advantage, drug pricing, kickback, and medically unnecessary services cases contributing the most recoveries.
- Non-healthcare enforcement surged, including significant actions in military procurement, civil cybersecurity, pandemic relief, and customs and tariff fraud through the new Trade Fraud Task Force.

On January 16, 2026, the US Department of Justice (DOJ) Civil Division [announced](#) its annual recoveries under the federal False Claims Act (FCA), 31 U.S.C. § 3729 et seq., for fiscal year 2025. FY2025 FCA settlements and judgments exceeded \$6.8 billion, the highest single-year total in the history of the FCA. Total recoveries since 1986 have now surpassed \$85 billion.

The DOJ's announcement highlights record or near-record outcomes in several enforcement categories. FY2025 settlements and judgments underscore sustained, cross-sector enforcement efforts that continue and expand on DOJ's recent priorities, particularly in Medicare Advantage and other federally funded healthcare programs.

Whistleblower activity and FCA investigations

Whistleblower actions continue to drive a significant share of recoveries. The DOJ reported a record 1,297 *qui tam* filings in FY2025, surpassing FY2024's record of 980 filings. These actions resulted in more than \$5.3 billion in settlements and judgments, with relators eligible to receive 15%–30% of recoveries, depending on government participation.

The DOJ also reported 401 opened investigations, driven in part by its proactive use of “big data” analytics and its focus on [policy-driven initiatives](#) that include leveraging the FCA in novel ways.

Healthcare fraud

Healthcare fraud remained the leading source of FCA settlements and judgments, accounting for more than \$5.7 billion in recoveries. DOJ noted that the \$5.7 billion amount reflects recoveries arising from not only federal losses, but, in many cases, state Medicaid programs. The DOJ's announcement reflects that the department continues to devote substantial resources to a wide array of healthcare matters, with particular focus on managed care, prescription drugs, and medically unnecessary care.

On January 21, 2026, the Department of Health and Human Services-Office of Inspector General (HHS-OIG) released its semiannual report to Congress. The report similarly emphasized the HHS-OIG's priority of combatting healthcare fraud in coordination with the DOJ, other federal agencies, and state agencies, with particular focus on managed care. The HHS-OIG reported that FCA investigations led to 481 civil actions, including settlements and judgments.

MANAGED CARE AND MEDICARE ADVANTAGE

The DOJ continued to pursue FCA cases involving managed care, particularly Medicare Advantage, which served 32.8 million enrollees in FY2024 and accounted for \$462 billion in Medicare spending. Medicare Advantage is now the largest component of Medicare by federal spend and the DOJ has emphasized that using the FCA to combat fraud, waste, and abuse the program is of “critical importance.”

Under the Medicare Advantage program, beneficiaries enroll in private health insurance plans that offer Medicare benefits (MA Plans). MA Plans receive a per-person payment to provide Medicare-covered services. The Centers for Medicare & Medicaid Services (CMS) adjusts these payments based on beneficiary demographics and health conditions. These risk adjustments are

determined by an individual's "risk score," which reflects the predicted cost of care based on diagnoses. Beneficiaries with more costly conditions generally have higher risk scores, resulting in higher CMS payments to MA Plans.

DOJ highlighted several recent managed care-related resolutions, including a settlement exceeding \$60 million with the [Seoul Medical Group Inc. \(SMG\)](#), its subsidiary, and its former president and owner, to resolve allegations that they caused the submission of false diagnosis codes for conditions patients did not have to increase payments from the Medicare Advantage program.

The DOJ also intervened in a *qui tam* action against national insurers and major brokers alleging kickbacks tied to plan steering and efforts to avoid enrolling beneficiaries with disabilities. The DOJ reported continued litigation against other major insurers over alleged improper diagnoses used to increase Medicare Advantage reimbursement.

PRESCRIPTION DRUGS

In July 2025, HHS and the DOJ jointly announced the re-establishment of the FCA Working Group, created during President Trump's first term. The Working Group identified several priority enforcement areas, including drug pricing, and has engaged in [nationwide efforts to implement its enforcement priorities](#).

Consistent with these priorities, the DOJ continued to pursue entities alleged to have "engaged in misconduct related to drug pricing, drug dispensing, and illegal kickbacks that risk injecting improper financial motivations into the drugs prescribed to beneficiaries."

In FY2025, the DOJ secured substantial recoveries related to drug pricing and kickbacks, including settlements, judgments, and relator trial wins involving Medicare copay assistance, price-fixing kickbacks, billing without valid prescriptions, and inflated drug pricing.

MEDICALLY UNNECESSARY SERVICES AND SUBSTANDARD CARE

The government continued to target providers alleged to have billed federal healthcare programs for medically unnecessary services and substandard care.

The DOJ highlighted a \$45 million settlement with [Vohra Wound Physicians Management LLC](#) and its founder to resolve allegations of overbilling and medically unnecessary wound care services. The government alleged, among other things, that Vohra developed a proprietary electronic medical record system programmed to bill certain non-surgical procedures as surgical procedures.

The government also highlighted cases involving substandard skilled nursing services. The [American Health Foundation](#) agreed to pay \$3.61 million to resolve allegations of grossly substandard skilled nursing services, including failure to follow infection control protocols and failure to maintain adequate staffing levels. The DOJ also filed claims against [ProMedica Health System, Inc.](#), alleging that its nursing homes provided “non-existent, grossly substandard skilled nursing facility care,” including failure to provide adequate wound care. The complaint also alleged that ProMedica falsely documented services that had not been provided to residents.

On January 21, 2026, the DOJ [announced](#) it had filed a complaint under the FCA against the Priority Hospital Group LLC (PHG), a hospital management company; three PHG-managed long-term care hospitals; and a physician. The complaint alleges FCA violations related to medically unnecessary care and patient referrals in violation of the Anti-Kickback Statute, 42 U.S.C. §1320a-7b, and the Stark Law, 42 U.S.C. § 1395nn. Medicare reimburses long-term care hospitals based in part on the patient’s length of stay. The lawsuit, originally filed under the FCA’s *qui tam* provisions, alleges that the defendants held patients in the hospital longer than medically necessary to increase reimbursement. In its announcement, the DOJ emphasized that the FCA “is a critical tool for protecting Medicare and ensuring that patient care decisions are driven by medical necessity.”

Non-healthcare enforcement: procurement, cybersecurity, pandemic relief, and trade

Beyond healthcare, DOJ reported robust FCA activity in procurement, loan and grant programs, cybersecurity compliance, pandemic relief, and customs and tariff enforcement.

MILITARY PROCUREMENT

Military procurement cases featured prominently, including a \$428 million resolution — described by the DOJ as its second-largest procurement fraud case — for alleged false cost and pricing data, and double billing.

CIVIL CYBERSECURITY

Civil cybersecurity enforcement continued to expand under the DOJ’s Civil Cyber-Fraud Initiative, [launched in 2021](#) to “combat new and emerging threats to the security of sensitive information and critical systems.” In FY2025, the DOJ recovered more than \$52 million in nine matters, with an emphasis on fraud theories involving required controls, secure development, and accurate attestations in contracts and grants. Civil cybersecurity fraud settlements have increased more than threefold in each of the past two years.

PANDEMIC FRAUD

Pandemic-related enforcement remained active in the Paycheck Protection Program and other emergency programs, with more than 200 FCA settlements and judgments in FY2025 totaling more than \$230 million. Cumulative civil recoveries tied to alleged fraud or improper payments in connection with pandemic relief programs now exceed \$820 million.

TRADE AND TARIFFS

The FCA remains a key DOJ enforcement tool for addressing failures to comply with import duties and tariffs. Knowingly submitting false claims for payment to the government or knowingly avoiding obligations to pay money to the government can give rise to liability under the FCA (so-called “reverse false claims”). Reverse false claims allegations can expose companies to significant financial risk, including the costs of responding to a federal investigation, treble damages, civil penalties, and potential criminal liability. Historically, the number of FCA actions based on alleged noncompliance with customs requirements has been relatively limited compared to other types of FCA claims involving healthcare companies and government healthcare programs. However, with the [recently launched cross-agency Trade Fraud Task Force](#), the DOJ has increasingly prioritized enforcement actions against parties seeking to evade tariffs and other duties.

The DOJ secured a \$21.4 million settlement with [Allied Stone, Inc. and its president](#), resolving allegations that Allied misrepresented the types of goods imported from the People’s Republic of China to avoid antidumping and other duties.

The government also obtained several settlements against companies that allegedly misrepresented an item’s country of origin to avoid customs duties, including a \$8.1 million settlement with [Evolution Flooring, Inc. and its owners](#), and a \$6.8 million settlement with [Global Plastics LLC and Marco Polo International](#). The DOJ also obtained a \$4.9 million settlement with [Grosfillex Inc.](#) to resolve allegations that the company attempted to camouflage certain aluminum parts by packaging the pieces as “furniture kits.”

The DOJ also filed a complaint against [Barco Uniforms and its suppliers](#), alleging that the defendants violated the FCA by underpaying customs duties on imported apparel. The government alleges that the defendants engaged in a double-invoicing scheme that undervalued imported goods purchased by Barco, thereby reducing the amount of customs duties paid on the goods. The lawsuit was originally filed under the *qui tam* provisions of the FCA.

Criminal Division

On January 22, 2026, the DOJ’s Criminal Fraud Division similarly [announced](#) a historic year of accomplishments in its [2025 Year in Review](#) that complement the Civil Division’s record FY2025



FCA results and the enforcement themes discussed in this alert. The Year in Review points to sustained, data-driven criminal enforcement in areas that materially overlap with FCA exposure in healthcare, procurement, pandemic relief, and trade. The DOJ's enforcement efforts included the first corporate indictments in 15+ years, four of which involved healthcare.

The DOJ emphasized its "innovative and proactive use of data analytics," and highlighted key achievements in priority areas that include healthcare and tariff fraud. In the healthcare arena, DOJ reported the largest healthcare fraud takedown in its history, describing a coordinated nationwide effort involving alleged schemes with an intended loss exceeding \$14.6 billion. The DOJ also reported that, as part of the takedown, the CMS prevented more than \$4 billion in fraudulent payments and suspended or revoked billing privileges of 205 providers.

The Criminal Division's Market, Government, and Consumer (MGC) Fraud Unit "also prioritized the prosecution of cases that involve large-scale trade and customs fraud" to combat schemes designed to circumvent tariff and trade rules and regulations. In support of these efforts, the MGC, which is part of the Trade Fraud Task Force, brought its first trade fraud corporate and individual case, and pursued a wide range of fraud cases that included schemes to falsify country of origin declarations.

The DOJ reported that it is working closely with agency partners to establish a [Health Care Fraud Data Fusion Center](#) that will bring together DOJ, HHS-OIG, the Federal Bureau of Investigation, and other agencies to "leverage cloud computing, artificial intelligence, and advanced analytics to identify healthcare fraud schemes through a whole-of-government approach."

Looking ahead

DOJ's announcements reflect continued emphasis on sectors that receive or influence federal healthcare, procurement, grant, and trade dollars. Whistleblower activity and DOJ-initiated investigations continue to increase and are likely to remain on an upward trajectory, given the DOJ's enforcement priorities and expanded use of data analytics. Recipients of federal funding, and especially federal healthcare program participants, should expect the DOJ to continue bringing high-impact cases related to these themes.

With resources directed to the Civil Rights Fraud Initiative, federal contractors and subcontractors should expect increased FCA scrutiny related to DEI programs particularly in circumstances where DOJ may claim misrepresentation related to federal funding certifications.

The DOJ's Civil and Criminal Divisions will also continue to enhance detection and deterrence of tariff and customs evasion schemes through the Trade Fraud Task Force. The task force's work, together with the DOJ's record-setting customs-related settlement, underscore the government's continued investment in protecting trade revenue and national security. What was once a relatively narrow area of risk must now rank higher among compliance priorities of all companies importing goods into the United States.

In parallel, the DOJ's Civil Division reiterated that entities may receive cooperation credit for timely self-disclosure, demonstrable cooperation, and effective remediation measures. The DOJ noted that such measures reduced penalties or damages in recent resolutions, including several matters highlighted in the department's fact sheet.

[Nixon Peabody's False Claims Act team](#) has decades of experience with the Department of Justice and the Department of Health & Human Services-Office of Inspector General, and has represented clients in FCA investigations and litigation in nearly every sector. Our team actively monitors federal district court dockets for FCA activity and frequently counsels clients about emerging enforcement trends. For more information on the content of this alert, please contact your Nixon Peabody attorney or:

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