

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 DMEPOS supplier must be reported in this application.

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

There are occasionally more complex ownership situations. Many organizations that directly own a DMEPOS supplier 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 DMEPOS supplier. Using our first situation above, if Company B owned 100% of Company A, Company B is considered to be an indirect owner of the DMEPOS supplier. In other words, a direct owner has an actual ownership interest in the DMEPOS supplier (e.g., owns stock in the business, etc.), whereas an indirect owner has an ownership interest in an organization that owns the DMEPOS supplier. For purposes of this application, direct and indirect owners must be reported if they own at least 5% of the DMEPOS supplier. 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 DMEPOS supplier or any of the property or assets of the DMEPOS supplier, **and**
- (2) The interest is equal to or exceeds 5% of the total property and assets of the DMEPOS supplier.

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