



Southern Colorado | *Always Watching Out For You*

## Heroin and drug crimes on the rise in Monument

- [Patrick Nelson](#)
- 6:19 pm
- **November 29, 2018**

MONUMENT, COLORADO- Here in Southern Colorado law enforcement agencies continue to face new challenges in stopping illegal drug abuse and trafficking in our communities. Investigative Reporter Patrick Nelson spoke to police leaders in monument about a recent spike in gun and drug crimes in their area.

This spike in crime is on the radar of Monument leaders. In the town manager's report for this month it states officers are seeing increased amounts of heroin and illegal guns. As law enforcement works on pooling resources to stop these crimes, drug addiction counselors say the fight starts at home.

Thousands of drivers pass over Monument hill every day, but in the Town of Monument some people who decide to stop are up to no good, bringing with them drugs and illegal guns.

"Right now we are seeing an increase in heroin and meth possession," said Monument Police Commander Steve Burk.

Officers say these crimes are driven by drug addiction.

"Nationally we're seeing an opioid epidemic. That's been very well publicized and monument is no different," said Burk

And fueled by career criminals passing through monument looking to quickly cash in.

**"They jump off the interstate come into our town commit a crime and then try to leave and officers are contacting them and they have a tendency to have drugs and weapons," said Burk.**

Laura Swain is a recovering drug addict who has been sober for more than 30 years. She now helps others in recovery and says parents can protect their kids from drugs by keeping them involved.

“Have places to go. Have fun things to do. Have extracurricular activities. Sports, chess, drama, all of that is very important,” said Swain.

During the national opioid crisis she says it is worth it for parents to drug test their kids.

“Don’t be afraid to,” said Swain. “Especially if they are driving for goodness sake because then they could die and the consequences are so serious if they get a DUI.”

In Monument, officers know they aren’t alone in this fight and hope their tight knit community will pull together to report crimes and avoid the dangers of drug use.

The Monument Police Department is adjusting patrol shifts and training officers to crackdown on drug crimes. Also, they’re hoping to add more officers to the force in 2019.

If you or someone you know is struggling with drug addiction here are some resources provided by Recovery Systems PC in Colorado Springs: [recovery-systems.org](http://recovery-systems.org)



**Patrick Nelson**

Patrick Nelson is an investigative reporter for News 5 in Colorado Springs.

NEWS > COLORADO NEWS

## Police found fraud, sex crimes in a Colorado sober-living home empire. The state doesn't regulate the industry.

Self-described “rehab mogul” Christopher Bathum faces up to 65 years in prison following his conviction for sexually assaulting or exploiting seven patients and offering them controlled substances



Joe Amon, The Denver Post

Lisa O'Donnell thought the Community Recovery program at a home in Denver was a godsend for her 21-year-old son, but the program was run by Christopher Bathum, a felon now accused of a \$176 million insurance fraud scheme and he was left on his own. O'Donnell was photographed Feb. 8, 2018 in Colorado Springs.

By **CHRISTOPHER N. OSHER** | cosher@denverpost.com | The Denver Post  
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When Lisa O'Donnell was desperate for a place to treat her 21-year-old son's heroin addiction, she thought Community Recovery's "sober-living home" on Arapahoe Street in Denver was a godsend.

The telemarketers she reached when she called the number on the website said her son would find the support he needed living with other struggling addicts in a beautiful Denver mansion. They promised state-of-the-art rehab services that would help him emerge sober and ready to take on life's challenges.

But about three months after she checked her son into the program, he called her in a panic. He told her the owner was shuttering the center and five others in Colorado because insurers had started questioning billing practices. Within weeks, former clients dumped out onto the streets started relapsing and dying of overdoses.

 Chris Bathum

Photo courtesy of Los Angeles County Sheriff's Department

Chris Bathum

Now, Community Recovery founder Christopher Bathum, the self-described "rehab mogul," faces a sentence of up to 65 years in prison following his conviction last month for sexually assaulting or exploiting seven patients and offering them controlled substances. Additional criminal charges are pending against him in Los Angeles for an alleged \$176 million insurance scam.

Bathum's business, which operated at least 19 sober-living facilities in Colorado and California, and others like it represent yet another troubling development in the nation's deadly opioid epidemic. All the addiction is fueling a surge in treatment facilities, with as many as 14,000 currently operating in the nation, generating \$35 billion in profits annually, according to federal estimates. Critics contend the money is drawing in the unscrupulous like Bathum, who had been convicted in federal court in 2002 of felony wire fraud allegations.

 Estelle "Scout" Watson

Photo courtesy of Tracy Spears

Estelle "Scout" Watson, 33, died Sept. 14, 2016, within weeks of Community Recovery suddenly shuttering the drug rehab facility in Denver where she had been a client and staff member. Her mother, Tracy Spears, and aunt, Susan Rule, say that when the rehab center closed without notice, Scout's life was turned upside down, and she began using drugs again.

The first funeral after Bathum shut down his Colorado operations was for Estelle "Scout" Watson, 33, who had come to Community Recovery from Florida. She received treatment and then became a staffer at Bathum's sober-living home on Race Street in Denver.

But Watson's world turned upside down when Community Recovery shut down with little warning, her family said. Watson, nicknamed for the character in "To Kill a Mockingbird," overdosed on heroin and methamphetamines a few weeks later.

"The safety net was just cut below them, and they fell back into the cesspool," recalled her aunt, Susan Rule. "She got the shaft all right. She died."

Watson is one of five overdose deaths The Denver Post confirmed for former Colorado patients of Community Recovery. Two of those occurred before the closure.

Members of Congress are among those concerned lax state regulations aren't doing enough to protect the public from corrupt profiteers in the industry.

"In Colorado, my home state, more people died from overdoses than from car wrecks last year, just to put this in some kind of context," said U.S. Rep. Diana DeGette, a Democrat from Denver, during a hearing of a Congressional subcommittee investigating abuses in the drug rehabilitation industry. "And as people are seeking addiction treatment services for themselves and their loved ones, it really, really puts a punctuation point on the fact we need to make sure that they're getting services that are useful and that are actually treating them and that we don't have fly-by-night operations that are just taking advantage of families' desperation."

Multiple levels of care in the rehab industry create opportunities for profit. At the more intensive end, detoxification and in-patient treatment often form the first stage of recovery. Patients then can progress to outpatient treatment, which often is coupled with therapeutic residential recovery in what are called sober-living homes. Recovering addicts live in such homes and are supposed to hold one another accountable for sobriety.

In Colorado, much of the industry is unregulated. Colorado does not require a license for sober-living homes or for substance-abuse treatment facilities that don't bill Medicaid or partner with the criminal justice system or administer replacement drugs like methadone. Those standards leave a big loophole since rehab operators can choose to bill only private insurers or have people dig into their own pockets to pay for care. Colorado officials say they have no idea how many unlicensed rehab facilities exist in Colorado. A lucrative industry is sprouting up in exclusive, wealthy suburban neighborhoods, often without the benefit of any state oversight or inspections.

"There is so much fraud in this industry and very little regulation," O'Donnell said. "It's frightening. I would not be comfortable trying to find another rehab facility for my son. I don't trust anyone now."

Other states have started cracking down. Florida last year outlawed the practice of patient brokering, in which drug rehab operators pay middlemen to entice patients to cross state lines by offering to fly them to live in sober-living facilities. The brokers promise a vacation-like recovery atmosphere, but law-enforcement authorities have found substandard or no actual care in fraudulent facilities with rampant drug use and abuse among patients and staff.

Colorado officials say they have heard of complaints about drug rehab patient brokering in the state, but the practice remains legal in Colorado. The state is powerless to regulate brokering since sober-living homes aren't required to be licensed here.

"We can only regulate through the laws that are set by the legislature of Colorado," said Cristen Bates, a director in the Office of Behavioral Health at the Colorado Department of Human Services. "We are in regular conversations at an increasing rate on what a behavioral health license means in Colorado."

Community Recovery isn't the only Colorado provider to generate controversy. Since early 2015, the state has received dozens of complaints against sober-living homes and outpatient therapy clinics run by Nathan Hardage of Colorado Springs. Colorado officials recently decided against renewing the state license for his CoreVision rehab operation that allows him to bill the state's Medicaid program. Hardage, who is appealing his license renewal rejection, disputes allegations of misconduct.

A recent lawsuit Huerfano County filed against drug manufacturers and distributors also claims unscrupulous opioid rehab businesses in that county recruited addicts nationally with false and misleading promises. "Investigations revealed that many have provided substandard care including use of physicians who had their license revoked, operating staffs which do not actually supervise patients and facilities that do not operate programs for the addicts," that lawsuit states.

The Affordable Care Act, which bars insurers from discriminating against the mentally ill and those struggling with drug addiction, has created a huge incentive for the recovery industry. Homeless addicts now are worth hundreds of thousands of dollars in insurance payments, generating reports of patient brokering, kickbacks, identity theft and human trafficking.

At the same time, anti-discrimination and fair-housing laws provide protections to sober-living homes and stymie efforts by cities to restrict them through zoning laws. Newport Beach, Calif., paid sober-living home operators \$5.2 million to resolve a lawsuit, having spent \$4 million in legal fees in a failed bid to shut them down.

Clashes between cities and sober-living homes are becoming more prevalent, said Brian Connolly, a Colorado land-use lawyer who has written a book on the topic. Municipal officials must ensure any restrictions on sober-living facilities also apply to single-family homes to avoid violating anti-discrimination and housing laws, Connolly said. For instance, if a city restricts the number of patients who can live in a facility, those density requirements must also apply to families living in the neighborhood. Most sober-living homes and addiction treatment centers in the state aren't crooked, Connolly said.

"Unfortunately, highlighting these abuses can lead people to saying we should ban all these things," Connolly said. "That's not the right reaction. There are doctors that are abusive, but that doesn't mean all doctors are bad."

In Colorado, Community Recovery charged insurers \$246,000 to treat O'Donnell's son, according to billing information she compiled. Little in actual treatment occurred, she said. The bills included nonexistent family therapy and \$2,400 for each urinalysis drug test, with as many as four drug tests a week. When she tracked down the address of the supposed lab, she found it was a small shack along a rural road in Florida.

O'Donnell's son, Alex, was one of the lucky ones. O'Donnell lived in Colorado Springs, an hour drive away from the home Bathum closed. Many patients in Colorado were left with no nearby family as Community Recovery closed facilities in Parker and Denver.

The clients had been recruited and flown or bused in from areas across the nation, said Cynthia McKay, Community Recovery's former Colorado director. The company paid brokers to go into Alcoholics Anonymous meetings to find patients, she said. They were further enticed with scholarships that paid for their initial treatment. Once these clients were brought in, Community Recovery signed them up for health insurance without their knowledge and had them sign over power of attorney and their financial rights, according to court documents.

Cliff Brodsky, a Los Angeles investor in Bathum's enterprises who successfully sued him for fraud, said brokers told him Bathum paid them up to \$2,000 per patient.

"They go to the AA meetings and act like they love you. They suck up to you," said Brodsky, who saw Community Recovery brokers in action. "They give you a cigarette and take you out to lunch. But they are just hustling you."

Insurance and law-enforcement investigators allege in court documents that Community Recovery patients remained in a never-ending cycle of treatment, addiction and fraud, which allowed Bathum to pocket fraudulent insurance claims. An investigator with Blue Cross Blue Shield said the operation relied on "sober slaves" whom Bathum promoted from treatment to become his interns and staffers, an investigative document claimed.

McKay quit Community Recovery when she saw insurance bills for clients who already had been discharged from treatment, along with other red flags.

When Bathum traveled to Colorado from California to check on his facilities and patients, he had female clients pick him up at Denver International Airport, she said. One of those clients told McKay she needed a credit card to pay for a room at a hotel in Cherry Creek for Bathum and her.

"I said, 'Absolutely not. What would make you think that is appropriate?'" McKay said she told the client. "She told me Bathum had booked it and wanted it taken care of."

Another employee who had been a client confided to her that Bathum had paid her to have sex with him, she said.

"They called themselves Bathum's girls, and they would chauffeur him around," McKay said.




Dr. Robert Doolan, hired to be Community Recovery's medical director in Colorado, started showing up on insurance claims as the physician of the company's patients in California even though he wasn't licensed to provide care there.

"It came to my attention that there was an unbelievable amount of billing under my name in California," Doolan said. "That was not anything that I had submitted. He took advantage of the situation."

As the facilities in Colorado closed, said McKay, former patients "were dropping off left and right. They were on the streets, and they were using heroin. People died."

Some of the mayhem played out in rolling, tree-lined exclusive neighborhoods in the suburbs of Denver.

 A former Community Recovery location on Silver Fir Street in Parker on March 06, 2018.

Andy Cross, The Denver Post

A former Community Recovery location on Silver Fir Street in Parker on March 06, 2018.

In 2014, John Allen rented his luxury home in Parker to Bathum's business. The lease called for Community Recovery to move in five recovering addicts. Instead Bathum jammed in 28 patients, who over the course of a year caused hundreds of thousands of dollars in damages, court records show.

Allen spent significant legal fees to evict Community Recovery. When he took possession, it had been stripped of furniture, and the doors to the home had been left wide open, he said.

"I can tell you some things were left behind that would make you physically ill," Allen said. "The house was trashed."

He sold the house at a discount.

"I'm kind of one of these guys who feels there are a lot of things private enterprise can do better than government," Allen said. "But here is a particular situation where government has to be regulating these sober-living home situations. The government has to be involved or it's absolutely going to be a disaster."

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**Popular In the Community**



<p>MUELLER RECOMMENDS NO PRISON FOR FLYNN,...</p> <p><b>darwinreal</b> 16h</p> <p>Looooo. Individual 1 has got to be sweati...</p>	<p>EMMANUEL SANDERS INJURY: BRONCOS FEAR...</p> <p><b>300Paul</b> 1h</p> <p>Fu@#\$. Come on NFL God's, enough is...</p>	<p>AN IMMIGRANT IN DENVER TOOK HIS OWI</p> <p><b>Goth Brooks</b> 23h</p> <p>Illegal alien, not immigrant. Also, thei</p>
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TAGS: **ADDICTION, AFFORDABLE CARE ACT, BLUE CROSS BLUE SHIELD, COLORADO DEPARTMENT OF HUMAN SERVICES, DRUG ADDICTION, DRUGS, FINANCIAL FRAUD, HEALTH INSURANCE, HEROIN, INSURANCE, OPIOIDS**

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Close

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**The New York Times**  **The New York Times**

**Business**

# City of Addict Entrepreneurs

The drug crisis has turned countless recovered addicts into businesspeople: They get clean, open their own clinics, and sometimes take over the neighborhood.

By **DAVID SEGAL** Photographs by **JOHNNY TERGO** for the New York Times

PRESCOTT, Ariz. — It first dawned on Erin Burk that her town had become a haven for drug treatment soon after she noticed the fleet of white vans zooming through her neighborhood. The vans, she learned after tailing one, were ferrying addicts all over town to what amounted to halfway houses for those in recovery: sober living homes.

Nobody she asked seemed to know how many sober living homes were located in Prescott, so she decided to conduct an improvised census.

“I followed those vans around for three months,” said Ms. Burk, a young mother of five whose sleuthing identified dozens of sober living homes in her city — including 15 within a block of her house. “Then I cried for a long time.”

That was in 2010, the beginning of a boom here in the addiction treatment business that turned this city of just 42,500 people into one of the rehab capitals of the country. Today there are some 33 sober living homes in operation, down from a peak last year of 170. At the time, by some estimates, one in 30 people living in Prescott was in recovery.

## IN THIS SERIES

- **Addiction Inc.** America’s opioid and heroin epidemic is sending more than 2 million people a year in search of help, making treatment a tragic necessity. Many clinics do excellent work, and countless former patients swear by the treatment they received, including
- **The Giant, Under Attack**
- **In Pursuit of Liquid Gold**
- **A Doctor With a**

Phone and a Mission plenty whose victory over addiction enabled them to go into business themselves — running their own rehab centers.

But what bothered Ms. Burk and others was the sense that “Everybody’s Hometown,” as Prescott has long billed itself, was changing for the worse and losing control of its future. There was more traffic, more noise. And one day, she said, her kids picked up a brown bag filled with Oxycodone from a lawn across the street.

Prodded by citizens like her, Prescott officials this year enacted a law — believed to be the first of its kind in the country — that regulates sober living homes by requiring licenses and setting standards for the training of their managers. It was difficult to do; zoning restrictions that were part of an earlier effort had run afoul of the Americans With Disabilities Act.

Prescott didn’t want to drive every addict away, a goal that might be impossible given the scope of the drug crisis. Rather, the town wanted to manage the growth of an industry that seemed to mushroom up out of nowhere, with few legal constraints.

Spending on addiction treatment in America has soared past \$35 billion annually. But not all patients can afford, or have insurance that covers, the kind of inpatient rehab associated with celebrities, campuses in Malibu and 28-day stays.

To meet the demand, an armada of former addicts have become entrepreneurs, offering a new and cheaper version of rehab. That is what has swarmed Prescott — small, outpatient clinics that use an approach known as the Florida Model.

## A New Method for Treatment

Named for state where it was pioneered, the Florida Model provides patients with counseling during the day — usually chair-circles of group therapy — in what is typically a residential building. At night, clients live in sober living homes, where they are responsible for covering their rent.

Often, the treatment facilities are owned by the same people who run the sober living homes. But by separating the two lines of businesses — treatment and housing — the Florida Model keeps costs lower for insurers.

To understand why, you need to know why classic, inpatient rehab centers are so expensive. They are essentially a cross between a hotel and a hospital. The price for a month of treatment — \$30,000 and sometimes much more — covers a spacious room, excellent food, medical facilities and on-staff physicians and nurses.

That sort of rehab is designed for people who might need medical attention, often because they are suicidal. Comfort is another selling point, as is customized, one-on-one therapy.

The Florida Model is rehab without frills. Doctors, medical equipment and great meals aren't included. Treatment costs about \$9,000 a month, and the price goes down over time, as a client needs less therapy. Rent at a sober living home is usually around \$400 a month — and not covered by insurance.

On paper, this approach has upsides, for both clients and insurers. Because the tab is much smaller, clients can stay longer, giving them more time to wean themselves off drugs. And when clients aren't in treatment, or at 12-step meetings, they are encouraged to work, usually at hourly wage jobs, where they learn life and coping skills.

But as Prescott discovered when clinics and sober living homes started proliferating in 2010, the barriers to entry in this business are low. And for some clinic owners here, money became an end in itself.

“There was a time last year when a lot of the guys who owned clinics and sober living homes were driving a Cadillac Escalade, or a Mercedes-Benz,” said Daniel Sullivan, who managed a sober living home in Prescott called Square One Recovery. “I heard a few of them talking about how they were just \$50,000 away from joining the high-roller program at the MGM in Vegas.”

## Billing for ‘Equine Therapy’

Last year, at least one insurance company took action in Prescott. Health Net, which is based in Woodland Hills, Calif., and at the time served roughly six million members across the country, felt it was paying exorbitant reimbursement rates for people who had signed up for its Platinum plan.

A clampdown began after Health Net's owner, Centene, sent a team of eight investigators to Prescott to examine billing practices.

What they found appalled them. At a public forum last year, a company representative, Daniel Kreitman, told a committee looking into sober living homes that some were charging \$2,000 for daily urine tests and upward of \$5,000 an hour for “equine therapy” — basically, recovering addicts spending time with horses. Some clients were in treatment for 15 months “with no end in sight,” as he put it.

While there are clinics and sober living homes in Prescott that clearly care about their clients, some have provided substandard treatment. And while Prescott has found a way to regulate the business, word of the profits made here has spread.

The Florida Model is the future of rehab, says Simon Karmarkar, who consults with entrepreneurs opening new centers. “That’s all I’m seeing right now, all over the country,” he said. “It’s lucrative, it doesn’t require the staffing or the licensure. It’s growing exponentially.”

## A Cup of Coffee and a Sober Dance

Walking around Prescott, you would never guess that it is one of “The 10 Best Sober Living Cities,” according to The Fix, a website dedicated to recovery-related news. The city has cowboy roots, a quaint town square and a landscape sufficiently cinematic to serve as the setting for “Junior Bonner,” the 1972 rodeo movie starring Steve McQueen.

To find the recovery crowd, seek out a “sober dance.” They are often held on Saturday night at a strip mall not far from downtown. They look like any other party filled with college-age kids, except the parking lot is packed with the same kind of white vans that Ms. Burk tailed, there is no alcohol and the festivities start with an Alcoholics Anonymous meeting.

Or walk two blocks from the main square, to one of the cafes. For a time, so many young people in recovery idled at the Wild Iris Coffee House that the owner imposed anti-loitering rules and hired a bouncer. “If they didn’t order anything, he’d politely approach them and say, ‘You need to be a customer to sit here,’” said Julie Gorman, the owner of Wild Iris.

With an abundance of sun and pleasant weather year-round, Prescott first became a healing destination in the early 1900s, welcoming tuberculosis patients. Addiction treatment took off here after the passage of the 2008 Mental Health Parity and Addiction Equity Act, the law that put substance abuse

treatment on the same footing as other medical benefits. In 2010, the Affordable Care Act mandated that plans on its exchanges offer substance abuse benefits.

Suddenly, millions of adults were insured and the population of people seeking treatment ballooned. Among the first to notice were the former addicts who had come to Prescott for treatment. Many of them stayed in town to start their own clinics, which produced more former patients with the same idea, repeating the cycle.

Among that cohort is Mo Michael, a former gambling addict. In 2015, she, her husband and his brother bought a clinic and renamed it Compass Recovery Center.

“I wanted a place where we could act completely within our own integrity,” said Ms. Michael, the program director, sitting in her office. “I didn’t like where things were going.”

Ms. Michael said it was too easy to open a Florida Model clinic. Under Arizona law, each treatment center needs just one licensed professional counselor, which requires a master’s degree in mental health services and is not to be confused with a physician. Therapists who work under that counselor are called behavioral health technicians but are not required to have specific training or certification.

“That’s super scary to me,” Ms. Michael said. “If you came to me and said, ‘I’d like to be a behavioral health tech,’ I could say, ‘Sure,’ and you could start work tomorrow.”

Arizona’s standards are not unusual, and are in fact higher than in other states. Sherry Daley of the California Consortium of Addiction Programs and Professionals said addiction clinics in her state are not required to have any state certification.

“If you want to hang a shingle here and start treating people the same day, you can,” she said.

## From Client to Caregiver

The standards for managing a sober living home are even lower. Daniel Sullivan was just getting over his prescription pill addiction — he’d graduated from a

Florida Model clinic two weeks earlier — when he landed a job as a manager at the Square One sober living home.

The work was exhausting and stressful. His day started at 7 a.m., when he would wake the more than dozen residents and hand out their medications. Then he became a chauffeur, driving residents in a van first to the clinic (for 8 a.m. group therapy), then to their jobs (typically at restaurants or retailers) and later in the evening to various A.A. meetings.

Curfew was midnight. He would take a final head count and go to bed at 1 a.m.

The real toll was mental, he said, not physical. In cases where residents violated house rules — say, using drugs or stealing — they could be kicked out for 72 hours. But for recovering heroin addicts, Mr. Sullivan said, that could be tantamount to a death sentence.

“There were a bunch of occasions when I had to ‘72’ someone and I’d get a call soon after, saying the person had died,” Mr. Sullivan said. Typically, they had overdosed. “That happened six times during the 11 months I was managing.”

## Seeking Sobriety, and Answers

There are many similar tales. Then again, there are also plenty of recovering addicts who say their journey to Prescott saved their lives.

John Lehman, the chairman of the Florida Association of Recovery Residences, a nonprofit promoting standards in the addiction industry, has been a critic of profiteering in the addiction field, vocal enough to end up the target of an ongoing lawsuit alleging defamation filed by a clinic owner. But he faulted the management of individual properties, rather than the Florida Model itself.

The Florida Model can work, he said, because it doesn’t use the classic rehab approach, which tries to educate and cure addicts in 28 days, then returns them to the setting where they had been abusing drugs, often with disastrous consequences. With the Florida Model, people learn from peer leaders — usually former addicts who are now sober — and then become peer leaders themselves.

“What happens is, recovery starts to seem exciting,” Mr. Lehman said. “You become committed to a positive norm.”



But there are few studies on the Florida Model's effectiveness. Many clinics claim that 80 to 90 percent of their graduates stay sober, although those statistics are commonly based on surveys of graduates and considered unreliable by academics. The main concern is that people who have relapsed are either hard to find — in which case they are not counted — or may be motivated to lie out of embarrassment.

Even less is known about sober living homes. Clusters of them now operate in California, New England and the Midwest, but despite their prevalence, even basic information about these businesses is not publicly available.

In a letter last year to the federal Government Accountability Office, Senators Elizabeth Warren, Marco Rubio and Orrin Hatch worried that the homes had fallen into a "regulatory gap."

A spokesman for the office said it is still working to answer the senators' questions. Among them: "How many sober living homes are there in the United States?"

## 'Like a License to Steal'

After Ms. Burk finished her census of sober living homes, she started attending town council meetings to complain about them.

But what she regarded as a disastrous change in the community, some of her former high-school classmates considered a lucky break. The real estate market was still recovering from the economic crisis of a few years earlier and many residents who'd purchased second homes during the bubble years started renting them out to rehab providers. A property with a \$1,000-a-month mortgage payment could suddenly net \$10,000 a month, or more.

"People were getting rich," she said.

Josh German, who worked as a therapist at a treatment center in Prescott, said he knew people who had become millionaires.

"The Health Net payments were like a license to steal, and who was going to stop them?" he said, referring to the insurance company that became suspicious. "There was no regulation, no oversight."

One of the people who prospered was Jimmy Rizzo, a former sanitation worker in New York City who arrived in Prescott in 2001 to kick his cocaine addiction.

He wound up working at a clinic, became an expert in insurance billing and opened Billing Solutions, a company that now has dozens of employees. In March of last year, Mr. Rizzo sold an 80 percent stake in the company to Syncordia, a publicly traded Canadian company, for \$8 million.

In an interview, Mr. Rizzo described how he suspected that clinics had figured out that the Platinum plan from Health Net was paying out like a slot machine stuck at triple 7s. He thought it happened sometime in 2015, by accident, and that word spread quickly.

“This is a very small community,” he said. “You saw the same thing in Florida. Somebody probably took a Cigna policy there and it came back ‘hot,’” he said, meaning it paid out generously. “That person told somebody, and that person told somebody. That’s the way it works.”

Cigna pulled out of Florida’s Obamacare exchanges in 2015, citing an “exponential increase” in fraud, particularly in substance abuse clinics and labs.

The Health Net plan was reimbursing between 75 percent and 85 percent of claims, Mr. Rizzo said — well above the norm. Eventually, about a quarter of all clients in Prescott were on Health Net’s Platinum plan, by Mr. Rizzo’s estimate.

Centene, which now owns Health Net, declined to comment.

## A Struggle for Control

Between 2013 and 2015, Health Net’s annual spending on out-of-network claims from substance abuse providers skyrocketed by nearly 1,000 percent, to \$190 million, according to a company filing in a lawsuit involving a treatment center in California. “The magnitude of this fraud is staggering,” the company’s lawyers wrote, referring to putative overbilling.

The outlays have affected the health care exchanges at the heart of the Affordable Care Act. Last summer, Centene announced that it would pull out of a “considerable amount” of the exchange business in Arizona, without giving specifics. Cigna has yet to return to Florida’s exchanges.

Prescott’s attempts at regulation of sober living homes initially stumbled. Zoning changes in 2012 aimed at taming the industry ran afoul of the Americans with Disabilities Act because addicts are classified as disabled. Officials from Housing and Urban Development said, for instance, that instead

of requiring that new sober homes be built two blocks from existing ones, a single block should suffice.

The slow progress initially annoyed many locals, said George Worley, Prescott's planning manager. Nobody understood the limits of the city's power. People assumed, "we should be able to go close them down," he said. "In fact we can't, under federal law and under Supreme Court decisions."

## Tighter Rules That Turn Some Loose

In January, a city ordinance finally succeeded in regulating sober homes. Minimum staffing and maximum occupancy rules were imposed and safety inspections mandated. The one-two punch of the new rules, combined with Centene's payment crackdown — for months, reimbursements to dozens of clinics simply ceased — financially devastated some clinics, which sued over what they called improperly withheld payments. Other companies simply folded.

One of those was Freedom Recovery, the clinic where Daniel Sullivan was treated for his pill addiction. In February, the management gathered their 30 or so clients and announced that the clinic and its affiliated sober living homes were closing.

For young people struggling with addiction, the news was traumatic. Tim Terry, a recovering heroin addict then living at a sober home owned by Freedom Recovery, said that about a week before the company closed, managers called the parents of residents asking for money to cover insurance deductibles. (More than a few clinics in Prescott paid insurance deductibles on behalf of their clients, several former clients said, to help encourage them to sign up.) He called it "a big cash-out opportunity."

"This one girl, they called and hit up her parents for \$15,000," he said. But because he knew the place was about to close, he said, "I called my dad and I told him, 'Do not give them any money.'"

Reached by phone, the former owner of the facility, Alex Halenka, said that any requests for money were to cover insurance costs that Freedom would have had to pay. He also said that, as a former addict himself, he cared too much about his clients to push anyone off the premises.

“We at Freedom followed through with our word to the families and clients,” he said, adding that the company had “always done everything by the book.”

Today, there are fewer white vans zooming through Prescott. What impact, if any, the business will see from the tax overhaul bill’s repeal of the Affordable Care Act individual mandate is not yet known, according to rehab clinic owners. At Compass Recovery, Ms. Michael said this week that revenue has actually been up recently because the company is now relying more on customers who pay cash, instead of those with insurance.

But the cat-and-mouse game continues throughout the industry. Mr. Karmarkar, the consultant to Florida Model clinics, said insurance billing experts are constantly probing for vulnerabilities in reimbursement programs — sending in insurance claims and waiting to see which ones come back “hot.”

“A lot of the people who run these clinics start off with great intentions,” Mr. Karmarkar said. “But at some point they begin making so much money that the money becomes the primary motive. Which is a shame. We’re supposed to be part of the solution.”

#### IN THIS SERIES

- **Addiction Inc.** FEB. 15, 2018
- **The Giant, Under Attack** FEB. 15, 2018
- **In Pursuit of Liquid Gold** FEB. 15, 2018
- **A Doctor With a Phone and a Mission**  
FEB. 15, 2018

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**02/21/2017 at 09:36:45 AM**

Clerk of the Superior Court  
By Jeanette Torres-Mendoza, Deputy Clerk

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7 Attorneys for Plaintiff  
CITY OF DANA POINT

**EXEMPT FROM FEE PER GOV'T  
CODE SEC 6103**

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA

10 FOR THE COUNTY OF ORANGE, CENTRAL JUSTICE CENTER

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CITY OF DANA POINT, a California  
municipal corporation, in its own name and in  
the name of the People of the State of  
California,

Plaintiff,

v.

SUNSHINE BEHAVIORAL HEALTH, LLC, a  
California limited liability company;  
MONARCH SHORES; and DOES 1 through  
25, inclusive,

Defendants.

Case No. 30-2017-00904184-CU-MC-CJC

Assigned for all purposes to: Judge Linda Marks

**COMPLAINT FOR ABATEMENT,  
INJUNCTION, EQUITABLE RELIEF AND  
CIVIL PENALTIES**

Date Action Filed:

Trial Date:

1 Plaintiff City of Dana Point (“City” or “Plaintiff”) alleges:

2 **INTRODUCTION**

3 1. This action is brought for the purpose of enjoining, abating, and preventing a public  
4 nuisance occurring at 34575 Camino Capistrano, Dana Point, California (“Property”) pursuant to  
5 the Dana Point Municipal Code (“DPMC”), Code of Civil Procedure section 731, and Civil Code  
6 sections 3479 *et seq.*

7 2. Plaintiff is informed and believes and thereon alleges that the defendants named  
8 below are and at all times mentioned herein were using or knowingly permitting the use of the  
9 Property for operating an alcohol and drug abuse treatment facility in violation of relevant State  
10 and local laws.

11 3. In particular, Plaintiff is informed and believes and based thereon alleges that  
12 defendants are operating a Drug Abuse Recovery or Treatment Facility that provides treatment  
13 services to seven or more clients in violation of State Law, because it failed to obtain the necessary  
14 State-issued license, and in violation of the City’s Zoning Code, because such uses are prohibited  
15 in the Zoning District in which the Treatment Facility is located.

16 4. Through this action, Plaintiff is seeking to remedy these injuries to the public  
17 interest by enjoining Defendants’ violations of law by abatement of the public nuisance.

18 **PARTIES**

19 5. The City is, and at all times mentioned herein was, a municipal corporation  
20 organized and existing under the laws of the State of California.

21 6. The City is informed and believes and thereon alleges that defendant Sunshine  
22 Behavioral Health, LLC (“Sunshine”) is a limited liability company organized and existing under  
23 the laws of the State of California, with its principal place of business in Orange County,  
24 California. The City is informed and believes and thereon alleges that defendant Sunshine is or  
25 has been operating a Treatment Facility at the Property.

26 7. The City is informed and believes and thereon alleges that defendant Monarch  
27 Shores (“Monarch”) is a California company organized and existing under the laws of the State of  
28 California. The City is informed and believes and thereon alleges that defendant Monarch is or

1 has been operating a Treatment Facility at the Property.

2 8. Sunshine and Monarch are collectively referred to as “Defendants.”

3 9. The true names and capacities, whether individual, corporate, associate, or  
4 otherwise, of the Defendants named herein as Does 1 through 25, inclusive, are unknown to the  
5 City, who therefore sues said Defendants by fictitious names. The City will amend this Complaint  
6 to allege the true names or capacities when they have been ascertained. The City is informed and  
7 believes and thereon alleges that each of the Doe Defendants is responsible in some manner for the  
8 conduct, acts, omissions, and nuisances herein alleged, through ownership and/or operation of the  
9 Property.

10 10. The City is informed and believes, and thereon alleges that, at all times herein  
11 mentioned, each defendant was the agent and employee of each of the remaining defendants, and  
12 in doing the things hereinafter alleged, was acting within the course and scope of such agency and  
13 employment.

#### 14 **The Property**

15 11. The Property that is the subject of this Complaint is located at 34575 Camino  
16 Capistrano, Dana Point, California 92624.

17 12. The Property is located within the City’s RSF 3 Zoning District. The RSF 3  
18 Zoning District only permits those land uses specifically listed as permitted in the City’s Zoning  
19 Code. (DPMC § 9.09.020(b).) Any use not specifically permitted in the Zoning District is  
20 expressly prohibited. (*Ibid.*)

21 13. Drug Abuse Recovery or Treatment Facilities are not listed as a permitted use in  
22 the RSF 3 Zoning District and therefore are prohibited. (*Ibid.*; DPMC § 9.75.270.)

#### 23 **JURISDICTION AND VENUE**

24 14. Jurisdiction for this matter properly lies with this Court because the amount in  
25 controversy is within the jurisdictional limits of the Superior Court of the State of California for an  
26 unlimited civil case.

27 15. Venue is proper in this Court because pursuant to Code of Civil Procedure Section  
28 395, subdivision (a), the Defendants currently reside or are doing business in Orange County,

1 California and the incidents which give rise to Defendants' liability took place in Orange County,  
2 California.

3 **OVERVIEW OF APPLICABLE LAW**

4 **Public Nuisance Law**

5 16. Under Civil Code section 3479: "Anything which is injurious to the health,  
6 including but not limited to, the illegal sale of controlled substances . . . is a nuisance." Civil Code  
7 section 3480 defines a public nuisance as one which affects an entire community, neighborhood,  
8 or a considerable number of persons.

9 17. Cities also have the police power authority to declare by ordinance what activities  
10 or uses constitute a nuisance. (Cal. Const. art. XI, § 7; Gov. Code § 38771.) The Dana Point  
11 Municipal Code ("DPMC") declares that, amongst other things, any violation or threatened  
12 violation of any provision of the Municipal Code (including the City's Zoning Code) *shall* be  
13 deemed a public nuisance. (DPMC §§ 1.01.240 (a); 6.14.002(a),(aa).) A violation of a local  
14 ordinance declaring an activity or use a public nuisance is a nuisance *per se*. (*IT Corp v. County*  
15 *of Imperial* (1983) 35 Cal.3d 63.)

16 18. A civil action may be brought the city attorney of any town or city in which such  
17 nuisance exists to abate a public nuisance. (Code Civ. Proc. § 731; Gov. Code § 38773; Civ. Code  
18 § 3491; DPMC § 1.01.240(a).)

19 **California State Law Regulating Sober Living Homes and Alcoholism or Drug Abuse**  
20 **Recovery or Treatment Facilities**

21 19. Any facility that provides non-medical alcoholism or drug abuse recovery,  
22 treatment, or detoxification services to adults must obtain a license from the California  
23 Department of Alcohol and Drug Programs ("Department"). Facilities licensed by the Department  
24 must comply with the requirements prescribed by state law.

25 20. Certain facilities, which have come to be commonly known as "sober living  
26 homes" do not need to be licensed provided they meet the definition set forth in Health & Safety  
27 Code § 1505 (i):

28



1 Recovery houses or other similar facilities providing group living  
2 arrangements for persons recovering from alcoholism or drug  
3 addiction *where the facility provides no care or supervision.*  
(Emphasis added)

4 21. Any facility which holds itself out to be a “sober living home” which serves 7 or  
5 more clients and provides certain treatment services, must nevertheless obtain a license from the  
6 state. Health & Safety Code § 11834.30 provides:

7 No person, firm, partnership, association, corporation, or local  
8 government mental entity shall operate, establish, manage, conduct,  
9 or maintain an alcoholism or drug abuse recovery or treatment  
facility to provide recovery, treatment, or detoxification services  
within this state without first obtaining a current valid license . . .

10 22. 9 Cal. Code Regs § 10505 further provides:

11 Except for facilities operated by a State agency, no person, firm,  
12 partnership, association, corporation, county, city, public agency or  
13 other governmental entity shall operate, establish, manage, conduct,  
14 or maintain a facility which provides 24-hour nonmedical,  
residential, alcoholism or drug abuse recovery or treatment services  
to adults without first obtaining a current, valid license from the  
Department [of Alcohol and Drug Programs].

15 23. 9 Cal. Code Regs § 10501 defines “alcoholism or drug abuse recovery or treatment  
16 service” as “a service which is designed to promote treatment and maintain recovery from alcohol  
17 or drug programs which includes one or more of the following: detoxification, group sessions,  
18 individual sessions, educational sessions, and/or alcoholism or drug abuse recovery or treatment  
19 planning.”

#### 20 Relevant Provisions of the Dana Point Municipal Code

21 24. DPMC section 1.01.240 (a) declares that, amongst other things, any violation or  
22 threatened violation of any provision of the Municipal Code (including the City’s Zoning Code)  
23 *shall* be deemed a public nuisance. (See also DPMC § 6.14.002(a) [any violation of any section  
24 of the Municipal Code deemed a nuisance], (aa) [any violation of Title 9, the Dana Point Zoning  
25 Code, deemed a nuisance].)

26 25. The DPMC explicitly states that any proposed land use that is not expressly  
27 allowed in a given district is prohibited. Alcoholism or drug abuse recovery or treatment facilities  
28 are prohibited in certain zones and are allowed in other zones within the City with the issuance of

1 a conditional use permit. (DPMC §§ 9.07.020(b) [residential districts]; DPMC 9.11.020(b)  
2 [commercial districts], 9.13.020(c) [mixed use districts], 9.15.020(b) [professional/administrative  
3 districts], and 9.17.020(b) [industrial/business districts].) Drug Abuse Recovery or Treatment  
4 Facilities are not listed as a permitted use in the RSF 3 Zoning District, and are therefore  
5 prohibited.

6 26. The DPMC also expressly states that “[n]othing in this Code shall be interpreted to  
7 authorize the use of a lot or parcel in any way that is in violation of any other applicable statute,  
8 Code, or regulation.” (DPMC § 9.01.070(b).)

9 **FIRST CAUSE OF ACTION**

10 **Public Nuisance -- Against All Defendants and Does 1-25**

11 **(Civil Code § 3479 *et seq.*)**

12 27. Plaintiff hereby incorporates by reference paragraphs 1 through 26 of this  
13 Complaint, and makes them part of this First Cause of Action, as is more fully set forth herein.

14 28. The City is informed and believes and based thereon alleges that the Property is  
15 being used as a facility which provides alcoholism or drug abuse or recovery or treatment services,  
16 as defined by 9 Cal. Code Regs § 10501 (“Services”). The City is also informed and believes and  
17 based thereon alleges that the Property provides the Services to seven or more paying clients,  
18 either onsite or using the Property as a residential component of a treatment facility. As such,  
19 Defendants are required to obtain a State-issued license for the Property pursuant to Health &  
20 Safety Code § 11834.30 and 9 CCR § 10508. The City is informed and believes and based  
21 thereon alleges that at all times mentioned, the Property is operating without the required State-  
22 issued license.

23 29. At all times herein mentioned, Defendants have used, occupied and maintained the  
24 Property in violation of the above-cited provisions of California law. This renders the Property a  
25 public nuisance pursuant to Civil Code sections 3479 and 3480.

26 30. The continued operation of the Property is a public nuisance subject to abatement  
27 by civil action brought by the city attorney pursuant to Civil Code section 3479 *et seq.* and DPMC  
28 section 1.01.240(b).

1 31. The City has no plain, speedy, or adequate remedy at law and injunctive relief is  
2 expressly authorized pursuant to Code of Civil Procedure sections 526 and 731.

3 32. A preliminary and permanent injunction to prevent any further activity by  
4 Defendants and to close the Property is necessary in this case to abate and prevent the continuance  
5 of the nuisance.

6 **SECOND CAUSE OF ACTION**

7 **Public Nuisance -- Against All Defendants and Does 1-25**

8 **(Civil Code § 3479 *et seq*; DPMC § 1.01.240 and 9.01.070(b))**

9 33. Plaintiff hereby incorporates by reference paragraphs 1 through 32 of this  
10 Complaint, and makes them part of this First Cause of Action, as is more fully set forth herein.

11 34. The City of Dana Point Zoning Code has been codified as Title 9 of the Dana Point  
12 Municipal Code. The Zoning Code was adopted in order to, amongst other things, “promote  
13 health, safety, welfare, and general prosperity with the aim of preserving a wholesome,  
14 serviceable, and attractive community in accordance with the General Plan and Local Coastal  
15 Program for the City.” (DPMC § 9.01.030(j).)

16 35. DPMC section 1.01.240 (a) declares that, amongst other things, any violation or  
17 threatened violation of any provision of the Municipal Code (including the City’s Zoning Code)  
18 *shall* be deemed a public nuisance. (*See also* DPMC § 6.14.002(a) [any violation of any section  
19 of the Municipal Code deemed a nuisance], (aa) [any violation of Title 9, the Dana Point Zoning  
20 Code, deemed a nuisance].)

21 36. The Property is located at 34575 Camino Capistrano, Dana Point, California,  
22 within the City’s RSF 3 Zoning District.

23 37. The City is informed and believes and based thereon alleges that the Property  
24 provides Services to seven or more paying clients, either onsite or using the Property as a  
25 residential component of a treatment facility.

26 38. The RSF 3 Zoning District permits only those land uses listed in the City’s RSF 3  
27 Zoning District. (DPMC § 9.09.020(b).) Any use not specifically permitted in the RSF 3 Zoning  
28 District is expressly prohibited. (*Ibid.*)

1 39. Drug Abuse Recovery or Treatment Facilities are *not* listed as a permitted or  
2 conditionally permitted use in the RSF 3 Zoning District. (*Ibid.*)

3 40. At all times herein mentioned, Defendants have used, occupied and maintained the  
4 Property as a Drug Abuse Recovery or Treatment Facility in violation of the City's Zoning Code  
5 as embodied in the City's Municipal Code. This renders the Property a public nuisance pursuant  
6 to DPMC sections 1.01.240(a), 6.14.002(a), 6.14.002(aa) and Civil Code sections 3479 and 3480.

7 41. In addition, the DPMC also expressly states that "[n]othing in this Code shall be  
8 interpreted to authorize the use of a lot or parcel in any way that is in violation of any other  
9 applicable statute, Code, or regulation." (DPMC § 9.01.070(b).)

10 42. As set forth in detail above, the use of the Property to provide drug and alcohol  
11 treatment services is illegal under State Law because Defendants have not obtained the State  
12 License required by Health & Safety Code § 11834.30 and 9 CCR § 10508.

13 43. The continued operation of the Drug Abuse Recovery or Treatment Facility is a  
14 public nuisance subject to abatement by civil action brought by the city attorney pursuant to Civil  
15 Code section 3479 *et seq.* and DPMC section 1.01.240(b).

16 44. Additionally, continued operation of the business on the Property violates DPMC  
17 section 9.07.030 for reasons including, but not limited to, employment of outside employees, use  
18 of multiple rooms for business purposes, and number of vehicle trips generated per day. This  
19 constitutes an additional public nuisance subject to abatement by civil action.

20 45. The City has no plain, speedy, or adequate remedy at law and injunctive relief is  
21 expressly authorized pursuant to Code of Civil Procedure sections 526 and 731.

22 46. A preliminary and permanent injunction to prevent any further activity by  
23 Defendants and to close the Property is necessary in this case to abate and prevent the continuance  
24 of the nuisance.

25 **PRAYER**

26 Wherefore the City prays for judgment against Defendants as follows:

27 **AS TO THE FIRST CAUSE OF ACTION:**

28 1. That all Defendants, including DOES 1 through 25 and the Property, including all

1 buildings and structures thereon, be declared a public nuisance in violation of Civil Code sections  
2 3479 and 3480.

3 2. That the Court find that the Property, together with all of the fixtures and moveable  
4 property therein and thereon constitute a public nuisance and be permanently abated as a public  
5 nuisance.

6 3. That the Court grant a preliminary injunction, permanent injunction, and order of  
7 abatement in accordance with section 3491 of the Civil Code, enjoining and restraining  
8 Defendants and their agents, heirs, successors, officers, employees, and anyone acting on their  
9 behalf from unlawfully operating any business on the Property.

10 AS TO THE SECOND CAUSE OF ACTION:

11 1. That all Defendants, including DOES 1 through 25 and the Property, including all  
12 buildings and structures thereon, be declared a public nuisance in violation of Civil Code sections  
13 3479 and 3480.

14 2. That the Court find that the Property, together with all of the fixtures and moveable  
15 property therein and thereon constitute a public nuisance and be permanently abated as a public  
16 nuisance.

17 3. That the Court grant a preliminary injunction, permanent injunction, and order of  
18 abatement in accordance with section 3491 of the Civil Code, enjoining and restraining  
19 Defendants and their agents, heirs, successors, officers, employees, and anyone acting on their  
20 behalf from unlawfully operating any business on the Property.

21 AS TO ALL CAUSES OF ACTION:

22 1. That Plaintiff recover the amount of filing fees and the amount of fees for the  
23 service of process or notices which would have been paid but for Government Code section  
24 6103.5;

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- 2. The Plaintiff recover its attorney fees and costs of prosecuting this action; and
- 3. That Plaintiff be granted such other and further relief as the Court deems just and proper.

Dated: February 21, 2017

RUTAN & TUCKER, LLP  
A. PATRICK MUÑOZ  
ROBERT O. OWEN  
JENNIFER J. FARRELL

By: 

Robert O. Owen  
Attorneys for Plaintiff  
CITY OF DANA POINT

Alex Padilla  
California Secretary of State

# Business Search - Results

The California Business Search is updated daily and reflects work processed through Wednesday, December 5, 2018. Please refer to document [Processing Times](#) for the received dates of filings currently being processed. The data provided is not a complete or certified record of an entity.

- Select an entity name below to view additional information. Results are listed alphabetically in ascending order by entity name, or you can select a column title to change the sort order.
- To refine the search results, enter a word or a string of words in the "Narrow search results" box. The "Narrow search results" will search on all fields of the initial search results.
- For information on checking or reserving a name, refer to [Name Availability](#).
- For information on requesting a more extensive search, refer to [Information Requests](#).
- For help with searching an entity name, refer to [Search Tips](#).
- For descriptions of the various fields and status types, refer to [Frequently Asked Questions](#).

Results of search for LP/LLC Name keyword "Sunshine behavioral" returned 3 entity records (out of 3 records found).

Show  entities per page

Narrow search results:

Show  entities per page

Narrow search results:

Show  entities per page

Narrow search results:

Entity Number	Registration Date	Status	Entity Name	Jurisdiction	Agent for Service of Process
201802910148	01/11/2018	ACTIVE	SUNSHINE BEHAVIORAL HEALTH GROUP LLC	CALIFORNIA	CHAD I DAUGHERTY
201428910408	10/14/2014	FTB SUSPENDED	SUNSHINE BEHAVIORAL HEALTH LLC	CALIFORNIA	CHAD DAUGHERTY
201802710010	01/11/2018	ACTIVE	SUNSHINE BEHAVIORAL HEALTH PARTNERS LLC	CALIFORNIA	CHAD DAUGHERTY

UNITED STATES  
DEPARTMENT OF LABOR

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## Inspection Detail

Case Status: CLOSED

Inspection: 1319472.015 - Sunshine Behavioral Health Llc

### Inspection Information - Office: Ca Santa Ana District Office

Nr: 1319472.015 Report ID: 0950631 Open Date: 05/31/2018  
 Sunshine Behavioral Health Llc  
 35072 Camino Capistrano Union Status: NonUnion  
 Dana Point, CA 92624  
 SIC:  
 NAICS: 623220/Residential Mental Health and Substance Abuse Facilities  
 Mailing: 30950 Rancho Viejo Rdsuite 225, San Juan Capistrano, CA 92675  
 Inspection Type: Accident  
 Scope: Partial Advanced Notice: N  
 Ownership: Private  
 Safety/Health: Safety Close Conference: 09/28/2018  
 Close Case: 11/19/2018  
 Related Activity: Type ID Safety Health  
 Accident 1337501

Case Status: CLOSED

### Violation Summary

	Serious	Willful	Repeat	Other	Unclass	Total
Initial Violations				3		3
Current Violations				3		3
Initial Penalty	\$0	\$0	\$0	\$6,310	\$0	\$6,310
Current Penalty	\$0	\$0	\$0	\$6,310	\$0	\$6,310
FTA Amount	\$0	\$0	\$0	\$0	\$0	\$0

### Violation Items

#	ID	Type	Standard	Issuance	Abate	Curr\$	Init\$	Fta\$	Contest	LastEvent
1.	01001	Other	342(A)	09/28/2018		\$5,000	\$5,000	\$0		Z - Issued
2.	01002	Other	3342(C)	09/28/2018	11/02/2018	\$560	\$560	\$0		Z - Issued
3.	01003	Other	3342(F)	09/28/2018	11/02/2018	\$750	\$750	\$0		Z - Issued



UNITED STATES  
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## Violation Detail

**Standard Cited:** 342(A) (18B-CA) Work-Connected Fatality/Injury Reporting

### Violation Items

Nr: 1319472.015 Citation: 01001 Issuance: 09/28/2018 ReportingID: 0950631  
Viol Type: Other NrInstances: 1 Contest Date:  
Abatement Date: 3 Nr Exposed: 1 Final Order: 10/19/2018  
Initial Penalty: \$5,000.00 REC: Emphasis:  
Current Penalty: \$5,000.00 Gravity: Haz Category:

### Penalty and Failure to Abate Event History

Type	Event	Date	Penalty	Abatement	Type	FTA Insp
	Z: Issued	09/28/2018	\$5,000.00		Other	

UNITED STATES  
DEPARTMENT OF LABOR

Occupational Safety and Health Administration  
200 Constitution Ave NW  
Washington, DC 20210  
☎ 800-321-6742 (OSHA)  
TTY  
[www.OSHA.gov](http://www.OSHA.gov)

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December 7, 2018

To Whom It May Concern:

My Husband and myself, Richard and Carol Diaz, currently reside in the beautiful Woodmoor Community called the Dunes.

We moved here in March of 2018 from Virginia and found a new home being built in the Dunes. The neighborhood is beautiful, quiet and within walking distance to everything we wanted. Never would we have purchased this home if we had any idea a drug rehab facility would be our next-door neighbor. I feel very blindsided as nothing was mentioned about this center at the time of our purchase. Apparently, it was kept from the whole community and I feel that is bad business on every one's part involved with this project.

Since my husband works for the Federal Government and that can cause us to move frequently, we will be moving again in July 2019.

We have spoken with our realtor about putting our house on the market in early 2019. Our realtor has told us to expect a hit of \$20,000 to \$30,000 drop in price due to the rehab center going in just down the street from us. Now for a new home to drop in price that much because of a rehab center that was never talked about to the community is not right. There are open spaces in the area that this could have been put in.

We are very disappointed that the people who approved this project did not look at all sides before they said yes to this.

Respectfully,

Signed  
Carol Diaz

