

PROCEDURAL FINDINGS

1. On June 3, 2025, Respondent assessed a penalty against Appellant in the amount of \$2,600 for its delinquent Hospital Annual Disclosure Report.²
2. Appellant appealed the penalty by submitting a Request for Administrative Hearing form dated June 9, 2025, and received by the HCAI Hearing Office on June 9, 2025.
3. Appellant submitted its appeal within the required fifteen business days from receipt of the penalty letter.³
4. Respondent submitted written exhibits to the Hearing Office and Appellant in advance of the hearing in a timely manner. Exhibits 1 through 14 were found to be authentic and relevant and were admitted to the record.
5. Appellant submitted a letter of explanation to the Hearing Office and Respondent at the time of appeal. This letter was found to be authentic and relevant and admitted to the record. In addition, Appellant submitted exhibits A through G to the Hearing Office and Respondent in advance of the hearing. Exhibits A through G were also found to be authentic and relevant and admitted to the record.⁴

FACTUAL FINDINGS

1. Appellant was required under Health and Safety Code section 128770 to file or request an extension for its Hospital Annual Disclosure Report for the Report Period Ended (“RPE”) date of September 30, 2024 by Friday, January 31, 2025.⁵
2. On Wednesday, December 4, 2024, HCAI staff suspended Appellant’s access to the System for Integrated Electronic Reporting and Auditing (“SIERA”) due to a ransomware attack

² Health & Saf. Code, § 128770. *See also* exhibit 12.

³ Health & Saf. Code, § 128775. *See also* Cal. Code Regs. Tit. 22, § 97052.

⁴ Exhibit D duplicates Respondent’s exhibit 1. Additionally, Exhibit E duplicates Respondent’s exhibit 4. Exhibit G is a copy of the Scheduling Notice sent by the Hearing Office.

⁵ Health & Saf. Code, § 128770. *See also* Cal. Code Regs. Tit. 22, § 97051.

which occurred on or around Sunday, December 1, 2024.⁶ Appellant's SIERA user access was not restored until Friday, February 7, 2025.⁷

3. On Thursday, January 23, 2025, Appellant requested and received both available extensions, for a total of 90 days, via email as SIERA user access was still suspended. Following the extensions, the report was due by Thursday, May 1, 2025.⁸

4. On Wednesday, April 9, 2025, prior to the extended due date, Mr. Clement Villavert, Senior Reimbursement Specialist for Appellant, emailed HCAI staff to ask for an additional extension due to the cyber-attack.⁹ As no additional extensions were available by statute and regulation, Ms. Tran explained that the facilities would need to file an appeal after the penalty had been assessed.¹⁰

5. HCAI sent automated reminders to Appellant via email on Sunday, April 6, 2025,¹¹ and Wednesday, April 30, 2025.¹² A delinquent report reminder was automatically emailed to Appellant on Sunday, May 4, 2025.¹³

6. Penalties accrued from Thursday, May 1, 2025 until Tuesday, May 27, 2025 when the report was filed.¹⁴

7. In accordance with Health and Safety Code section 128770, subsection (a), Respondent assessed penalties in the amount of \$100 per day for twenty-six days, resulting in a penalty amount of \$2,600.¹⁵ These facts were substantiated both by oral statements made under oath by Mr. Christensen at the hearing and written exhibits.

8. Appellant submitted exhibits with its appeal and made oral statements of facts it believes show good cause why the report at issue was not submitted in a timely manner.

9. In its written statement, Appellant stated that it was affected by a ransomware attack and

⁶ Exhibit 1.

⁷ Exhibit 5.

⁸ Exhibits 6 and 7.

⁹ Exhibit 2.

¹⁰ *Id.* See also Health & Saf. Code, § 128770 and Cal. Code Regs. Tit. 22, § 97051.

¹¹ Exhibit 6.

¹² Exhibit 7.

¹³ Exhibit 8.

¹⁴ Exhibits 11 and 12.

¹⁵ Health & Saf. Code, § 128770. See also exhibits 12 and 13.

was unable to access the data necessary to prepare the report at issue for approximately three months.¹⁶ Exhibit B, a news article about the ransomware attack, provided additional detail from the forensic investigation into the attack.¹⁷

10. Ms. Jung testified that following the ransomware attack on or about December 1, 2024, Appellant engaged a third-party cyber forensic specialist to isolate the ransomware virus.¹⁸ In addition, Appellant's IT staff took the entire network offline and only began enabling portions of the network as they were deemed safe. An all-staff email from one of Appellant's vice presidents was sent on Monday, December 2, 2024 confirming the ransomware activity and that all three hospitals were impacted.¹⁹

11. Ms. Jung further testified that prior to the ransomware attack, Appellant already utilized a VPN and anti-virus software. The impacted servers were able to be taken offline quickly once the malicious software was deployed and detected, but large amounts of current and historical data were still affected, including share drive access.²⁰

12. Appellant's Medicare Cost Report was initially due at the end of February. Because of the cyber-attack, the Centers for Medicare and Medicaid Services granted Appellant a 60-day extension. This made the due dates for the Medicare Cost Report and the report at issue only two days apart.²¹ In addition, the California Department of Health Care Services granted Appellant an extension until the end of May for the filing of the Medi-Cal Cost Report because of the cyber-attack.

13. In addition, Ms. Jung testified that once full network access was restored on or about February 25, 2025,²² staff were attempting to complete the Medicare Cost Report, Medi-Cal Cost Report, multiple month-end close, the report at issue, and the audit Appellant is required to complete annually as a nonprofit corporation.

14. These facts were substantiated by oral statements made under oath by Ms. Jung at the

¹⁶ Exhibit A.

¹⁷ Exhibit B.

¹⁸ *See also* exhibit B.

¹⁹ Exhibit C.

²⁰ *See also* exhibit B.

²¹ Exhibit 3.

²² Exhibit F.

hearing as well as written exhibits.²³

15. Exhibit 14 showed that Appellant has a history of requesting extensions and filing the required reports in a timely manner.

DISCUSSION AND LEGAL CONCLUSIONS

1. The issue here is whether Appellant had good cause, as required by Health and Safety Code section 128770, for failing to file its report by Thursday, May 1, 2025, and whether the penalty should be waived in whole or in part.

2. Under Health and Safety Code section 128770, subsection (c), a penalty may “be reviewed on appeal, and the penalty may be reduced or waived for good cause.” In *Waters v. Superior Court*, the California Supreme Court stated that, “good cause may be equated to a good reason for a party’s failure to perform that specific requirement from which he seeks to be excused.”²⁴ Good cause must be directly related to the specific legal requirement which the party failed to perform and should be outside the reasonable control of the party.²⁵ Good cause is sometimes defined as circumstances beyond the party’s control, and not related to the party’s own negligent act or failure to act. On an individual basis, courts and administrative bodies have often found that hospitalization, incapacitation, accident involvement, or loss or unavailability of records may constitute good cause.²⁶ The determination of good cause in a particular context should utilize common sense based on the totality of the circumstances, including the underlying purpose of the statutory scheme.²⁷

²³ Exhibits A through G.

²⁴ *Waters v. Super. Ct. of Los Angeles County* (1962) 58 Cal2d 885, 893 (hereafter *Waters*).

²⁵ *Waters, supra*, 58 Cal.2d 885,893 and Secretary of State, “Good Cause” Reasons for Waiving Late Campaign & Lobbying Filing Fees <https://www.sos.ca.gov/campaign-lobbying/good-cause-reasons-waiving-late-campaign-lobbying-filing-fees/> [as of December 4, 2019].

²⁶ Fair Political Practices Commission, Guidelines for Waiving Late Fines (Nov. 2017) <http://www.fppc.ca.gov/content/dam/fppc/NS-Documents/TAD/FilingOfficer/700FO-Folder/Late%20Fine%20Guidelines.pdf> [as of November 15, 2022]. See also *Waters, supra*, 58 Cal.2d 885, 893.

²⁷ *Laraway v. Sutro & Co.* (2002) 96 Cal.App.4th 266, 274.

3. A party's diligence is a factor in determining good cause for an extension or a delay.²⁸ Appellant has shown a history of submitting its reports timely and requesting extensions in a timely manner.²⁹ Here, the substantiated facts show that Appellant was impacted by criminal activity which was outside of its control. The substantiated facts show that Appellant took reasonable security precautions prior to the attack. In addition, the facts demonstrated that Appellant reacted to the ransomware attack in a matter of hours.

4. Appellant demonstrated criminal circumstances outside its control. This is further substantiated by the fact that Appellant contacted HCAI prior to the deadline to ensure program representatives were aware of the ongoing impacts of the ransomware attack. This demonstrates due diligence on the part of Appellant under the circumstances. In addition, Appellant timely requested all available extensions. By statute, Appellant would have four months to prepare the report at issue following the close of its fiscal year.³⁰ Only 91 calendar days (63 business days), or approximately three months, elapsed between when full network access was restored on or about February 25, 2025 and the date the report was filed. Furthermore, less than four months elapsed between the restoration of SIERA access on February 7, 2025 and the filing of the report at issue on May 27, 2025. Therefore, the report was filed with reasonable haste.

5. The substantiated facts demonstrate that Appellant was impacted by criminal circumstances outside its control and acted with due diligence under the circumstances and with reasonable haste. Therefore, the substantiated facts show good cause for waiver of the penalty assessed.

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²⁸ *People v. Financial & Surety, Inc.* (2016) 2 Cal.5th 35, 47. See also *Wang v. Unemployment Ins. Appeals Bd.* (1990) 225 Cal.App.3d 412, 420.

²⁹ Exhibit 14.

³⁰ Health & Saf. Code, § 128775(b). See also Cal. Code Regs. Tit. 22, §§ 97040 and 97051.

PROPOSED ORDER

The assessed penalty is waived for good cause.

Dated: September 30, 2025

//original signed//

MICHELLE CHURCH-REEVES
Hearing Officer
Department of Health Care Access and Information

DECISION

Pursuant to Health and Safety Code section 128775, after due consideration of the record,
the Proposed Decision is:

Accepted

Rejected

Dated: September 30, 2025

//original signed//

JAMES YI, Attorney IV
FOR ELIZABETH A. LANDSBERG, Director
Department of Health Care Access and Information