

LEVEL 3

To calculate the percentage of ownership that Individual X has in the Enrolling Provider, multiply:

$$\begin{array}{c} \text{The percentage of ownership the LEVEL 2 owner has in the Enrolling Provider} \\ \textbf{MULTIPLIED BY} \\ \text{The percentage of ownership the LEVEL 3 owner has in that LEVEL 2 owner} \end{array}$$

It has already been established that Company C owns 60% of the Enrolling Provider. According to the example above, Individual X (Level 3) owns 5% of Company C. Therefore, multiply 60% (.60) by 5% (.05), resulting in .03. This means that Individual X owns 3% of the Enrolling Provider and does not need to be reported in this application.

Repeat this process for Company B, which owns 40% of the Enrolling Provider. The diagram states that Individual Y (Level 3) owns 30% of Company B. We thus multiply 40% (.40) by 30% (.30). The result is .12, or 12%. Because Individual Y owns 12% of the Enrolling Provider, Individual Y must be reported in this application (in Section 6 - Individuals).

This process is continued until all owners in LEVEL 3 have been accounted for. Should there be entities at LEVEL 4 and above that have at least a 5% ownership interest in the Enrolling Provider, the Enrolling Provider may submit an organizational chart identifying these entities and/or individuals. The chart should contain the names, business addresses and TINs of these entities, and/or the names and social security numbers of these individuals.

Example 2 (Financial Control)

The percentage of financial control can be calculated by using the following formula:

$$\begin{array}{c} \text{Dollar amount of the mortgage, deed of trust, or other obligation secured by} \\ \text{the Enrolling Provider or any of the property or assets of the Enrolling Provider} \\ \textbf{DIVIDED BY} \\ \text{Dollar amount of the total property and assets of the Enrolling Provider} \end{array}$$

Example: Two years ago, a provider obtained a \$20 million loan from Entity X to add a third floor to its facility. Various assets of the provider secure the mortgage. The total value of the provider's property and assets is \$100 million.

Using the formula described above, divide \$20 million (the dollar amount of the secured mortgage) by \$100 million (the total property and assets of the Enrolling Provider). This results in .20, or 20%. Because Entity X's interest represents at least 5% of the total property and assets of the Enrolling Provider, financial control exists and Entity X must be reported in this section.

MANAGING CONTROL (ORGANIZATIONS)

Any organization that exercises operational or managerial control over the provider, or conducts the day-to-day operations of the provider, is a managing organization and must be reported. The organization need not have an ownership interest in the provider in order to qualify as a managing organization. This could be a management services organization under contract with the provider to furnish management services for this business location.