

The following contains an explanation of the terms “direct ownership,” “indirect ownership,” and “managing control,” as well as instructions concerning organizations that must be reported in this application.

EXAMPLES OF 5% OR MORE “DIRECT” OWNERSHIP

All organizations that own 5% or more of the provider must be reported in this application.

Many providers may be owned by only one organization. For instance, suppose the provider is a skilled nursing facility is wholly (100%) owned by Company A. In this case, Company A is considered to be a direct owner of the skilled nursing facility, in that it actually owns the assets of the business. As such, the provider would have to report Company A in this section.

There are occasionally more complex ownership situations. Many organizations that directly own a provider are themselves wholly or partly owned by other organizations (or even individuals). This is often the result of the use of holding companies and parent/subsidiary relationships. Such organizations and individuals are considered to be “indirect” owners of the provider. Using our first situation above, if Company B owned 100% of Company A, Company B is considered to be an indirect owner of the provider. In other words, a direct owner has an actual ownership interest in the provider (e.g., owns stock in the business, etc.), whereas an indirect owner has an ownership interest in an organization that owns the provider. For purposes of this application, direct and indirect owners must be reported if they own at least 5% of the provider. To calculate whether these indirect owners meet the 5% ownership level, review the formula outlined in Example 1 in this section.

For purposes of this application, ownership also includes “financial control.” Financial control exists when:

- (1) An organization or individual is the owner of a whole or part interest in any mortgage, deed of trust, note, or other obligation secured (in whole or in part) by the provider or any of the property or assets of the provider, **and**
- (2) The interest is equal to or exceeds 5% of the total property and assets of the provider.

To calculate whether an organization or individual has financial control over the provider, use the formula outlined in Example 2 of the instructions for this section.