

ALERT

Key Takeaways from DOJ's FY 2025 False Claims Act Report

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The U.S. Department of Justice (DOJ) has announced a record-breaking \$6.8 billion in False Claims Act (FCA) settlements and judgments for fiscal year 2025 – the largest annual recovery in the FCA's history. Up roughly 120% from 2024, this unprecedented total underscores DOJ's aggressive enforcement approach when it comes to fraud involving Government funds. In addition to the growing recoveries, DOJ announced a new record number of cases filed by whistleblowers (which the statute refers to as "relators"). Health care cases continue to account for the lion's share of the recoveries, although a large portion of this year's substantial total stems from allegations involving procurement fraud, cybersecurity compliance, pandemic relief programs, and customs and tariff evasion.

Whistleblower Actions Shattered Prior Records

Whistleblower cases (known as "*qui tam* actions") continued to drive FCA enforcement. In FY 2025, relators filed 1,297 *qui tam* suits, dwarfing last year's then-record of 980 suits and more than doubling the number of *qui tam* actions filed just four years ago. In fact, two of the largest recoveries of the year occurred in cases where DOJ declined to intervene and the relators pursued the cases all the way through trial – a case alleging false and misleading claims about prescription drugs that resulted in a \$1.6 billion verdict and a case alleging false and inflated prices for generic drugs resulting in a \$289 million verdict. In total, \$5.3 billion of the \$6.8 billion recovered stemmed from cases initiated by relators, whereas only \$1.5 billion came from cases directly initiated by the Government without a relator – known as "original actions." Indeed, while DOJ opened 401 new investigations in fiscal year 2025, *qui tam* lawsuits still accounted for more than three-quarters of new FCA matters. Whistleblower risk

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thus remains high, and companies should double down on their compliance efforts to mitigate FCA risk.

Procurement Fraud Remained a Target

Federal procurement – in particular, defense contracting – remained a major target for FCA enforcement. The DOJ report flags significant recoveries involving government contractors, including one of the largest procurement fraud settlements in FCA history. The massive settlement underscores DOJ's commitment to scrutinizing defense contractor pricing practices. Other contractor settlements involving alleged false cost or pricing data, alleged failure to meet contract specifications, or alleged overbilling show that government contractors should expect sustained scrutiny at every stage, including eligibility, pricing, proposals, and performance.

Health Care Fraud Accounted for the Largest Recoveries

As usual, recoveries in health care cases drove the highest numbers for the Government, accounting for more than 80% of the total recoveries. In addition to the two trials discussed above, another high-profile trial ended with a jury finding that a long-term care pharmacy was liable for dispensing drugs without valid prescriptions, resulting in a judgment of almost \$1 billion. The Government also reached settlements with multiple pharmaceutical manufacturers based on allegations of fixed or inflated prices and kickbacks paid to health care providers, as well as several health care providers who allegedly provided medically unnecessary services or substandard care.

Cybersecurity Fraud Got the Spotlight

Companies that purportedly made false representations regarding their cybersecurity capabilities or that failed to meet their cybersecurity commitments also found themselves attractive targets for active FCA enforcement. While each individual cyber case netted relatively modest dollar amounts, together they tripled the prior year's cyber-related recoveries and signal a maturing enforcement area that is quickly gaining steam. The through line for these cases involved contractors or grant recipients that allegedly falsely certified compliance with required cybersecurity standards or that sold technology with known security vulnerabilities. Gone are the days where cybersecurity is treated as a novel theory in FCA enforcement, as it is rapidly becoming a regular vector for liability.

Customs and Tariff Evasion Became a Top Priority

Another enforcement expansion involves customs and tariff evasion. In August 2025, DOJ launched a cross-agency Trade Fraud Task Force aimed at import/export fraud targeting U.S. tariff revenue. The Task Force expressly encouraged whistleblowers to report schemes to evade customs duties, and these efforts are beginning to take shape. Notably, 2025 saw the largest-ever FCA settlement for alleged customs fraud: An industrial manufacturer paid \$54.4 million to resolve allegations that it evaded duties on products imported from China. The company was accused of misclassifying imports of tungsten carbide to avoid paying higher tariff rates. Trade has been a top priority for the current Administration, so we only expect enforcement efforts to increase. Companies involved in the international supply chain should be vigilant, ensuring accurate declarations of product type, value, and country-of-origin. Government contractors too should be alert, since

any misclassifications or undisclosed use of foreign suppliers that are inconsistent with "Buy American" and country-of-origin contract obligations could trigger liability.

Pandemic-Era Fraud Had a Long Tail

Nearly five years after the COVID-19 pandemic, DOJ's interest in pandemic-related fraud remained active. DOJ obtained over 200 FCA settlements and judgments totaling more than \$230 million involving pandemic relief programs. Part of the spike in the number of *qui tam* cases is attributable to external whistleblowers who have brought numerous cases based upon public data about the recipients of program funds and loans. Any lingering issues such as eligibility questions, or inaccurate or misreported data, could still lead to FCA exposure since the statute of limitations for FCA cases can stretch up to 10 years. We expect relators and DOJ will keep pursuing COVID-related cases as long as perceived fraud is identified.

At bottom, FY 2025 proved to be another banner year for FCA enforcement. Beyond the record recoveries, the explosive increase in newly filed *qui tams* indicates that DOJ's pipeline of potential cases is overflowing. And given the Administration's explicit calls for more whistleblowers, we expect that many of these lawsuits will align with the Administration's policy objectives – from traditional health care fraud to newer issues like tariff evasion and alleged fraud related to diversity, equity, and inclusion (DEI) programs, which have been the subject of a number of civil investigative demands by DOJ. To be sure, the trend lines point to a more robust and increasingly diversified FCA enforcement in 2026.

Wiley's White Collar Defense & Government Investigations Practice has unparalleled experience representing clients in high-stakes FCA investigations involving compliance with federal and state government contracts, customs and tariffs, cybersecurity standards, health care regulations, federal communications program rules, terms of federal grants, and more. If you have any questions, please contact one of the authors listed on this alert.