

Healthcare Group Of The Year: Sheppard Mullin

By Rachel Rippetoe

Law360 (February 14, 2025, 4:03 PM EST) -- Sheppard Mullin Richter & Hampton LLP's recent work on several major hospital and health system transactions, as well as its role spearheading litigation that reversed an administrative rule change that would have cost the insurance industry billions in federal funding, has earned the firm a spot as one of the 2024 Law360 Healthcare Groups of the Year.

The firm's healthcare practice is one of the largest in the country, with more than 230 lawyers, and it's not done growing, according to Eric Klein, team leader of the practice. He said not only is healthcare Sheppard Mullin's largest industry team, it was also named the number one strategic priority for the firm in its most recent five-year plan.

Sheppard Mullin added 12 lateral partners to the healthcare practice last year, and an additional eight lateral partners have already been hired this year. The practice has a focus not only on transactions, regulation and litigation, but also real estate, immigration, antitrust and technology, Klein said.

"We're seeing a lot of accelerated growth right now," Klein said. "Unlike many other firms that are shutting down some areas that they don't think are as high margin, we think that it's important for us to be able to service all of our clients fully."

The practice has had several major accomplishments in the past year. For instance, last spring, the firm helped insurance client SCAN Health Plan beat back a change the Centers for Medicare & Medicaid Services made in its calculation of "star ratings," which are designed to give consumers a view into the quality of insurance plans but are also used by CMS to set bonus payments to insurers.

SCAN was one of the first of many insurers to sue CMS over the calculations and win. Last March, U.S. District Judge Carl J. Nichols agreed with SCAN that its 2024 star rating was "improperly calculated." The ruling resulted in CMS defaulting its rating method to the 2023 rules, which removed an outlier deletion method that SCAN said caused its score to drop.

Klein said the litigation team, led by partner Paul Werner, made arguments "that basically differentiated what CMS was doing from what was permissible." In particular, the lawyers focused on the lack of oversight or industry input that went into the sudden rule change.



"If you're going to make a change as a governmental agency like CMS, you should let people know about it ahead of time," Klein said. "You should explain the rationale for the change. You should allow people to react to it, and take those reactions and those comments into account.

"When you don't do that," he continued, "it means that business becomes more uncertain. People don't know what's going to happen, because the government can shift left and right."

The firm's success in court helped even larger companies like UnitedHealth challenge a reduction in their ratings and win, Klein said. It allowed SCAN to recoup \$250 million in Medicare Advantage payments, and helped keep the industry as a whole from losing billions of dollars, he said.

"It totally changed the industry," Klein said.

On the transactions side, the firm has been aiding the Regents of the University of California with a massive healthcare expansion. Last spring, San Francisco partners Eric Newsom and Nioura F. Ghazni helped UC Irvine close on the \$975 million purchase of four community hospitals, as well as UCLA's purchase of West Hills Hospital and Medical Center from HCA Healthcare.

"Those were transactions that we were able to sign and close within 45 days, which is a very hard task to do, given all the regulatory approvals we needed to obtain within that short window of time," Ghazni said. "So that's something that we're really proud of."

Ghazni said her team is also corporate counsel to for-profit health company Prospect Medical Holdings, which in January filed for Chapter 11. Before filing, Sheppard Mullin attorneys helped Prospect Medical Holdings finalize a \$745 million agreement to offload many of its assets, including a healthcare service plan and a 177-bed California hospital to Astrana Health in November.

It can be tricky to navigate such sales, which face public and regulatory scrutiny, Ghazni said.

"For all of my transactions, it's all about ensuring continuity of care to patients and providing access to care in a cost-effective way," she said. "That's the main goal."

Ghazni is also a member of the healthcare practice's strategic planning team, which consists of about 15 partners across a broad range of specialties. Their goal is to identify where the healthcare industry is headed and what will be important to clients.

"It's a lot of research, it's a lot of seeing what's going on in the various states," Ghazni said. "We've got really deep relationships with the regulators in almost all states, and so that relationship we leverage to really understand what's in the pipeline and what concerns might percolate and impact our clients."

The strategic planning committee also helps practice leaders identify where they need to deepen their bench, Klein said. For instance, senior care is an area the group has zeroed in on. And in response, the firm in October hired Adam Herbst, the former deputy commissioner for the New York State Department of Health and also a former head of the New York State Commission on Aging.

"Adam brings together the regulatory and legal side with the policy side," Klein said. "He's an amazing catch, and it shows the commitment that we're making to this type of practice. We've hired a lot of people in each of the sectors where we think that there's a decade's worth of activity and transformation."

Initiatives like the strategic planning committee are also an example of how the healthcare practice at Sheppard Mullin engages both its partners and associates to make them feel ownership over the practice, Klein said. He said he's made "well over 20 partners from associate ranks in recent years."

"It's a very diverse practice — 70% of our associates are diverse — so we've built that by design, and we're very focused on helping our associates succeed and grow into partners," he said.

--Additional reporting by Mark Payne. Editing by Linda Voorhis.

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