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Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

QUEZON CITY EYE CENTER,
Petitioner,

G.R. Nos. 246710-15

Present:

-versus-

LEONEN, S.A.J., Chairperson,
LAZARO-JAVIER,
INTING,*
LOPEZ, M., and
KHO, JR., JJ.

PHILIPPINE HEALTH
INSURANCE CORPORATION,
ARBITRATION OFFICE,
PROSECUTION DEPARTMENT
AND FACT FINDING
INVESTIGATION AND
EVALUATION DEPARTMENT
OF THE PHILIPPINE HEALTH
INSURANCE CORPORATION,
Respondents.

Promulgated:

FEB 06 2023

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DECISION

LAZARO-JAVIER, J.:

The Cases

This Petition for Review on *Certiorari*¹ assails the following dispositions of the Court of Appeals in six consolidated petitions, i.e., CA-G.R. SP No. 142323, CA-G.R. SP No. 142325, and CA-G.R. SP No. 151136 all entitled *Quezon City Eye Center v. Philippine Health Insurance Corporation*; CA-G.R. SP No. 146098 and CA-G.R. SP No. 146172 both entitled *Quezon City Eye Center v. Arbitration Office, Prosecution Department and Fact Finding*

* Designated as additional member vice J. J. Lopez per Raffle dated October 27, 2021.

¹ *Rollo*, pp. 11-49.

Investigation and Evaluation Department of the Philippine Health Insurance Corporation; and CA-G.R. SP No. 146173 entitled Quezon City Eye Center v. Prosecution Department and Fact Finding Investigation and Evaluation Department of the Philippine Health Insurance Corporation:

1. Decision² dated June 25, 2018 (a) affirming petitioner's liability for multiple counts of Breach of the Warranties of Accreditation, as found by the Philippine Health Insurance Corporation (in CA-G.R. SP Nos. 142323, 142325, and 151136); and (b) dismissing the petitions for certiorari filed by petitioner (in CA-G.R. SP Nos. 146098, 146172, and 146173); and
2. Resolution³ dated April 8, 2019 denying petitioner's motion for reconsideration.

Antecedents

Acting on reports of alleged irregularities in the recruitment of patients for cataract operations by doctors or medical associations, respondent Philippine Health Insurance Corporation (PhilHealth) issued Circular No. 17, series of 2007, directing the suspension of PhilHealth claims for cataract operations performed during medical missions and through "other recruitment schemes for cataract surgeries."⁴

On this score, Circular No. 19, series of 2007⁵ provided the guidelines therefor, viz.:

2. All claims (includes PAO-National and LGU-sponsored) for cataract surgeries shall not be compensated **if performed** under any of the following conditions:

2.1. The healthcare provider/s (professional and/or institution) solicit/s patients through any means or form or through any medium that violates the code of ethics of the Philippine Academy of Ophthalmology; i.e., he/she offers to or receives from a fellow physician, allied health professional or independent solicitor any fee(s) or favor(s) for the purpose of obtaining patients.

2.2. Medical missions in which a healthcare provider has linked up with a non-government organization or an institution in the guise of charity or community service for the sole purpose of soliciting PhilHealth patients.

2.3. Medical missions limited to PhilHealth members/beneficiaries only.

² *Id.* at 57–90; Penned by Associate Justice Renato C. Francisco and concurred in by now retired Associate Justice Magdangal M. De Leon and Associate Justice Rodil V. Zalameda (now a member of the Court).

³ *Id.* at 91–94; Penned by Associate Justice Rodil V. Zalameda (now a member of the Court) and concurred in by Associate Justice Fernanda Lampas Peralta and Associate Justice Jhosep Y. Lopez (now also a member of the Court).

⁴ *Id.* at 60.

⁵ *Id.* at 60–61.

2.4. Medical missions done for profit or anything that brings profit but does not promote the best interest of the patient.

2.5. The healthcare provider/s (professional and/or institution) solicit/s patients through other recruitment schemes for the purpose of enrollment to PhilHealth.

x x x

5. Any indication/s or report/s of pattern/s, indicative that such claims were done through the use of recruitment schemes, or during the conduct of a medical mission, unless herein specified, shall cause suspension of processing of claims pending legal investigation. (Emphasis supplied)

On September 4, 2009, Dr. Reynaldo E. Santos (Dr. Santos), President of the Philippine Academy of Ophthalmology received a letter-complaint from a group of doctors, alleging that certain doctors were involved in “cataract sweeping” and recruitment schemes in violation of Circular No. 17, series of 2007. Thus, PhilHealth directed its Fact Finding Investigation and Enforcement Department (FFIED) to investigate the top five ophthalmologists with the highest utilization rate in cataract services.⁶

On July 28, 2010, FFIED Senior Manager Atty. Alex B. Cañaveral (Atty. Cañaveral) submitted the result of his investigation to PhilHealth Board Member and Officer-in-Charge Corporate Secretary Valentin C. Guanio corresponding to the period from July 2009 to June 2010. Specifically, Atty. Cañaveral mentioned the names of **Dr. Allan M. Valdez (Dr. Valdez)** and **Dr. Rhoumel A. Yadao (Dr. Yadao)** as among those involved in the so-called “cataract sweeping” or recruitment activities.⁷ On the basis thereof, six administrative cases were filed against petitioner Quezon City Eye Center where the two aforementioned doctors performed cataract surgeries on their patients.

Proceedings before the PhilHealth

PHIC Case No. HCP-NCR-12-356 to 392 (CA-G.R. SP No. 142323)

In his Complaint-Affidavit⁸ dated December 22, 2011, Atty. Richie Y. Parnas (Atty. Parnas) of PhilHealth’s FFIED investigation team alleged that **Dr. Valdez** performed a total of 1,179 cataract operations from July 2009 to June 2010. The names of the patients operated on by Dr. Valdez for the said period were extracted by PhilHealth’s Information and Technology Management Department. The FFIED investigators conducted claims validation with and domiciliary visits to PhilHealth members from Marikina City and Cainta, Rizal.⁹

⁶ *Id.* at 61–62.

⁷ *Id.* at 62.

⁸ *Id.* at 217–221.

⁹ *Id.* at 217.

By Resolution¹⁰ dated March 28, 2012, the PhilHealth Prosecution Department found *prima facie* evidence against petitioner and Dr. Valdez and consequently filed with the PhilHealth Arbitration Office a Complaint¹¹ dated August 13, 2012 charging petitioner with **37 counts of Breach of the Warranties of Accreditation** under Section 150¹² of Rule XXVIII of the 2004 Revised Implementing Rules and Regulations (2004 IRR) of Republic Act No. 7875,¹³ as amended by Republic Act No. 9241.¹⁴

In its Answer¹⁵ dated October 29, 2012, petitioner explained that it had forged agreements with its resident doctors and accredited or visiting consultants/ophthalmologists particularly with respect to their use of its facilities in treating their respective patients. Specifically, it signed up a **Contract of Agreement**¹⁶ (Agreement) with **Heidelberg Ventures Corporation (HVC)**, an independent group of ophthalmologists, for this purpose. Under the Agreement, the PhilHealth claims of HVC's doctors will be coursed through it for administrative expediency. Dr. Valdez, an HVC officer and ophthalmologist was among its visiting consultants. While the records show that Dr. Valdez indeed performed surgeries in its facilities, it had no direct or indirect knowledge on how these patients became his patients or how they got treated by Dr. Valdez.¹⁷

By Decision¹⁸ dated November 8, 2012, the PhilHealth Arbitration Office, through Senior Arbiter Grace B. Failadona, found petitioner **guilty** of 37 counts of Breach of the Warranties of Accreditation under Section 150 Rule XXVIII of the 2004 IRR, as amended, in relation to Circular Nos. 17 and 19, series of 2007, and meted petitioner with a fine of PHP 370,000.00 or PHP 10,000.00 per count.

On petitioner's appeal, the PhilHealth Board, through its **Resolution No. 1973, series of 2015**¹⁹ dated August 7, 2015, affirmed in the main but modified the penalty imposed, *viz.*:

WHEREFORE, premises considered, the Board resolves that the appeal of Quezon City Eye Center is hereby **DENIED** while the Decision dated 08 November 2012 of Senior Arbiter Grace B. Failadona is hereby **MODIFIED**, thereby imposing the penalty of nine (9) months suspension of accreditation and fine of [PHP] 1,480,000.00. Quezon City Eye Center is

¹⁰ *Id.* at 252–263.

¹¹ *Id.* at 265–272.

¹² SECTION 150. Breach of the Warranties of Accreditation - Any Institutional health care provider who commits any breach of the warranties of accreditation shall suffer a fine of not less than Ten Thousand Pesos (P10,000) but not more than Fifty Thousand Pesos (P50,000). In addition, its accreditation shall be revoked or suspended from three (3) months to the whole term of accreditation.

¹³ National Health Insurance Act of 1995, February 14, 1995.

¹⁴ An Act Amending Republic Act No. 7875, otherwise known as "An Act Instituting a National Health Insurance Program for All Filipinos and Establishing the Philippine Health Insurance Corporation for the purpose," February 10, 2004.

¹⁵ *Rollo*, pp. 273–277.

¹⁶ *Id.* at 278–283.

¹⁷ *Id.* at 276.

¹⁸ *Id.* at 289–292.

¹⁹ *Id.* at 213–215.

directed to return the benefit payments that it received from PhilHealth, or in the event of failure to return, to charge the same to its pending or future claims. PhilHealth Regional Office-National Capital Region is hereby directed to determine and certify the exact amount of benefit payments that should be returned by Quezon City Eye Center or correspondingly charged to its pending or future claims.

The Arbitration Office of the Corporation is hereby directed to submit a report to this Board as regards the implementation of this decision within thirty (30) days from receipt hereof.

This Decision shall be immediately executory.

SO RESOLVED.²⁰ (Emphasis in the original)

Aggrieved, petitioner elevated the case to the Court of Appeals *via* a Petition for Review²¹ docketed as **CA-G.R. SP No. 142323**.

PHIC Case No. HCP-NCR-12-453 to 458 (CA-G.R. SP No. 142325)

Acting on the September 4, 2009 letter-complaint addressed to Dr. Santos on the alleged “cataract sweeping” and “recruitment scheme,” PhilHealth’s **Task Force KISAPMATA** investigated and validated claims for cataract operations performed by **Dr. Yadao**. In the course thereof, the Task Force was able to gather several attestations from patients themselves who saw an advisory posted at the Mayapa Health Center about a “free cataract operation” for PhilHealth members, with a directive for those interested to contact Pamana Golden Care where Dr. Yadao had a clinic. The patients were then operated on by Dr. Yadao in petitioner’s establishment or that of Delos Santos STI-Medical Center.²²

Dr. Yadao and petitioner were consequently charged with Breach of the Warranties of Accreditation via a Complaint-Affidavit executed by Atty. Parnas of the FFIED. Finding a *prima facie* case against Dr. Yadao and petitioner, Senior Prosecutor Atty. Ernesto P. Barbado, Jr. (Atty. Barbado, Jr.) issued Resolution²³ dated April 19, 2012 directing that petitioner be formally charged with **six counts of Breach of the Warranties of Accreditation**. On November 13, 2012, the PhilHealth’s Prosecution Department filed the corresponding Complaint²⁴ against petitioner with the PhilHealth Arbitration Office.

In its Answer²⁵ dated January 7, 2013, petitioner reiterated that it merely leased its facilities to HVC for the latter’s doctors to perform their cataract and other eye surgeries.²⁶ It had neither any knowledge of nor any

²⁰ *Id.* at 215.

²¹ *Id.* at 175–205.

²² *Id.* at 363–364.

²³ *Id.* at 358–362.

²⁴ *Id.* at 363–367.

²⁵ *Id.* at 382–389.

²⁶ *Id.* at 384.

participation in the manner by which the persons named in the complaint became Dr. Yadao's patients.²⁷

By Decision²⁸ dated March 11, 2013, the PhilHealth Arbitration Office found petitioner guilty of **six counts of Breach of the Warranties of Accreditation** under Section 150, Rule XXVIII of the 2004 IRR, as amended, in relation to Circular Nos. 17 and 19, series of 2007, and was meted a fine in the total amount of PHP 180,000.00 or PHP 30,000.00 for each count being a second time offender.

On petitioner's appeal, the PhilHealth Board affirmed in the main but modified the penalty through **Resolution No. 1972, series of 2015**²⁹ dated August 7, 2015, viz.:

WHEREFORE, premises considered, the Board resolves that the appeal of Quezon City Eye Center is hereby **DENIED** while the Decision dated 11 March 2013 of Senior Arbiter Grace B. Failadona is hereby **MODIFIED**, thereby imposing the penalty of six (6) months suspension of accreditation and fine of [PHP] 180,000.00. Quezon City Eye Center is directed to return the benefit payments that it received from PhilHealth, or in the event of failure to return, to charge the same to its pending or future claims. PhilHealth Regional Office-National Capital Region is hereby directed to determine and certify the exact amount of benefit payments that should be returned by Quezon City Eye Center or correspondingly charged to its pending or future claims.

The Arbitration Office of the Corporation is hereby directed to submit a report to this Board as regards the implementation of this decision within thirty (30) days from receipt hereof.

This Decision shall be immediately executory.

SO RESOLVED.³⁰ (Emphasis in the original)

Aggrieved, petitioner went to the Court of Appeals for affirmative relief via a Petition for Review³¹ docketed as **CA-G.R. SP No. 142325**.

PHIC Case No. HCP-NCR-15-036 to 044 (CA-G.R. SP No. 151136)

In his Complaint-Affidavit³² dated April 5, 2013, Atty. Michael Troy A. Polintan (Atty. Polintan) of the FFIED averred that in compliance with Memorandum dated September 2, 2010 of Gregorio C. Rulloda, then Area Vice President of the PhilHealth National Capital Region (NCR) and Rizal Group, he instructed the Benefit Administration Section Head of the PhilHealth Regional Office NCR Central to **immediately suspend all**

²⁷ *Id.* at 385.

²⁸ *Id.* at 413-418.

²⁹ *Id.* at 352-354.

³⁰ *Id.* at 354.

³¹ *Id.* at 315-346.

³² *CA rollo*, CA-G.R. SP No. 151136, pp. 62-71.

pending and future claims of Dr. Yadao for continuously performing illegal recruitment activities and referral schemes inimical to PhilHealth. Thus, teams from the FFIED conducted fact-finding investigation, did domiciliary visits, and validation of cataract claims of Dr. Yadao. Among the 203 claims that were investigated on, **nine claims** were considered to be invalid and in violation of **Sections 141,³³ 144,³⁴ 148,³⁵ 149(a),³⁶ 150, 152,³⁷ 153,³⁸ and 154³⁹ of the 2004 IRR, as amended.⁴⁰ The questionable claims pertained to patients **Salvador M. Abion, Erlinda A. Solomon, Dominca L. Pcardino, Dominador R. Prado, Virgilio G. Belenzo, and Zenaida A. De Guzman.**⁴¹ Per interview with these patients or their relatives, it found out that **they were never confined nor subjected to any cataract surgery.**⁴²**

³³ SECTION 141. Claims for Non-Admitted Patients - This is committed by any health care provider who, for the purpose of claiming payment for non-admitted patents from the NHIP, files a claim by:
a. making it appear that the patient is actually confined in the health care institution; or
b. using such other machinations, that would result in claims for non-admitted. patients.
The foregoing offenses shall be penalized by a fine of not less than Ten Thousand Pesos, (P10,000) but not more than Fifty Thousand Pesos (P50,000). In addition, its accreditation shall be revoked or suspended from three (3) months to the whole term of accreditation.

³⁴ SECTION 144. Misrepresentation by Furnishing False or Incorrect Information - Any health care provider shall be liable for fraudulent practice when, for the purpose of participation in the PHIC or claiming payment therefrom, it furnishes false or incorrect information concerning any matter required by RA 7875 and its Rules. It shall be penalized with a fine of not less than Ten Thousand Pesos (P10,000) but not more than Fifty Thousand Pesos (P50,000) and suspension of accreditation for three (3) months to the whole term of accreditation.

Where such misrepresentation leads to damage to the Corporation, the penalty shall be revocation of accreditation.

³⁵ SECTION 148. Fabrication or Possession of Fabricated Forms and Supporting Documents – Any health care provider who is found preparing claims with misrepresentations or false entries, or to be in possession of claim forms and other documents with false entries, shall suffer a fine of not less than Ten Thousand Pesos (P10,000) but not more than Fifty Thousand Pesos (50,000) and suspension of accreditation for three (3) months to the whole term of accreditation.

³⁶ SECTION 149. Other Fraudulent Acts - Any health care provider shall also be liable for the following fraudulent acts:

a. Making It appear that the patient suffered from a compensable illness or underwent e compensable procedure;

x x x x

Said health care provider shall be penalized by a fine of not less than Ten Thousand Pesos (P10,000) but not more than Fifty Thousand Pesos (P50,000). In addition, its accreditation shall be revoked or suspended from three (3) months to the whole term of accreditation.

³⁷ SECTION 152. Misrepresentation by False or Incorrect Information - Any health care professional shall be liable for fraudulent practice when, for purposes of participation in the NHIP or claiming payment from the Corporation, furnishes false or incorrect information concerning any matter required by RA 7875 as amended and this Rules shall suffer a fine of not less than Ten Thousand Pesos (P10,000) but not more than Fifty Thousand Pesos (P50,000). The said professional shall likewise be suspended from participation in the NHIP for not less than one (1) year but not more than three (3) years or the accreditation shall be revoked.

³⁸ SECTION 153. Breach of the Warranties of Accreditation - Any health care professional found to have committed any breach of the warranties of accreditation shall suffer a fine of not less than Ten Thousand Pesos (P10,000) but not more than Fifty Thousand Pesos (P50,000) and for not less than six (6) months but not more than three (3) years suspension from participation in the NHIP.

³⁹ SECTION 154. Other Violations - Any other willful or negligent act or omission of the health care professional in violation of RA 7875 as amended and this Rules which tends to undermine or defeat the objectives of the NHIP shall be dealt with in accordance with Section 44 of RA 7875.

⁴⁰ *CA rollo*, CA-G.R. SP No. 151136, p. 63.

⁴¹ *Id.* at 63–66.

⁴² *Id.* at 66.

By Complaint⁴³ dated February 10, 2015, petitioner was charged before the PhilHealth Arbitration Office with **nine counts of violation of Sections 141, 144, 149, and 150 of the IRR of Republic Act No. 7875, as amended.**

In its Answer⁴⁴ dated March 19, 2015, petitioner riposted that **the aforementioned persons were patients of Dr. Yadao as one of its visiting doctors. It did not invite nor solicit these patients for cataract operations.** It reiterated that insofar as these patients were concerned, **its participation was limited to lending its operation facilities to Dr. Yadao and processing of his PhilHealth claims** pursuant to its Contract of Agreement with HVC. At any rate, PhilHealth never made any payments on these claims.

By Decision⁴⁵ dated September 2, 2015, the PhilHealth Arbitration Office, through Senior Arbiter Atty. Barbado, Jr., found petitioner guilty of **15 counts of Breach of the Warranties of Accreditation** and meted it with suspension of accreditation for 15 months and a fine of PHP 50,000.00 for being a fourth-time offender. The Arbitration Office held that while there was evidence that petitioner also committed Misrepresentation and Claims for Non-Admitted Patients, the same were already deemed absorbed by Breach of the Warranties of Accreditation, and hence should only be considered as **aggravating circumstances** in accordance with the Rules on cases involving multiple offenses or multiple counts of the same offense.⁴⁶

On appeal, the PhilHealth Board affirmed through **Resolution No. 2204, series of 2017**⁴⁷ dated January 19, 2017, viz.:

WHEREFORE, premises considered, the Appeal of (sic) is hereby **DENIED** for lack of merit and the Decision of the Arbiter is hereby **AFFIRMED** imposing the penalty of fifteen (15) months suspension of its accreditation and a fine of Fifty Thousand Pesos ([PHP] 50,000.00).

FURTHER, restitution for any payment made by PhilHealth for the claim/s subject of this case shall be made by the Appellant or charged and deducted from the proceeds of any pending or future claims of Appellant with PhilHealth. The fine imposed may likewise be charged to the future claims of the Appellant.

FINALLY, the Internal Legal and Prosecution Departments are hereby ordered to file the necessary criminal and administrative disciplinary cases if the evidence so warrants. The Appellant is **STERNLY WARNED** that a repetition of the same or similar act in the future shall be dealt with more severely.

This Decision is executory pending appeal to the Court of Appeals or the Supreme Court since the same is imbued with public interest.

⁴³ *Id.* at 103–107.

⁴⁴ *Id.* at 191–203.

⁴⁵ *Id.* at 371–379.

⁴⁶ *Id.* at 378.

⁴⁷ *Id.* at 57–61.

SO RESOLVED.⁴⁸ (Emphasis in the original)

Aggrieved, petitioner went to the Court of Appeals *via* a Petition for Review⁴⁹ docketed as **CA-G.R. SP No. 151136**.

PHIC Case No. HCP-NCR-16-216 to 245 (CA-G.R. SP No. 146098)

On August 13, 2015, the PhilHealth's Prosecution Department required petitioner to file an answer to the Complaint-Affidavit dated July 10, 2015 filed by Atty. Maranan of the FFIED of PhilHealth⁵⁰ regarding the alleged free cataract operations conducted in petitioner's facilities by **Dr. Yadao** on patients recruited from medical missions.⁵¹ On September 1, 2015, petitioner filed its Answer, arguing that it had **no participation in any irregularities, if any, done by the visiting doctors**, and there was **no evidence showing its culpability and involvement** in any violation of the Revised Implementing Rules and Regulations of the National Health Insurance Act of 2013 (2013 IRR).⁵²

On September 8, 2015, petitioner filed an Urgent Omnibus Motion for Setting of Clarificatory Hearing and for Requiring Presentation of Evidence.⁵³ It prayed that the PhilHealth's Prosecution Department conduct a clarificatory hearing to give it an opportunity to confront the supposed witnesses who executed the affidavits attached to the Complaint-Affidavit.⁵⁴

By Order⁵⁵ dated October 8, 2015, the PhilHealth Prosecution Department, through Senior Prosecutor Dean Voltaire A. Bautista, denied petitioner's urgent motion as allegedly, the case was still in the preliminary investigation stage. Petitioner moved for reconsideration⁵⁶ but the same was not acted upon.⁵⁷

Subsequently, a formal Complaint⁵⁸ dated February 17, 2016 was filed before the PhilHealth Arbitration Office charging petitioner with **30 counts each of violation of Sections 149 and 150** of the 2004 IRR, as amended, relative to the alleged recruitment of cataract patients by Dr. Yadao and their subsequent cataract operations using petitioner's facilities.

In its Answer *Ad Cautelam*⁵⁹ dated April 29, 2016, petitioner denied the charges. It asserted that it was not, and had never been, involved in any

⁴⁸ *Id.* at 58–59.

⁴⁹ *Rollo*, pp. 437–476.

⁵⁰ *CA rollo*, CA-G.R. SP No. 146098, p. 12.

⁵¹ *Rollo*, p. 69.

⁵² *CA rollo*, CA-G.R. SP No. 146098, p. 12; Revised Implementing Rules and Regulations of Republic Act No. 7875, as amended by Republic Act No. 9241, and Republic Act No. 10606, June 19, 2013.

⁵³ *Id.* at 274–284.

⁵⁴ *Id.* at 282.

⁵⁵ *Id.* at 272–273.

⁵⁶ *Id.* at 290–294.

⁵⁷ *Id.* at 13.

⁵⁸ *Id.* at 45–56.

⁵⁹ *Id.* at 233–254.

recruitment or solicitation of patients to lure or invite PhilHealth members or their beneficiaries.⁶⁰ It emphasized that the sudden increase in the number of PhilHealth patients availing of its benefits was because PhilHealth already started to cover senior citizens regardless of whether they were actual PhilHealth members.⁶¹

Since the PhilHealth Prosecution Department did not issue any resolution that a *prima facie* case against petitioner existed prior to the filing of the February 17, 2016 Complaint, petitioner charged PhilHealth with grave abuse of discretion amounting to lack or excess of jurisdiction through a Petition for *Certiorari*⁶² under Rule 65 of the Rules of Court before the Court of Appeals, which was docketed as **CA-G.R. SP No. 146098**.

PHIC Case No. HCP-NCR-16-580 to 767 (CA-G.R. SP No. 146172)

On June 18, 2015, petitioner received a **directive**⁶³ from PhilHealth's Prosecution Department to file an answer to the Complaint-Affidavit⁶⁴ dated June 5, 2015 filed by Atty. Polintan for the FFIED. In its Answer, it argued that it had **no participation in any irregularities done by its visiting doctors, and there was no evidence to establish its culpability and involvement in any violation** of the 2013 IRR.⁶⁵

On September 8, 2015, petitioner filed an Urgent Omnibus Motion for Setting of Clarificatory Hearing and Requiring Presentation of Evidence⁶⁶ for a conduct of a clarificatory hearing to give it an opportunity to confront the witnesses who executed affidavits attached to the Complaint-Affidavit. By Order⁶⁷ dated October 7, 2015, the PhilHealth Prosecution Department, through Senior Prosecutor Dexter L. Navarro, denied petitioner's urgent motion. Thereafter, petitioner's motion for reconsideration was denied by Order dated November 3, 2015.⁶⁸

In a formal Complaint⁶⁹ dated March 3, 2016, petitioner was charged by Prosecutor Atty. Dexter L. Navarro with **188 counts each of violation of Sections 149 and 150 of the 2004 IRR, as amended**, in relation to the cataract operations done by Dr. Yadao on a number of patients at petitioner's facilities "and performed on the occasion of or in the course of medical missions and/or thru recruitment schemes organized in the guise of a medical mission."⁷⁰ **Petitioner allegedly violated PhilHealth laws when it made it appear that the claims for the operations conducted by Dr. Yadao were**

⁶⁰ *Id.* at 241.

⁶¹ *Id.* at 245.

⁶² *Rollo*, pp. 830–864.

⁶³ *CA rollo*, CA-G.R. SP No. 146172, Vol. III, p. 364.

⁶⁴ *Id.* at 365–373.

⁶⁵ *Id.* at 383–392.

⁶⁶ *Id.* at 407–416.

⁶⁷ *Id.* at 433–434.

⁶⁸ *CA rollo*, CA-G.R. SP No. 146172, Vol. I, p. 13.

⁶⁹ *Id.* at 46–84.

⁷⁰ *Id.* at 81.

the result of normal course of petitioner's business as a PhilHealth accredited institution, when in truth and in fact, the claims were the result of a "questionable agreement with Dr. Yadao and his group."⁷¹

In its Answer⁷² dated June 27, 2015, petitioner argued that **the only inculpatory allegation against it in the Complaint was the mere fact that the cataract operation were performed inside its facilities.** It was bereft of any allegation that petitioner performed any medical mission, engaged in any recruitment scheme, or had otherwise defrauded PhilHealth.⁷³ It asserted that **the patients were not its patients, and that it neither solicited nor invited the patients to avail of its facilities.** It did not, and had never been, involved in any recruitment or solicitation of patients because it abided by the PhilHealth rules and regulations. Thus, **PhilHealth should limit the penalty to the doctors who are liable for non-compliance** with PhilHealth rules and regulations.⁷⁴

While *PHIC Case No. HCP-NCR-16-580 to 767* was pending, petitioner also initiated a Petition for *Certiorari*⁷⁵ under Rule 65 of the Rules of Court before the Court of Appeals per **CA-G.R. SP No. 146172**⁷⁶ to assail the filing of the February 17, 2016 Complaint, sans the requisite finding by the Philhealth Prosecution Department of a *prima facie* case against petitioner.

PHIC Case No. HCP-NCR-16-291 to 381 (CA-G.R. No. 146173)

Atty. Maranan of the FFIED filed with the Philhealth Prosecution Department a Complaint-Affidavit⁷⁷ dated July 10, 2015, respectively charging petitioner and Dr. Yadao with violations of Section 150 and Section 153 of the 2004 IRR, in relation to Circular Nos. 17 and 19, series of 2007 relative to their **90** PhilHealth claims for cataract operations done by Dr. Yadao in Laguna.

Petitioner filed its Answer⁷⁸ where it asserted anew that it had never been involved in any recruitment or solicitation of patients because it abided by the PhilHealth rules and regulations. It never had any knowledge of how the patients got listed for cataract surgeries.⁷⁹ The Complaint-Affidavit itself alleged that it was Dr. Yadao himself who organized the recruitment scheme.⁸⁰ Further, Atty. Maranan relied on the affidavits of the purported patients operated on by Dr. Yadao without affording it the opportunity to

⁷¹ *Id.* at 82.

⁷² *CA rollo*, CA-G.R. SP No. 146172, Vol. III, pp. 383-392.

⁷³ *Id.* at 388 and 391.

⁷⁴ *Id.* at 391.

⁷⁵ *Rollo*, pp. 830-864.

⁷⁶ *Id.* at 872-906.

⁷⁷ *CA rollo*, CA-G.R. SP No. 146173, pp. 366-372.

⁷⁸ *Id.* at 373-388.

⁷⁹ *Id.* at 380.

⁸⁰ *Id.* at 381.

confront them.⁸¹ Lastly, Atty. Maranan himself had no personal knowledge of the factual allegations in the Complaint-Affidavit.⁸²

Petitioner thereafter filed an Urgent Omnibus Motion for Setting of Clarificatory Hearing and for Requiring Presentation of Evidence⁸³ to confront the supposed witnesses who executed the affidavits which became the basis of the allegations in the Complaint-Affidavit of Atty. Maranan. The Prosecution Department itself was not aware whether these witnesses were real, or if they understood their affidavits, or voluntarily executed the same.⁸⁴

Per its Order⁸⁵ dated October 8, 2015, the Prosecution Department denied petitioner's urgent omnibus motion, reasoning that being still in the preliminary investigation stage, the case was governed by Sections 86,⁸⁶ 87,⁸⁷ and 88⁸⁸ of the 2013 IRR, as amended.

About four months later, petitioner got charged before the PhilHealth Arbitration Office with **90 counts each of violations of Sections 149 and 150** of the 2004 IRR, as amended. The Complaint⁸⁹ was dated February 17, 2016 and docketed as **PhilHealth Case No. HCP-NCR-16-291 to 381**.⁹⁰ Petitioner filed its Answer *Ad Cautelam*, underscoring the fact that when the Complaint was filed, the Prosecution Department had not yet issued any resolution finding *prima facie* case against it in violation of the 2013 IRR, as amended, and its right to due process.⁹¹

Petitioner consequently filed another Petition for *Certiorari*⁹² before the Court of Appeals docketed as **CA-G.R. SP No. 146173** to nullify the aforesaid Complaint.

⁸¹ *Id.* at 382.

⁸² *Id.* at 382–383.

⁸³ *Id.* at 403–413.

⁸⁴ *Id.* at 405.

⁸⁵ *Id.* at 417–419.

⁸⁶ SECTION 86. Duty of the Prosecutor

After receipt of an affidavit-complaint, the investigating prosecutor shall immediately conduct the preliminary investigation. The investigating prosecutor may, from an examination of the allegations in the affidavit-complaint and such evidence as may be attached thereto, dismiss the same outright on any of the following grounds:

- a. Lack of jurisdiction over the subject matter;
- b. Failure to state a cause of action; or,
- c. Insufficiency of evidence.

⁸⁷ SECTION 87. Directive to Answer

If no ground for dismissal is found, the investigating prosecutor shall issue the corresponding directive to the respondent health care provider and/or member directing the respondent/s to file their verified answer in three (3) copies to the affidavit-complaint within five (5) calendar days from receipt of the directive.

⁸⁸ SECTION 88. Finding of a Prima Facie Case

If from an evaluation of the affidavit-complaint, answer and other evidence attached thereto, the investigating prosecutor finds a prima facie case against the respondent health care provider/member, the investigating prosecutor shall submit the resolution together with the formal complaint for the approval of the Senior Vice-President for Legal Sector (SVP-LS) within thirty (30) days from receipt of the answer or from the expiration of the period to file the same.

⁸⁹ *CA rollo*, CA-G.R. SP No. 146173, pp. 43–58.

⁹⁰ *Rollo*, pp. 953–967.

⁹¹ *Id.* at 1323–1345.

⁹² *Id.* at 913–947.

Proceedings before the Court of Appeals

By Resolution⁹³ dated January 16, 2018, CA-G.R. SP Nos. 151136, 142323, 142325, 146172, 146173, and 146098 got consolidated with the Court of Appeals Seventh Division.

Ruling of the Court of Appeals

Under its assailed Decision⁹⁴ dated June 25, 2018, the Court of Appeals dismissed the consolidated petitions, in this wise:

WHEREFORE, premises considered, the Consolidated Petitions are **DISMISSED**.

In **CA-G.R. SP No. 142323**, the Decision dated 7 August 2015 of respondent PhilHealth in PHIC Case No. HCP-NCR-12-356 to 392 is **AFFIRMED**.

In **CA-G.R. SP No. 142325**, the Decision dated 7 August 2015 of respondent PhilHealth in PHIC Case No. HCP-NCR-12-453 to 458 is **AFFIRMED**.

In **CA-G.R. SP No. 146098**, **CA-G.R. SP No. 146172[,]** and **CA-G.R. SP No. 146173**, the petitions are **DISMISSED** for having been prematurely filed.

Finally, in **CA-G.R. SP No. 151136**, the Decision dated 9 January 2017 of respondent PhilHealth in PHIC Case No. HCP-NCR-15-036 to 044 is **AFFIRMED**.

SO ORDERED.⁹⁵ (Emphasis in the original)

The Court of Appeals ruled that petitioner was afforded due process. The essence of due process is to be heard, or as applied to administrative proceedings, an opportunity to explain one's side, or an opportunity to seek a reconsideration of the action or ruling complained of. Petitioner was given ample opportunity to explain its side, albeit not in the form of a hearing. It was able to file various pleadings before the PhilHealth Arbitration Office and PhilHealth Board. Too, it was not deprived of its chance to elevate the case to the Court of Appeals.⁹⁶

In any event, the appellate court gave credence to the sworn statements attesting that the free cataract surgeries were done by doctors in the course of medical missions or recruitment schemes **at petitioner's facilities**. Absent any proof that the affiants were coerced to execute these documents, they remain valid and binding. Further, these statements were taken by Philhealth

⁹³ *CA rollo*, CA-G.R. SP No. 151136, p. 451.

⁹⁴ *Rollo*, pp. 57-90; Penned by Associate Justice Renato C. Francisco and concurred in by now retired Associate Justice Magdangal M. De Leon and Associate Justice Rodil V. Zalameda (now a member of the Court).

⁹⁵ *Id.* at 89.

⁹⁶ *Id.* at 75.

officers who enjoy the presumption of regularity in the performance of their official duties. More, contrary to petitioner's claims, Philhealth did not solely rely on these affidavits. It also took into account the validation reports and claims forms, statement of accounts and member's data records, and excerpts from the operating logbook.⁹⁷

The Court of Appeals also found that **petitioner required HVC to conduct a minimum of 200 major surgeries per month and to impose a PHP 1,000.00 payment for non-compliance with this quota.** It did not expressly specify the means by which HVC should reach this number. But it feigned ignorance that the doctors concerned precisely resorted to recruitment schemes to comply with the prescribed quota. The doctors even **provided shuttle vans to transport patients to and from petitioner's facility.** These patients were all PhilHealth members or their dependents. The Court of Appeals concluded that **petitioner had ample knowledge that the doctors were soliciting patients. It did not exert any effort to stop this activity.** Thus, petitioner was not an innocent party. Lastly, though petitioner averred that it made the patients answer questionnaires specifically asking them whether they had been contacted through medical missions, it failed to present these questionnaires.⁹⁸

In any case, **petitioner did not deny that it filed the questionable claims.** It admitted doing so as it was **"obliged to" under its contract with HVC. Petitioner should have exerted diligent efforts to verify the claims.**⁹⁹

Finally, the Court of Appeals held that the petitions for *certiorari* in **CA-G.R. SP Nos. 146098, 146172, and 146173** were prematurely filed. The administrative cases subject of the said petitions were then still pending before the PhilHealth Arbitration Office when the petitions were filed. Petitioner should have waited for the PhilHealth Arbitration Office to resolve these three cases. Although these had been resolved in the meantime, the correct remedy for petitioner is appeal to the PhilHealth Board, not a petition for *certiorari* with the Court of Appeals.¹⁰⁰

By its assailed Resolution,¹⁰¹ dated April 8, 2019 the Court of Appeals denied petitioner's motion for reconsideration.

The Present Petition

Petitioner now prays that the assailed dispositions of the Court of Appeals be reversed. It maintains that: a) respondent failed to establish by substantial evidence that it violated the 2013 IRR in relation to Circular Nos.

⁹⁷ *Id.* at 81.

⁹⁸ *Id.* at 81–85.

⁹⁹ *Id.* at 85.

¹⁰⁰ *Id.* at 85–88.

¹⁰¹ *Id.* at 91–94; Penned by Associate Justice Rodil V. Zalameda (now a member of the Court) and concurred in by Associate Justice Fernanda Lampas Peralta and Associate Justice Jhosep Y. Lopez (now also a member of the Court).

17 and 19, series of 2007;¹⁰² b) it should not be held liable for Breach of the Warranties of Accreditation as **its participation in the questioned cataract surgeries was limited to lending the use of its facilities for this purpose, as well as the processing and filing of PhilHealth claims of the doctors involved;**¹⁰³ and c) it was deprived of the opportunity to confront the witnesses who executed their respective *Salaysays* against it in violation of its right to due process.¹⁰⁴

Petitioner likewise argues that the **Complaint dated February 17, 2016** in PHIC Case No. HCP-NCR-16-216 to 245 (*CA-G.R. SP No. 146098*), **Complaint dated March 3, 2016** in PHIC Case No. HCP-NCR-16-580 to 767 (*CA-G.R. SP No. 146172*), and **Complaint dated February 17, 2016** in PHIC Case No. HCP-NCR-16-291 to 381 (*CA-G.R. No. 146173*) were filed by the PhilHealth Prosecution Department with grave abuse of discretion amounting to lack or excess of jurisdiction as the requisite finding of a *prima facie* case against it was priorly accomplished in violation of Section 88¹⁰⁵ of the 2013 IRR.¹⁰⁶

In its Comment¹⁰⁷ dated April 28, 2022, PhilHealth counters that petitioner was in fact afforded an opportunity to be heard and refute the allegations against it. Indeed, the essence of administrative due process is an opportunity to be heard or to seek a reconsideration of the action or ruling complained of.¹⁰⁸

Further, PhilHealth posits that its findings are based on substantial evidence. Specifically, on the claims for the cataract operations conducted by Dr. Yadao, the FFIED's validation showed that the benefit claims filed by petitioner were fraudulent. The named patients or their relatives denied in their respective affidavits that they underwent cataract operations inside petitioner's facilities.

Too, petitioner is allegedly liable based on the doctrine of apparent authority which mandates that a health care provider is vicariously liable for the negligent acts of a physician providing care at the facility, regardless of whether the physician is an independent contractor, unless the patient knows or should have known, that the physician is an independent contractor.¹⁰⁹

¹⁰² *Id.* at 46.

¹⁰³ *Id.* at 31-36.

¹⁰⁴ *Id.* at 29.

¹⁰⁵ SECTION 88. Finding of a Prima Facie Case

If from an evaluation of the affidavit-complaint, answer and other evidence attached thereto, the investigating prosecutor finds a prima facie case against the respondent health care provider/ member, the investigating prosecutor shall submit the resolution together with the formal complaint for the approval of the Senior Vice-President for Legal Sector (SVP-LS) within thirty (30) days from receipt of the answer or from the expiration of the period to file the same.

¹⁰⁶ *Rollo*, pp. 37-38.

¹⁰⁷ *Id.* at 1415-1447.

¹⁰⁸ *Id.* at 1426-1428.

¹⁰⁹ *Id.* at 1428-1433.

PhilHealth likewise asserts that **petitioner's contract with HVC provides for a minimum monthly major surgeries of 200, or 2,400 surgeries annually without any parameters on how this quota could be performed or achieved.** Petitioner did not expressly state the means by which HVC can reach the minimum number of surgeries required. But it cannot feign ignorance that the doctors involved have resorted to different recruitment schemes just to comply with this prescribed quota.¹¹⁰

Issues

1. Was petitioner afforded due process?
2. Was petitioner's alleged liability for Breach of the Warranties of Accreditation supported by substantial evidence?

Our Ruling

We reverse.

PhilHealth violated petitioner's right to due process when it did not furnish the latter a copy of the resolution finding a prima facie case against it

Petitioner accuses PhilHealth of violating its right to due process when the latter did not give petitioner a copy of the resolution finding a *prima facie* case against it in: (1) **PHIC Case No. HCP-NCR-16-216 to 245 (CA-G.R. SP No. 146098)** for 30 counts each of violation of Sections 149 and 150 of the 2004 IRR, as amended; (2) **PHIC Case No. HCP-NCR-16-580 to 767 (CA-G.R. SP No. 146172)** for 188 counts each of violation of Sections 149 and 150 of the 2004 IRR, as amended; and (3) **PHIC Case No. HCP-NCR-16-291 to 381 (CA-G.R. No. 146173)** for 90 counts each of violation of Sections 149 and 150 of the 2004 IRR, as amended.

PhilHealth nonetheless posits that these resolutions are dispensable. It reasons that while Sections 88 and 89 of the 2013 IRR require a resolution as condition *sine qua non* for the filing of a complaint against a health care provider or facility, these provisions do not require PhilHealth's Prosecution Department to furnish the health care provider with a copy thereof.

PhilHealth is mistaken.

For one, a minimum standard of due process is the ability of the affected party to know the case it has to meet. More specifically, as held in *Cayago v. Lina*:¹¹¹

¹¹⁰ *Id.* at 1434.

¹¹¹ 489 Phil. 735 (2005) [Per *J. Callejo, Sr.*, Second Division].

Due process is satisfied when a person is notified of the charge against him and given an opportunity to explain or defend himself. In administrative proceedings, the filing of charges and giving reasonable opportunity for the person so charged to answer the accusations against him constitute the minimum requirements of due process. x x x¹¹² (Citations omitted, emphasis supplied)

Here, petitioner was admittedly given a reasonable opportunity to file its answers to the various complaints filed by the FFIED with the PhilHealth Prosecution Department. Records in fact bear petitioner's answers to these complaints. At first glance, this may seem to be already a compliance with the minimum standards of due process. But it is not.

The due process problem arose when the PhilHealth Prosecution Department simply disregarded its own procedural rules when it proceeded to file the Complaint dated February 17, 2016 in PHIC Case No. HCP-NCR-16-216 to 245, Complaint dated March 3, 2016 in PHIC Case No. HCP-NCR-16-580 to 767, and Complaint dated February 17, 2016 in PHIC Case No. HCP-NCR-16-291 to 381 before the PhilHealth Arbitration Office, sans any resolution finding a *prima facie* case against petitioner.

Section 88 of the 2013 Revised IRR ordains:

SECTION 88. Finding of a Prima Facie Case

If from an evaluation of the affidavit-complaint, answer and other evidence attached thereto, the investigating prosecutor **finds a prima facie case** against the respondent health care provider/ member, the **investigating prosecutor shall submit the resolution together with the formal complaint for the approval of the Senior Vice-President for Legal Sector (SVP-LS)** within thirty (30) days from receipt of the answer or from the expiration of the period to file the same. (Emphasis supplied).

The above provision uses the word "shall" which imposes a duty. *Diokno v. Rehabilitation Finance Corporation*¹¹³ teaches:

It is true that its ordinary signification the word "shall" is imperative.

In common or ordinary parlance, and in its ordinary signification, the term "shall" is a word of command, and one which has always or which must be given compulsory meaning; as denoting obligation. It has a preemptory meaning, and it is generally imperative or mandatory. It has the invariable significance of operating to impose a duty which may be enforced, particularly if public policy is in favor of this meaning or when addressed to public officials, or where a public interest is involved, or where the public or persons have rights which ought to be exercised or enforced, unless a contrary intent appears. x x x

The presumption is that the word "shall" in a statute is used is an imperative, and not in a directory, sense. If a different interpretation

¹¹² *Id.* at 751.

¹¹³ 91 Phil. 608 (1952) [Per J. Labrador, En Banc].

is sought, it must rest upon something in the character of the legislation or in the context which will justify a different meaning. x x x¹¹⁴ (Citations omitted, emphasis supplied)

Verily, PhilHealth's position that the resolution finding a *prima facie* case against a respondent health care provider is dispensable is patently erroneous.

At any rate, while it is true that Sections 88 and 89 of the 2013 IRR do not expressly mandate the Prosecution Department of PhilHealth to furnish the respondent health care provider or facility with the resolution for the approval of the Senior Vice-President for Legal Sector (SVP-LS), Section 90 nonetheless states that the resolution of the prosecutor duly approved by the SVP-LS shall be final and cannot be a subject of a motion for reconsideration.

Sections 89 and 90 of the 2013 IRR read in full:

SECTION 89. Period for Approval of the Senior Vice-President for Legal Sector

The SVP-LS shall have five (5) days from receipt of the formal complaint and resolution to act on the same. If no action is taken within the given period, the formal complaint and resolution shall be deemed approved.

SECTION 90. Finality of Resolutions

The resolution of the prosecutor duly approved by the SVP-LS shall be final. No motion for reconsideration (MR) or similar pleadings shall be allowed and entertained.

Section 90 expressly speaks of the finality of the resolution and the prohibition against a motion for reconsideration or similar pleading to assail this resolution. Consequently, Philhealth cannot claim that the 2013 IRR did not intend to furnish the health care provider or facility with a copy of the resolution of the prosecutor that was submitted for approval by the SVP-LS of PhilHealth.

The reason is that petitioner or any party similarly situated is entitled to know the case it has to meet. This information is found in the prosecutor's resolution that contains the evaluation, discussion, and analysis of the allegations in the complaint-affidavit, the defense of the health care provider or facility in its answer, and the evidence presented by both complainant and health care provider or facility. This resolution gives the reasons for the prosecutor's determination of a *prima facie* case. The health care provider or facility will be unable to meet its case if it has no copy of the prosecutor's resolution. It is as basic as that. Due process dictates that the health care provider or facility must be furnished a copy of the resolution of the prosecutor. PhilHealth must also make this resolution available to the health

¹¹⁴ *Id.* at 610.

care provider or facility by giving the latter a copy thereof from the moment it is ready to be submitted for review by its SVP-LS.

This component right of due process is made more imperative by the fact that the resolution is virtually final the moment it is released by the investigating prosecutor. Notably, there can be no motion for reconsideration of the resolution of the prosecutor and the 2013 IRR does not provide any remedy for the respondent to question the resolution. PhilHealth's act of denying petitioner a copy of this resolution therefore is a violation of petitioner's right to due process; and was thus correctly challenged through the petitions for *certiorari* which petitioner had initiated even while proceedings were ongoing at the PhilHealth Arbitration Office.

Another. PhilHealth must ensure that there are full arms-length dealings between its prosecuting office and PhilHealth itself as reviewer of the prosecutor's finding of a *prima facie* case. This too is part and parcel of due process. These bodies must be separate from and independent of each other. The deciding body within PhilHealth must also be given full discretion in deciding the case before it—its impartiality and independence must be assured, its discretion must not be unduly fettered by PhilHealth guidelines that would virtually make it a mere factotum of the same body that also looks after its prosecutors. We cannot afford to have just a single body becoming the judge, prosecutor, and executioner all at the same time.

Petitioner properly availed of the extraordinary remedy of certiorari before the Court of Appeals

To recall, petitioner filed three separate petitions for *certiorari* to assail the complaints against it dated February 17, 2016 (in PHIC Case No. HCP-NCR-16-216 to 245 and PHIC Case No. HCP-NCR-16-291 to 381) and March 3, 2016 (PHIC Case No. HCP-NCR-16-580 to 767).

The Court of Appeals held that the petitions for *certiorari* were prematurely filed since, when the petitions were filed, the administrative cases subject thereof were then still pending before the PhilHealth Arbitration Office. According to the Court of Appeals, petitioner should have waited for the PhilHealth Arbitration Office to resolve the cases. But even if the same were already resolved, the correct remedy for petitioner was to file an appeal with the PhilHealth Board, not to file a petition for *certiorari* before the Court of Appeals.

Again, we disagree.

First. The well-established principle of exhaustion of administrative remedies dictates that before a party may seek the intervention of the court, it

should first avail of all the means afforded it by administrative processes.¹¹⁵ The issues which administrative agencies are authorized to decide should not be summarily taken from them and submitted to a court without first giving such administrative agency the opportunity to dispose of the same after due deliberation.¹¹⁶

*Republic v. Lacap*¹¹⁷ nonetheless enumerates the exceptions, viz.:

Nonetheless, the doctrine of exhaustion of administrative remedies and the corollary doctrine of primary jurisdiction, which are based on sound public policy and practical considerations, are not inflexible rules. There are many accepted exceptions, such as: (a) where there is estoppel on the part of the party invoking the doctrine; (b) where the challenged administrative act is patently illegal, amounting to lack of jurisdiction; (c) where there is unreasonable delay or official inaction that will irretrievably prejudice the complainant; (d) where the amount involved is relatively small so as to make the rule impractical and oppressive; (e) where the question involved is purely legal and will ultimately have to be decided by the courts of justice; (f) where judicial intervention is urgent; (g) when its application may cause great and irreparable damage; **(h) where the controverted acts violate due process**; (i) when the issue of non-exhaustion of administrative remedies has been rendered moot; (j) when there is no other plain, speedy and adequate remedy; (k) when strong public interest is involved; and, (l) in quo warranto proceedings. x x x¹¹⁸ (Emphasis supplied)

Exception (h) is applicable here.

As previously discussed, PhilHealth violated the minimum requirements of due process when the Complaint dated February 17, 2016 in PHIC Case No. HCP-NCR-16-216 to 245, Complaint dated March 7, 2016 in PHIC Case No. HCP-NCR-16-580 to 767, and Complaint dated February 17, 2016 in PHIC Case No. HCP-NCR-16-291 to 381 were filed before the PhilHealth Arbitration Office, sans any resolution finding *prima facie* case against petitioner.

Therefore, petitioner aptly sought judicial recourse even when the administrative cases against it were still pending with the PhilHealth Arbitration Office. Precisely, it questioned the filing of these cases against him for being tainted with grave abuse of discretion as the pre-requisite determination of a *prima facie* case was never accomplished.

It is settled that the remedies of *certiorari* and prohibition may issue to correct errors of jurisdiction committed not only by a tribunal, corporation, board or officer exercising judicial, quasi-judicial or ministerial functions but also to set right, undo and restrain any act of grave abuse of discretion amounting to lack or excess of jurisdiction by any branch or

¹¹⁵ See *Samar II Electric Cooperative, Inc. v. Seludo, Jr.*, 686 Phil. 786, 796 (2012) [Per J. Peralta, Third Division].

¹¹⁶ See *Republic v. Lacap*, 546 Phil. 87, 96-97 (2007) [Per J. Austria-Martinez, Third Division].

¹¹⁷ *Id.*

¹¹⁸ *Id.* at 97.

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instrumentality of the government, even if the latter does not exercise judicial, quasi-judicial, or ministerial functions.¹¹⁹

No substantial evidence exists to hold petitioner guilty of Breach of the Warranties of Accreditation

As shown, the Court of Appeals affirmed the dispositions of the PhilHealth Board finding petitioner guilty of several counts of Breach of the Warranties of Accreditation (in CA-G.R. SP Nos. 142323, 142325, and 151136). The Court of Appeals concluded that petitioner violated its sworn undertaking under the Warranties of PhilHealth Accreditation, particularly the following provisions:

x x x

4. We shall conduct our health care services operations strictly and faithfully in accordance with the provisions of Republic Act 7875 as amended as the National Health Insurance Law of the Philippines including all its Implementing Rules & Regulations (IRR).

5. We shall strictly abide with all the implementing rules and regulations, memorandum circulars, office orders, special orders and other administrative issuances issued by the PHIC governing our accreditation.

x x x

14. We shall not directly or indirectly engage in any form of unethical or improper practices as an accredited provider such as, but not limited to, solicitation of patients for purposes of compensability under the NHIP, the purpose and/or the end consideration of which tends unnecessary financial gain rather than promotion of the NHIP thereby ultimately undermining the greater interests and noble purpose of the NHIP.

x x x

16. We shall undertake measures to ensure that we only enter true and correct data in all patients' records, shall take full responsibility for any inaccuracies and/or falsities entered into and/or reflected in our patients' records as well as in any omission, addition, inaccuracies and/or falsities entered into and/or reflected in claims submitted to PHIC by our institution and we further undertake to file before the PHIC only legitimate claims recognizing the period of filing within sixty (60) calendar days after the patient's discharge.¹²⁰

On this score, we emphasize that the factual findings of administrative agencies are generally accorded not only respect but also finality when the decision and order are not tainted with unfairness or arbitrariness that would amount to abuse of discretion or lack of jurisdiction. These findings therefore must be respected, so long as they are supported by substantial evidence even

¹¹⁹ See *Araullo v. Aquino*, 737 Phil. 457, 531 (2014) [Per *J. Bersamin*, En Banc].

¹²⁰ *Rollo*, p. 84.

if not overwhelming or preponderant.¹²¹ Substantial evidence means such amount of relevant evidence as a reasonable mind might accept as adequate to support a conclusion.¹²² Pertinently, the burden to establish the charges rests upon the complainant.¹²³ The case should be dismissed for lack of merit if the complainant fails to show in a satisfactory manner the facts upon which his accusations are based.¹²⁴ The respondent is not even obliged to prove its defense.¹²⁵

Given these precepts, the Court finds that there is no substantial evidence to hold petitioner liable for Breach of the Warranties of Accreditation.

The Court notes that petitioner admits that the patients of Dr. Valdez came from the medical missions organized by both Cainta Vice Mayor Arturo L. Sicat (Vice Mayor Sicat) and Marikina City Vice Mayor Dr. Marion S. Andres (Vice Mayor Andres) in their respective Local Government Units. As for Dr. Yadao, his patients were allegedly those who registered or signified to undergo free cataract operation based on the advisory posted at the Mayapa Health Center regarding the availability of this procedure. Petitioner too admits that cataract services were performed on these patients by Dr. Valdez and Dr. Yadao, using its facilities to which the two doctors had been given access as visiting doctors.

Further, petitioner explains that per standard procedure, these visiting doctors pay the corresponding fees for their use of its facilities, and this expense would be passed on to the patients. For compensable claims of PhilHealth members, however, the patients may opt to fill out the prescribed PhilHealth forms to facilitate the process by which petitioner may directly claim payment from PhilHealth, instead of billing the doctors. On the other hand, the compensable doctor's fees under PhilHealth were covered by separate claims, albeit per PhilHealth rules, they were processed and coursed through petitioner. Specifically, it centralized and facilitated the collection of fees for the use of its facilities as well as the fees owing to the participating doctor, as mandated by PhilHealth itself.¹²⁶

But invoking the "doctrine of apparent authority," PhilHealth asserts that petitioner as a health care provider is vicariously liable for the negligent acts of the doctors providing care at its facility, even in cases where the doctor is an independent contractor, unless the patient himself or herself knows, or should have known, of such status of the doctor concerned.

We are not persuaded.

¹²¹ See *Zarsona Medical Clinic v. Philippine Health Insurance Corp.*, 745 Phil. 298, 311 (2014) [Per J. Perez, First Division].

¹²² *National Bureau of Investigation v. Najera*, G.R. No. 237522, June 30, 2020 [Per J. Lopez, First Division].

¹²³ *Id.*

¹²⁴ *Id.*

¹²⁵ *Id.*

¹²⁶ *Rollo*, p. 31.

First, the doctrine of apparent authority is applied to determine the liability of a hospital in a medical malpractice case against an independent contractor physician. *Nogales v. Capitol Medical Center*¹²⁷ enunciates, thus:

In general, a hospital is not liable for the negligence of an independent contractor-physician. There is, however, an exception to this principle. The hospital may be liable if the physician is the “ostensible” agent of the hospital. This exception is also known as the “doctrine of apparent authority.” In *Gilbert v. Sycamore Municipal Hospital*, the Illinois Supreme Court explained the doctrine of apparent authority in this wise:

[U]nder the doctrine of apparent authority[,] a hospital can be held vicariously liable for the negligent acts of a physician providing care at the hospital, regardless of whether the physician is an independent contractor, unless the patient knows, or should have known, that the physician is an independent contractor. The elements of the action have been set out as follows:

“For a hospital to be liable under the doctrine of apparent authority, a plaintiff must show that: (1) the hospital, or its agent, acted in a manner that would lead a reasonable person to conclude that the individual who was alleged to be negligent was an employee or agent of the hospital; (2) where the acts of the agent create the appearance of authority, the plaintiff must also prove that the hospital had knowledge of and acquiesced in them; and (3) the plaintiff acted in reliance upon the conduct of the hospital or its agent, consistent with ordinary care and prudence.”

The element of “holding out” on the part of the hospital does not require an express representation by the hospital that the person alleged to be negligent is an employee. Rather, the element is satisfied if the hospital holds itself out as a provider of emergency room care without informing the patient that the care is provided by independent contractors.

The element of justifiable reliance on the part of the plaintiff is satisfied if the plaintiff relies upon the hospital to provide complete emergency room care, rather than upon a specific physician.

The doctrine of apparent authority essentially involves two factors to determine the liability of an independent-contractor physician.¹²⁸ (Citations omitted)

Hence, the “doctrine of apparent authority” does not apply where the cause of action as in this case is breach of petitioner’s warranties of accreditation under PhilHealth rules and regulations and not medical malpractice arising from negligence or recklessness. And rightly so, since

¹²⁷ 540 Phil. 225 (2006) [Per J. Carpio, Third Division].

¹²⁸ *Id.* at 245–246.

medical malpractice is a form of negligence or recklessness which consists in the failure of a physician or surgeon to apply to his practice that degree of care and skill that the profession generally and ordinarily employs under similar conditions and circumstances.¹²⁹

In fine, PhilHealth's invocation of the "doctrine of apparent authority" for the purpose of making petitioner liable with Drs. Valdez and Yadao for these doctors' supposed acts of "cataract sweep" or "solicitation schemes," is misplaced.

We now discuss PhilHealth's finding, as affirmed by the appellate court, that petitioner was a willing participant in the alleged recruitment of patients by Drs. Valdez and Yadao through the "*Alay Serbisyo Project*" of Vice Mayor Sicat which offered free medical and dental services to indigent residents of Cainta, Rizal; through the medical mission organized by former Vice Mayor Andres for residents of Marikina City who are suffering from poor eyesight, mostly senior citizens who are either PhilHealth members or dependents; through the advisory posted at the Mayapa Health Center about a "free cataract operation" for PhilHealth members, and interested persons were directed to contact Pamana Golden Care where Dr. Yadao operated a clinic; through the hiring of two shuttle vans allegedly by Dr. Yadao which transported the patients to and from Quezon City Eye Center and Delos Santos STI-Medical Center where he did the surgeries; and in view of Item 20¹³⁰ of its Contract of Agreement with HVC stipulating that the latter will perform a minimum of 200 major surgeries per month and that in case of non-compliance therewith, HVC shall pay petitioner the equivalent amount of the deficit at the rate of PHP 1,000.00 per case. PhilHealth further concluded that since petitioner did not specify the means by which HVC, the group to which the visiting doctors belonged, would be able to meet this quota, then HVC was deemed a willing participant in the "cataract operations sweep or scheme."

Non sequitur. The fact alone that the patients who were operated for cataract removal in the facilities of petitioners were beneficiaries of the respective medical missions of the doctors concerned and the local government of Marikina City; and there was a posted notice thereof and shuttle service provided therefore—does not point to any involvement on the part of petitioner. None of the documentary evidence adduced by PhilHealth incriminated petitioner as a co-conspirator in any way, explicitly or otherwise. And even if we take the aforesaid circumstances in relation to the fact that the surgeries were all done inside petitioner's facilities, still it does not logically lead to the conclusion that petitioner knew of the so-called nefarious scheme and had willingly participated therein. There was no showing, as none was shown that petitioner specifically offered the use of its facilities for the questioned cataract operations. To our mind, there is simply no substantial evidence that will prove a nexus between it and its visiting doctors when it comes to recruitment of the latter's patients. To make petitioner liable for the

¹²⁹ See *Aquino v. Heirs of Calayag*, 693 Phil. 11, 19 (2012) [Per J. Abad, Third Division].

¹³⁰ *Rollo*, p. 244.

fraudulent schemes, if any, committed by its visiting doctors is unjust, to say the least.

Regarding the Agreement between petitioner and HVC stipulating that the latter will perform a minimum of 200 major surgeries per month and that in case of non-compliance therewith, HVC shall pay petitioner the equivalent amount of the deficit at the rate of PHP 1,000.00 per case, again, the existence of this Agreement per se or even taken in light of the aforesaid circumstances does not make out a case of conspiracy between the parties. Further, PhilHealth cannot draw any inculpatory inference from the fact alone that the Agreement does not contain any stipulation on the specific means by which HVC shall be able to comply with its undertaking of performing 200 surgeries a month inside petitioner's facilities. We have to keep in mind though that HVC comprises a big number of eye doctors who are all presumed to be collectively capable of doing a minimum of 200 eye surgeries per month. In any case, the means by which a contracting party should perform its part of the contract pertains to details of implementation. The same is not an element of a valid contract, thus, the absence of any stipulation therefor does not render the contract invalid. It is understood though that the means to be employed in the implementation of the contract by both parties should not be against the law, public morals, good customs, and good tradition.

As for the penalty of PHP 1,000.00 per deficit in case of HVC's non-compliance with the required number of surgeries per month, we cannot consider it in any way as a compelling force for HVC to move heaven and earth to the point of doing an immoral or unethical act just so it could comply with 200 surgeries per month. Be that as it may, the penalty clause may serve to offset whatever lost income petitioner may suffer should the projected number of surgeries under the Agreement be not achieved. We note that under it, petitioner had the obligation to make its facilities always available whenever it was needed by HVC. It meant declining requests for the use of its facilities by other doctors or entities outside HVC, resulting at times in loss of income or loss of business opportunity that may impact its capacity to meet its overhead expenses.

In another vein, it is true that in *Philippine Health Insurance Corp. v. Urdaneta Sacred Heart Hospital*,¹³¹ (*Urdaneta*) we affirmed the liability of respondent health care provider therein for violation of Circular Nos. 17 and 19, series of 2007 or Breach of the Warranties of Accreditation. But there is a marked difference between *Urdaneta* and the present case. In the first case, the Court found that the hospital **actively employed** means or methods to recruit cataract patients under conditions which are prohibited per Circular No. 19, series of 2007. Thus:

Notably, USHH admitted in its letter to PHIC having conducted free "cataract screenings" during the period in question. While a cataract screening is different from an operation, reason dictates that there would have been no surge in the number of cataract operations in USHH had there

¹³¹ G.R. No. 214485, January 11, 2021 [Per *J. Hernando*, Third Division].

been no “free screening” in the first place. The Fact-Finding Verification Report which USHH itself relied on stated that “[i]t appears that the sudden increase [in] cataract operation claims was due to the influx of cataract patients that were screened during the ‘free cataract screening’ implemented by the USHH.”

Relevantly, PHIC alleged that “[a]fter careful investigation and verification, PHIC discovered that from December 2008 to March 2009 – the period covered by the claim, USHH and several of its doctors conducted the screening of patients from several municipalities in Pangasinan. USHH and its doctors employed seekers who went from one barangay to another, recruiting patients with cataract problems.”

x x x

Thus, PHJC’s [sic] denial of USHH’s claims was justified since the hospital actively employed means or methods to recruit cataract patients under conditions which are prohibited in Circular No. 19, series of 2007. Even if the surgeries or treatments were strictly not performed during a medical mission, it appeared that the cataract patients were actively recruited by USHH. PHJC clearly demonstrated that USHH indeed violated Circular Nos. 17 and 19, series of 2007 which would justify the denial of its reimbursement claims. **USHH and its personnel/affiliates actively recruited cataract patients in violation of the said circulars. The hospital failed to disprove that it employed “seekers” in order to gather patients for the free cataract screening who in tum sought treatments in USHH by using their Philhealth benefits, whether as members or beneficiaries.**¹³² (Emphasis supplied)

In contrast, there is simply no substantial evidence showing that petitioner here did any of the acts enumerated in *Urdaneta*. Besides, as a stock corporation, petitioner can act only through natural persons duly authorized for the purpose or by a specific act of its board of directors. Notably, the complaints filed against petitioner, as well as the assailed dispositions of the PhilHealth Board and the Court of Appeals, do not mention any overt act of petitioner’s directors, officers, employees, or duly authorized representatives which would make us conclude that petitioner **actively employed** means or methods to recruit cataract patients as what was done in *Urdaneta*.

In any event, if PhilHealth truly believes that the Agreement in question was meant to defraud PhilHealth funds, it should issue a regulation banning or regulating such contract. This should settle at least at the industry level what a health care provider can and cannot do in its contractual dealings with doctors. PhilHealth may also consider issuing a regulation escalating the due diligence required of every health care provider in its involvement with doctors using its facilities so that a presumption of negligence or recklessness arises when a doctor violates PhilHealth regulations. Lastly, PhilHealth should perhaps also include negligence and recklessness as a cause of action against a health care provider in relation to the practices of doctors using its facilities. Until then, however, there is no rhyme or reason for the Court to

¹³² *Id.*

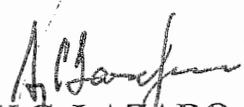
hold petitioner administratively liable for Breach of the Warranties of Accreditation. For there is no substantial evidence showing that it directly or indirectly solicited patients for cataract screening, operation, and treatment during medical missions or under any circumstance prohibited under Circular No. 19, series of 2007 as to render it liable for Breach of the Warranties of Accreditation.

A Final Word. PhilHealth was created by Republic Act No. 7875, a law which seeks to prioritize and accelerate the provision of health services to all Filipinos, especially that segment of the population who cannot afford the same.¹³³ To assist the state in pursuing the policy of the law, health institutions were granted the privilege of applying for accreditation as health care providers.¹³⁴ In this light, the Court will not penalize health care providers, whereas in this case, there is an abject lack of substantial evidence to support a finding of administrative liability against petitioner for Breach of the Warranties of Accreditation. To do otherwise would ultimately result in the deprivation of the right of the people to health and patient care services and the chance to have a better quality of life and well-being.

ACCORDINGLY, the Petition is **GRANTED**. The Consolidated Decision dated June 25, 2018 and Resolution dated April 8, 2019 in CA-G.R. SP Nos. 142323, 142325, 146098, 146172, 146173, and 151136 are **REVERSED**. **PHIC Case No. HCP-NCR-12-356 to 392, PHIC Case No. HCP-NCR-12-453 to 458, PHIC Case No. HCP-NCR-16-216 to 245, PHIC Case No. HCP-NCR-16-580 to 767, PHIC Case No. HCP-NCR-16-291 to 381, and PHIC Case No. HCP-NCR-15-036 to 044 are all DISMISSED.**

Further, the suspension of petitioner Quezon City Eye Center as an accredited health care institution by the Philippine Health Insurance Corporation is **LIFTED**. The Philippine Health Insurance Corporation is **ORDERED to PAY** the Quezon City Eye Center all its pending claims relative to the cataract operations conducted by Dr. Allan M. Valdez and Dr. Rhoumel A. Yadao for the period of July 2009 to June 2010.

SO ORDERED.


AMY C. LAZARO-JAVIER
Associate Justice

¹³³ SEC. 3. *General Objectives.* – This Act seeks to:

x x x

c) prioritize and accelerate the provision of health services to all Filipinos, especially that segment of the population who cannot afford such services; and

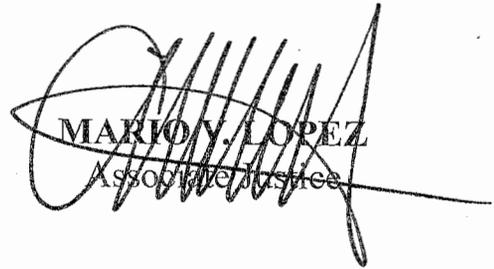
x x x

¹³⁴ *Philippine Health Insurance Corp. v. Chinese General Hospital & Medical Center*, 496 Phil. 349, 357 (2005) [Per J. Corona, Third Division].

WE CONCUR:


MARVIC MARIO VICTOR F. LEONEN
Senior Associate Justice
Chairperson

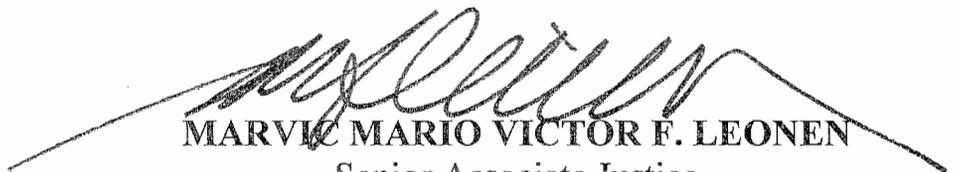

HENRI JEAN PAUL B. INTING
Associate Justice


MARION LOPEZ
Associate Justice


ANTONIO T. KHO, JR.
Associate Justice

ATTESTATION

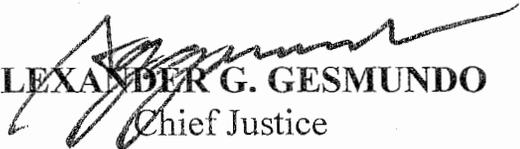
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


MARVIC MARIO VICTOR F. LEONEN
Senior Associate Justice
Chairperson, Second Division

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CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the above Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ALEXANDER G. GESMUNDO
Chief Justice

J

