

THIRD DIVISION

[G.R. No. 214485, January 11, 2021]

**PHILIPPINE HEALTH INSURANCE CORPORATION, PETITIONER,
VS. URDANETA SACRED HEART HOSPITAL, RESPONDENT.**

DECISION

HERNANDO, J.:

This Petition^[1] for Review on *Certiorari* assails the March 21, 2014 Decision^[2] and September 17, 2014 Resolution^[3] of the Court of Appeals (CA) in CA-G.R. CV No. 100477, which affirmed in *toto* the January 22, 2013 Decision^[4] of the Regional Trial Court (RTC) of Pasig, Branch 67, in Civil Case No. 72535, granting the reimbursement claims of respondent Urdaneta Sacred Heart Hospital (USHH).

The Facts:

USHH is a health care institution duly accredited by the Philippine Health Insurance Corporation (Philhealth or PHIC). USHH has been providing Philhealth members the necessary treatments and procedures which are deemed compensable under Philhealth rules. From December 2008 to April 2010, the hospital filed 374 reimbursement claims for cataract treatments or surgeries underwent by its patients, 199 of which were reimbursed by Philhealth,^[5] 15 were denied, while 160 claims remained unacted upon.^[6]

USHH thus filed before the RTC a Complaint^[7] against Philhealth for its failure to pay or act upon its remaining 160 reimbursement claims, in violation of the rule mandating that it should act on the claims within 60 calendar days from its receipt. Purportedly, in its July 30, 2009 Resolution,^[8] the PHIC Board refused to act on some claims, and denied 60 of it^[9] for being not compensable because the treatments or surgeries were conducted during medical missions from December 2008 to March 2009.^[10] Notably, PHIC Circular Nos. 17^[11] and 19,^[12] series of 2007, prohibit claims for services conducted during medical missions or derived through recruitment schemes.

Allegedly, the hospital was informed of the rejection of its claims three months after their denial.^[13] Hence, it wrote PHIC a letter^[14] dated October 15, 2009 citing PHIC's own Fact-Finding Verification Report^[15] dated March 25, 2009 showing that the claims that were rejected by the PHIC Board in its July 30, 2009 Resolution were actually not found to be part of any medical mission and thus, said claims should be processed.^[16]

In the course of the proceedings, Philhealth paid some of the claims such that at the termination of the trial, the hospital's outstanding claims against Philhealth stood only at P1,475,988.42.

Ruling of the Regional Trial Court:

In a Decision^[17] dated January 22, 2013, the RTC noted that USHH did not comply with the procedural rules in pursuing its claim. Pursuant to Republic Act (RA) No. 7875 or the National Health Insurance Act of 1995 (NHI Act), and PHIC's Circular No. 3, series of 2008,^[18] the hospital's recourse was to file a claim before the PHIC Regional Office (RO) where the health care provider operates. If the RO denies or reduces the claim, the claimant can file a motion for reconsideration (MR). If the MR is denied, the claimant can file an appeal with the Protest and Appeals Review Department (PARD) under the PHIC Office of the President and Chief Executive Officer (OP-CEO). The decision of the PARD will be considered final and executory, subject to a judicial appeal under Rule 43 of the Rules of Court.^[19]

In line with this, Rule XXXV, Section 184 of the Implementing Rules and Regulations (IRR) of the NHI Act states that the decision of the Grievance and Appeals Review Committee (GARC) shall become final and executory 15 calendar days after notice to the parties, unless an appeal is lodged before the PHIC Board within the same period. In addition, Rule XXXV, Section 189 of the IRR provides that the final decision of the PHIC Board shall be reviewed by the CA in accordance with RA No. 7902 and Revised Administrative Circular 1-95 issued by the Court on May 17, 1995.^[20]

The trial court noted that USHH did not comply with the foregoing procedure when it filed a Complaint before the RTC instead.^[21] However, there being **strong public interest** involved in this case, which is an exception to the doctrine on exhaustion of administrative remedies, the trial court opted to take cognizance of the case and resolved as follows, viz.:

Wherefore, in the interest of greater justice, the Court renders judgment ordering the defendant Philippine Health Insurance Corporation to pay the plaintiff, as follows:

1. The total amount of its claims for reimbursement in the amount of One Million Four Hundred Seventy-Five Thousand Nine Hundred Eighty-Eight And Forty-Two Centavos [P1,475,988.42] plus legal interest thereon from May 2010 as and by way of actual damages;
2. One Hundred Thousand Pesos (P100,000.00) as and by way of attorney's fees and Three Thousand Five Hundred Pesos (P3,500.00) per hearing, as and by way of appearance fees.

SO ORDERED.^[22]

Aggrieved, PHIC appealed^[23] to the CA.

Ruling of the Court of Appeals:

The CA, in its assailed March 21, 2014 Decision,^[24] affirmed the RTC's Decision *in toto*. It held that USHH, as an accredited member of the PHIC, should abide by PHIC's rules and regulations as regards the filing of claims and appeals.^[25] Yet, the doctrine on exhaustion of administrative remedies admits of exceptions, as when strong public interest is involved. Technicalities should not be allowed to defeat the

right of the health care provider to be reimbursed, since it will result in a deprivation of legal rights.^[26]

The appellate court noted that contrary to Philhealth's contention, USHH's claims which involved surgeries or treatments done in December 2008 up to March 2009, were not performed during medical missions, as declared by PHilhealth's own Fact-Finding Verification Report.^[27]

PHIC asked for a reconsideration^[28] which the CA denied in a Resolution^[29] dated September 17, 2014. PHIC then filed this instant Petition for Review on *Certiorari*^[30] raising the following –

Issues:

- A. WHETHER THE RTC HAS JURISDICTION OVER THE SUBJECT CASE MATTER OF THE COMPLAINT.**
- B. IF THE RTC HAS JURISDICTION, WHETHER THE COMPLAINT SHOULD BE DISMISSED FOR LACK OF CAUSE OF ACTION BASED ON THESE GROUNDS: (a) USHH FAILED TO EXHAUST EXISTING ADMINISTRATIVE REMEDIES; (b) THIS CASE IS CLEARLY NOT AN EXCEPTION TO THE DOCTRINE ON THE EXHAUSTION OF ADMINISTRATIVE REMEDIES; AND (c) USHH'S CLAIM – AN APPLICATION TO BE REIMBURSED UNDER THE NHIP, IS CLEARLY NOT USHH'S ESTABLISHED RIGHT BUT A STATUTORY PRIVILEGE TO WHICH IT IS NOT ENTITLED.**
- C. WHETHER PHIC'S DECISION ON USHH'S NON-COMPENSABLE CLAIMS IS FINAL AND EXECUTORY.**
- D. WHETHER USHH VIOLATED NHIP LAWS, RULES AND REGULATIONS AND IS NOT ENTITLED TO THE REIMBURSEMENT OF ITS ALLEGED CLAIM.**
- E. WHETHER THE RTC FAILED TO COMPLY WITH RULE 36, SECTION 1 OF THE RULES OF COURT WHICH REQUIRES THAT IT DISTINCTLY STATE THE FACTS AND LAW ON WHICH THE DECISION IS BASED.**
- F. WHETHER USHH FAILED TO OVERCOME THE PRESUMPTION THAT PHIC REGULARLY PERFORMED ITS DUTIES AND FUNCTIONS.^[31]**

As condensed, the issue here is whether or not the reimbursement claims of USHH should be granted.

Arguments of PHIC:

PHIC maintains that since USHH's claim is administrative in nature, it is reviewable by the courts only after exhaustion of administrative remedies.^[32] RA No. 7875, as

amended, vests PHIC with the sole jurisdiction over claims for reimbursement.

PHIC Circular No. 3 requires that a claim for reimbursement under the NHI Act shall be filed with the PHIC RO where the accredited health care provider is conducting business. If the RO denies or reduces the claim, the claimant shall file an MR with the Office of the Regional Vice President of the same RO within 15 calendar days from notification. Upon denial of the MR, the claimant shall file an appeal with the PARD under the PHIC OP-CEO, whose decision shall be final and executory, subject only to a judicial appeal under Rule 43 of the Rules of Court.^[33] In any case, PHIC emphasizes that it has yet to decide on a large portion of USHH's claims, and thus, any court intervention at this time is premature and improper.

PHIC argues that USHH failed to exhaust administrative remedies^[34] and that the case should not be considered as an exception to the doctrine on the exhaustion of administrative remedies since (a) PHIC has not decided on some of USHH's claims and (b) USHH did not allege extraordinary circumstances which would warrant its exemption.^[35]

PHIC contends that USHH has no cause of action since its reimbursement claims under the NHIP is not an established right but a statutory privilege to which it is not entitled to.^[36] It adds that the PHIC Board's decision with respect to USHH's non-compensable claims is already final and executory since USHH did not file an MR or appeal.^[37] Also, it avers that USHH clearly violated applicable NHI laws, rules and regulations, as the treatments and surgeries were actually performed in the course of medical missions.^[38]

With regard to the claims for 160 cataract operations, the PHIC asserts that some of these cases are subject for review, investigation and processing, and are therefore covered by the exception in Section 47, paragraph (o) of the IRR of RA No. 7875 which states that "[a]ll claims, except under investigation, shall be acted upon within sixty (60) calendar days from receipt of the Corporation."^[39]

It additionally states that "[a]t the time of the filing of the complaint, out of the alleged 160 unpaid claims, 42 claims had been paid, 15 were denied for being non-compensable [while] USHH has not filed claims for 3 cataract operations. PHIC already paid Php453,591.02... USHH has not filed claims for the alleged cataract operation[s] of Felomina Lapitan and Clarita Abogadie."^[40]

PHIC emphasizes that administrative cases had been filed against the health care provider itself and several of its affiliated ophthalmologists for violation of RA No. 7875 and its IRR, particularly for breach of warranties of accreditation, which involve the same issues in the instant case.^[41]

In addition, PHIC avers that USHH failed to overcome the presumption that PHIC regularly performed its functions.^[42] It stresses that "a claim under the NHI involves a prospective benefit which should first be validated, and not an automatic right which guarantees entitlement. It is not an ordinary money claim but one clearly imbued with public interest as [it] involves disbursements from the government's health care fund. An unwarranted claim against the fund clearly violates the law and public policy and is detrimental to public welfare."^[43]

Additionally, since the claims were under investigation, these should be considered as exceptions to the 60-day requirement. PHIC states that it duly informed USHH of its verdict to deny the claims and gave it the opportunity to refute the ruling, as stated in USHH's October 15, 2009 letter. The said letter indicated that Dr. Cardona, the Regional Vice President PhRO1, informed USHH of the denial of the claims. In the same letter, USHH even asked for a reconsideration.^[44]

PHIC emphasizes that the PHIC Board is mandated to diligently validate the Fact-Finding Verification Report as the said report is merely recommendatory in nature. It adds that the free cataract screenings and subsequent operations were conducted under suspicious conditions as to constitute as medical missions given that these procedures were performed pursuant to USHH's Sagip Tanaw Project.^[45]

Arguments of USHH:

On the other hand, USHH contends that it filed its reimbursement claims properly and seasonably.^[46] It maintains that it had no other option but to institute the Complaint before the RTC because the matter had already been decided by the PHIC's Board, rendering any MR before the PARD useless. Additionally, it asserts that there is no law which vests exclusive jurisdiction upon PHIC over USHH's claims.^[47]

It argues that the directive of PHIC's Board to deny USHH's claims was unlawful, as it was made without prior notice to USHH and was not consistent with the finding of PHIC's own Fact-Finding and Investigation Department.^[48] It maintains that the case is an exception to the application of the doctrine on exhaustion of administrative remedies, as the case involves public interest.^[49]

Our Ruling

The Petition is meritorious.

Non-exhaustion of administrative remedies was justified.

USHH's filing of the complaint with the RTC without first exhausting available administrative remedies is justifiable in light of the denial of its claims by the PHIC's Board itself, the body superior to the RO or the PARD where USHH was supposed to file an MR or appeal.^[50] To put it into perspective, "[PHIC's] President and Chief Executive Officer (*CEO*) is directly appointed by the President of the Republic while its Board of Directors (*the Board*) is composed of several cabinet secretaries (or their permanent representatives) and representatives of different stakeholders."^[51] Thus, it is reasonable to conclude that the PHIC Board exercises a higher authority than the ROs or the PARD, and that to file an MR or appeal to it would be futile since the PHIC Board already directed its denial.

The trial court and the appellate court also correctly considered USHH's Complaint as an exception to the application of the doctrine on exhaustion of administrative remedies on the basis of strong public interest.^[52] Alternatively, the instant case may also fall under the following exceptions: (a) "when to require exhaustion of