

BEFORE THE
DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION
STATE OF CALIFORNIA

In the Matter of the Penalty Issued to:	}	
CATALINA ISLAND MEDICAL CENTER	}	HCAI No. 25-013-HQF
Appellant.	}	
<hr style="border: 0.5px solid black;"/>		

PROPOSED DECISION

This matter was heard before Michelle Church-Reeves, Hearing Officer, Department of Health Care Access and Information (“HCAI”), State of California, beginning on Wednesday, September 17, 2025, at 1:31 PM PDT.

Respondent HCAI was represented by Ty Christensen, Manager, Accounting and Reporting Systems Section. Tina Tran, Associate Governmental Program Analyst, Accounting and Reporting Systems Section was also present on behalf of Respondent.

Avalon Medical Development Corporation, owner and operator of Catalina Island Medical Center,¹ collectively, “Appellant,” was represented by Bryce Noll, Assistant Hospital Administrator.

The hearing concluded on Wednesday, September 17, 2025 at 1:53 PM PDT. Both documentary and testamentary evidence were received.

//

¹ Department of Public Health, CalHealth Find Database <https://www.cdph.ca.gov/Programs/CHCQ/LCP/CalHealthFind/Pages/SearchResult.aspx> [as of September 15, 2025].

PROCEDURAL FINDINGS

1. On July 28, 2025, Respondent assessed a penalty against Appellant in the amount of \$4,100 for failing to timely file its Hospital Quarterly Financial Report.²
2. Appellant timely appealed the penalty within the required fifteen business days³ from receipt of the Notice of Penalty by submitting a Request for Administrative Hearing form dated July 31, 2025, which was received by the HCAI Hearing Office on Thursday, July 31, 2025.
3. Respondent submitted written exhibits to the Hearing Office and Appellant in advance of the hearing in a timely manner. All exhibits were found to be authentic and relevant and were admitted to the record as Exhibits 1 through 14.
4. Appellant submitted a letter of explanation to the Hearing Office and HCAI at the time of appeal. This letter was found to be authentic and relevant and admitted to the record as Exhibit A.

FACTUAL FINDINGS

1. Appellant is an 8-bed general acute care hospital located in Avalon, California on Santa Catalina Island (“Catalina Island”) and it is the only hospital in Avalon that services approximately 4,000 year-round residents; Catalina Island also has about one million visitors who travel to Catalina Island annually.⁴
2. Appellant was required under Health and Safety Code section 128770 to file or timely request an extension for its Hospital Quarterly Financial Utilization Report for the Report Period Ended (“RPE”) date March 31, 2025⁵, by Thursday, May 15, 2024.⁶
3. Respondent sent automated reminders to Appellant via email on Monday, May 5, 2025,

² Health & Saf. Code, § 128770. *See also* Exhibit 11.

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

⁴ Catalina Island Health Web site <https://catalinaislandhealth.org/> [as of February 28, 2025].

⁵ Exhibit 1.

⁶ Health & Saf. Code, § 128770. *See also* Cal. Code Regs. Tit. 22, §§ 97051.

and Wednesday, May 14, 2025.⁷

4. On Thursday, May 15, 2025, Appellant requested and received its sole extension for the report at issue.⁸ Following the extension, the report was due by Saturday, June 14, 2025.

5. Respondent sent automated reminders to Appellant via email on Wednesday, June 4, 2025, and Friday, June 13, 2025.⁹

6. A delinquent report reminder was automatically emailed to Appellant on Tuesday, June 17, 2025.¹⁰ An Initial Delinquency Notice, dated June 23, 2025, was mailed to Appellant using General Logistics Systems (“GLS”) overnight mail and delivered on Tuesday, June 24, 2025.¹¹

7. A Final Delinquency Notice, dated July 21, 2025, was mailed to Appellant using GLC overnight mail and delivered on Tuesday, July 22, 2025.¹²

8. Penalties accrued from Saturday, June 15, 2025, until Friday, July 25, 2025, when the report at issue was submitted.¹³ In accordance with Health and Safety Code section 128770, subsection (a), HCAI assessed penalties in the amount of \$100 per day for 41 days, resulting in a total penalty amount of \$4,100.¹⁴

9. These facts were substantiated both by oral statements made under oath by Mr. Christensen at the hearing and written exhibits.

10. Appellant made oral statements of fact in addition to its written statement which it believes demonstrate good cause for the late filing of the report at issue.¹⁵

11. In its written statement Appellant explained that the report at issue was late due to staffing shortages, difficulty with accessing records, and technical challenges.¹⁶

12. Mr. Noll testified that Appellant, on January 19, 2024, informed its community and

⁷ Exhibits 1 and 2.

⁸ Exhibit 3.

⁹ Exhibits 4 and 5.

¹⁰ Exhibit 6.

¹¹ Exhibits 7 and 8.

¹² Exhibits 9 and 10.

¹³ Exhibit 11.

¹⁴ Health & Saf. Code, § 128770. *See also* Exhibit 12.

¹⁵ Exhibit A.

¹⁶ Exhibit A.

Avalon City Council that it would likely close in July. Appellant accordingly restructured its organization, terminated the CFO and CNO and contracted with a Controller to avoid imminent closure. Appellant received a grant from the county and quadrupled its inpatient billing through the hiring of a telehealth specialist.

13. The Hearing Officer admitted Exhibit A into the record and requested additional information from Appellant regarding its employee timelines and financial information. Mr. Noll further testified that the Controller, who was responsible for preparing Appellant's reports for Respondent, ended his contract abruptly after his wife's death from cancer in January 2025. He had also taken a substantial amount of time off to care for her in the months leading up to her death, although that had not impacted reporting timeliness as he worked remotely and had flexible hours. Mr. Noll did not even know that the Controller had ended his contract early until approximately three weeks after his departure. Appellant's EMR Specialist, Leah Keeline, had to take over the reporting requirements and Appellant further hired two financial analysts. While these steps were able to be taken quickly, the three-week gap combined with the additional workload for the accounting staff caused substantial delays in report preparation.

14. These facts were substantiated by oral statements made under oath by Mr. Noll as well as written exhibits.

15. Exhibit 14 shows that Appellant's recent submission history has not all been timely, consistent with previous HCAI Appeal Number 24-028C-HQF and Mr. Christensen and Mr. Noll's testimony. Further testimony from Ms. Tran established that Appellant's most recent Hospital Quarterly Financial Report, due on September 13, 2025, was filed timely on September 12, 2025.

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 timely file the report at issue by Saturday, June 14, 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.”¹⁷ 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.¹⁸ 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.¹⁹ 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.²⁰ Mere ignorance is not a strong showing of good cause.²¹ A party’s diligence is a factor in determining good cause for an extension or a delay.²² Every facility that reports information to HCAI is required to have a primary contact and if the primary contact changes, the facility is required to contact HCAI to designate another primary contact within 15 days.²³

3. Here, the substantiated facts show that Appellant requested its sole available extension timely.²⁴ Mr. Noll testified that Appellant informed the Avalon City Council on January 19, 2024, that it was on the brink of closing its facility. Appellant subsequently restructured its

¹⁷ *Waters v. Super. Ct. of Los Angeles County* (1962) 58 Cal2d 885, 893 (hereafter *Waters*).

¹⁸ *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].

¹⁹ 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.

²⁰ *Laraway v. Sutro & Co.* (2002) 96 Cal.App.4th 266, 274.

²¹ *Tsingaris v. State of California* (1979) 91 Cal.App.3d 312, 314.

²² *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.

²³ Health & Saf. Code, § 128810. See also Cal. Code Regs. Tit. 22, §§ 97041.1.

²⁴ Exhibit 3.

organization, terminated the CFO and CNO and contracted with an external Controller.²⁵ The Controller worked as Appellant's report preparer until he ended his contract abruptly in January 2025 following his wife's death. Appellant hired two financial analysts as soon as Mr. Noll became aware of the Controller's departure, approximately three weeks later.

4. Good cause also takes common sense based on the totality of the circumstances into account.²⁶ While death or hospitalization does constitute good cause, the death in this case was not of one of Appellant's employees or its Controller. Appellant further explained that its priority to keep the facility open was more urgent than filing the reports and it was in the process of restructuring the organization.²⁷ Ms. Keeline and the two new financial analysts were able to take over the duties of Appellant's Controller within six weeks of his resignation, but this greatly impacted Appellant's business operations during the reporting period at issue. While Ms. Keeline was able to timely request the extension, preparation of the report at issue was unavoidably delayed due to circumstances outside Appellant's control.

5. Appellant previously provided financial information to support its claim of financial hardship.²⁸ Appellant also emphasized in its written statement that its priority at the time was making sure the hospital acquired the necessary funding to remain open because it is the only hospital on Catalina Island and filing the reports would be futile if the facility closed, so it prioritized funding, restructuring its organization, and keeping its 130 staff members employed over report compliance.²⁹

6. Appellant underwent substantial organizational changes to avoid closure and after receiving \$1 million in January 2025 and improving its inpatient billing days, Appellant's finances are slowly stabilizing, but still very much month to month.³⁰

7. It appears Appellant's report compliance efforts were superseded by financial difficulties and staffing changes outside of its control. The resignation of its Controller following his wife's

²⁵ Exhibit A.

²⁶ *Laraway v. Sutro & Co.* (2002) 96 Cal.App.4th 266, 274.

²⁷ Exhibit A.

²⁸ HCAI Appeal No. 24-028C-HQF exhibits B, C, D, E, and F.

²⁹ HCAI Appeal No. 24-028C-HQF exhibit A.

³⁰ Exhibit A.

death was outside of Appellant's control and occurred during the reporting period at issue. Appellant promptly took steps to hire additional staff to bring the reporting in house and ensure there would be no disruptions going forward, a fact which is further substantiated by the timely filing of its most recent report. Appellant applied for numerous grants and underwent substantial organizational changes to address its financial shortfalls, but its finances remain precarious.

8. The purpose of the statute is to encourage report compliance of necessary health data; however, Appellant's situation needs to be balanced with common sense. Appellant redirecting its efforts to keep the facility operating and 130 staff employed to provide medical care to the public is a greater priority than a report filing requirement. Appellant's position is persuasive; if it did not focus all its efforts and resources on keeping the facility open, the reports would not be filed anyway because the facility would close due to insolvency. Additionally, Appellant previously provided substantial documentation to support its position that it faces insolvency and upholding penalties in the amount of \$4,100 will only exacerbate Appellant's existing financial difficulties.

9. As a matter of public policy, closing the only general acute care hospital on Catalina Island is not the interest of the 4,000 residents that need access to healthcare from the facility or the million annual tourists that may find themselves in need of medical care while visiting Catalina Island. In addition, the closure of the facility would also result in the loss of 130 jobs. Furthermore, Appellant continues to navigate its changing circumstances with the intent of complying with all reporting requirements and has since filed a timely Hospital Quarterly Financial Report with Respondent.

10. The substantiated facts demonstrate that Appellant was impacted by circumstances clearly outside its control and acted with due diligence under the circumstances. Therefore, based on the totality of the circumstances, the substantiated facts show good cause for waiver of the penalty assessed in the amount of \$4,100.

//

//

//

PROPOSED ORDER

The assessed penalty is waived for good cause.

Dated: November 6, 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: November 14, 2025

//original signed//

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