

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

In the Matter of the Penalty Issued to:

**WATSONVILLE COMMUNITY
HOSPITAL**

Appellant.

HCAI No. 22-005-HQF

PROPOSED DECISION

This matter was heard before Michelle Church-Reeves, Hearing Officer, Department of Health Care Access and Information (“HCAI”), successor to the Office of Statewide Health Planning and Development (“OSHPD”),¹ State of California, on Wednesday, August 17, 2022, beginning at 10:33 a.m.

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

Watsonville Hospital Corporation, licensee and operator of the Watsonville Community Hospital,² “Appellant,” was represented by Grace Cotroneo, staff accountant. Julia White, controller, was also present on behalf of Appellant.

Both documentary and testamentary evidence was received. The record was closed on Wednesday, August 17, 2022, at 10:46 a.m.

¹ Stats. 2021, ch. 143, §§ 30, 31.

² Department of Public Health, Cal Health Find Database
<https://www.cdph.ca.gov/Programs/CHCQ/LCP/CalHealthFind/Pages/FacilityDetail.aspx?facid=070000155> [as of August 17, 2022].

PROCEDURAL FINDINGS

1. On February 24, 2022, HCAI assessed a penalty against Appellant in the amount of \$400 for Watsonville Community Hospital's late extension request of its Hospital Quarterly Financial Utilization Report.³
2. Appellant appealed the penalty by submitting a Request for Administrative Hearing form dated March 1, 2022 and received by the Hearing Office on March 1, 2022.
3. Appellant submitted its appeal within the required fifteen business days from receipt of the penalty letter.⁴
4. The hearing was conducted electronically using video and teleconferencing. No party objected to the use of video and teleconferencing or requested an in-person hearing.
5. HCAI submitted written exhibits to the Hearing Office and Appellant in advance of the hearing in a timely manner. Exhibits 1 through 9 were found to be authentic and relevant and admitted to the record.
6. Appellant submitted a written statement to the Hearing Office and HCAI at the time of appeal. The written statement was found to be authentic and relevant and admitted to the record as Exhibit A.

FACTUAL FINDINGS

1. Appellant was required under Health and Safety Code section 128740 to file its Hospital Quarterly Financial and Utilization Report for the report period ended ("RPE") date of December 31, 2021 or request an extension by February 14, 2022.⁵ Penalties accrued until February 18, 2021, when the extension was requested and granted.⁶

³ Exhibit 7 and Health & Saf. Code, § 128770.

⁴ Health & Saf. Code, § 128775. *See also* Cal. Code Regs. tit. 22, § 97052.

⁵ *See also* Cal. Code Regs. tit. 22, § 97051.

⁶ Exhibits 6 and 7.

2. On February 14, 2022, Appellant requested and was granted the sole 30-day extension for the report at issue through HCAI's System for Integrated Electronic Reporting and Auditing ("SIERA").⁷

3. In accordance with Health and Safety Code section 128770, HCAI assessed penalties in the amount of \$100 per day for four days for the late extension request of Watsonville Community Hospital's RPE December 31, 2021 Report, resulting in a penalty amount of \$400.⁸

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

5. Appellant made oral statements of facts it believes show good cause why its report was not submitted in a timely manner.

6. Appellant's representative, Ms. Cotroneo, testified that she typically files the extension request immediately upon receiving the reminder. She further testified that she has always filed the reports timely previously and that as this is Appellant's first penalty, she requested a waiver.

7. In addition, Ms. White testified that Appellant is undergoing bankruptcy proceedings and has been transitioning management companies. The Appellant's debt was foreclosed on in or around January of 2021. At that time a new management company came in to take over hospital operations. Bankruptcy was officially filed in or around December 2021. The Appellant is in the process of being sold. The purchase of the hospital is expected to be completed in or around September 2022.

8. These facts were substantiated by oral statements made under oath by Ms. Cotroneo and Ms. White at the hearing and written exhibits.

9. HCAI's exhibit 9 shows that Appellant filed all other Hospital Quarterly Financial Utilization Reports in a timely manner between 2019 and the current report period. This exhibit further shows that Appellant filed the report at issue two days prior to the expiration of the extension as well as its subsequent report.

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⁷ Exhibit 6.

⁸ Exhibit 7 and Health & Saf. Code, § 128770(a).

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 Hospital Quarterly Financial Utilization Report or request an extension by February 14, 2022, and whether the penalty should be waived or reduced.

2. Under Health and Safety Code section 128770, a penalty may “be reviewed on appeal, and the penalty may be reduced or waived for good cause.”⁹ 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.”¹⁰ 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.¹¹ 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.¹² 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.¹³

3. A party’s diligence is a factor in determining good cause for an extension or a delay.¹⁴ Due diligence is the “diligence reasonably expected from, and ordinarily exercised by, a person

⁹ Health & Saf. Code, § 128770(c).

¹⁰ *Waters v. Super. Ct. of Los Angeles County* (1962) 58 Cal.2d 885, 893 (hereafter *Waters*).

¹¹ *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].

¹² 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 October 5, 2021]. See also *Waters, supra*, 58 Cal.2d 885, 893.

¹³ *Laraway v. Sutro & Co.* (2002) 96 Cal.App.4th 266, 274.

¹⁴ *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.

PROPOSED ORDER

The assessed penalty is upheld.

Dated: October 3, 2022

//original signed//
MICHELLE L. CHURCH-REEVES
Hearing Officer
Department of Health Care Access and Information

DECISION

Pursuant to Health and Safety Code section 128775 and California Code of Regulations, title 22, section 97054, after due consideration of the record, the Proposed Decision is:

Accepted

Rejected

Dated: 10/24/2022

//original signed//
ELIZABETH A. LANDSBERG
Director
Department of Health Care Access and Information