

# Related Party Disclosure Statement – SFY \_\_\_\_\_ FCP

Facility Name: \_\_\_\_\_

Facility NPI ID: \_\_\_\_\_

The following information is meant to provide a greater understanding of the related-party concepts to assure all are disclosed. The information provided was extracted from CMS Pub 15-1. The two major categories of related-party transactions are compensation to owners and costs to related organizations. A brief description of these two categories is as follows:

## Compensation to Owners and/or Related Persons:

§ 900 PRINCIPLE – “A reasonable allowance of compensation for services of owners is an allowable cost, provided the services are actually performed in a necessary function (health insurance Regulations No. 5, §405.426).”

§ 901 APPLICATION – “The allowance of compensation for services of sole proprietors and partners i[s] the reasonable value of the services rendered. The test of reasonableness applies to the actual compensation of all individuals performing services in connection with the operation of a provider including: (1) employees, officers, and directors owning stock in closely-held corporations; (2) employees, officers, and directors with a substantial ownership or equity in public corporations; and (3) certain employees of trusts (see § 902.6).”

§ 902.5 Persons Related to Owner – “Compensation paid to an employee who is an immediate relative of the owner of the facility is also reviewable under the test of reasonableness. For this purpose, the following persons are considered "immediate relatives": (1) husband and wife; (2) natural parent, child and sibling; (3) adopted child and adoptive parent; (4) stepparent, stepchild, stepbrother, and stepsister; (5) father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, and sister-in-law; (6) grandparent and grandchild.”

FYI: § 902.3 Reasonableness – “Reasonableness requires that the compensation allowance by such an amount as would ordinarily be paid for comparable services by comparable institutions depending upon the facts and circumstances of each case. Reasonable compensation is limited to the fair market value of services rendered by the owner in connection with patient care. Fair market value i[s] the value determined by the supply and demand factors of the open market.”

## Cost to Related Organizations:

§ 1000 PRINCIPLE – “Costs applicable to services, facilities, and supplies furnished to the provider by organizations related to the provider by common ownership or control are includable in the allowable cost of the provider at the cost to the related organization. However, such cost must not exceed the price of comparable services, facilities, or supplies that could be purchased elsewhere. The purpose of this principle is two-fold: (1) to avoid the payment of a profit factor

to the provider through the related organization (whether related by common ownership or control), and (2) to avoid payment of artificially inflated costs which may be generated from less than arm's-length bargaining.”

## § 1002 Definitions

§ 1002.1 “Related to the provider means that the provider to a significant extent is associated or affiliated with, or has control of, or is controlled by, the organization furnishing the services, facilities, or supplies.”

§ 1002.2 “Common ownership exists when an individual or individuals possess significant ownership or equity in the provider and the institution or organization serving the provider.”

§ 1002.3 “Control exists where an individual or an organization has the power, directly or indirectly, significantly to influence or direct the actions or policies of an organization or institution.”

§ 1004 Determination of Common Ownership or Control in the Provider Organization and Supplying Organization – “In determining whether a provider organization is related to a supplying organization, the tests of common ownership and control are to be applied separately. If the elements of common ownership or control are not present in both organizations, the organizations are deemed not to be related to each other. The existence of an immediate family relationship will create an [irrefutable] presumption of relatedness through control or attribution of ownership or equity interests where the significance tests of sections 1002.2 and 1002.3 above are met. The following persons are considered immediate family for Medicare program purposes: (1) husband and wife, (2) natural parent, child and sibling, (3) adopted child and adoptive parent, (4) step-parent, step-child, step-sister, and step-brother, (5) father-in-law, mother-in-law, sister-in-law, brother-in-law, son-in-law, and daughter-in-law, (7) grandparent and grandchild.”

§ 1004.3 Control Rule – “The term "control" includes any kind of control, whether or not it is legally enforceable and however it is exercisable or exercised. It is the reality of the control which is decisive, not its form or the mode of its exercise.”

§ 1010 Exception to the Related Organization Principle – “An exception is provided to the general rule applicable to related organizations. The exception applies if the provider demonstrates by convincing evidence to the satisfaction of the intermediary that the following criteria have been met:

- a. The supplying organization is a bona fide separate organization. This means that the supplier is a separate sole proprietorship, partnership, joint venture, association or corporation and not merely an operating division of the provider organization.”

§ 1010.1 Examples of Applying the Exception – “The exception is intended to cover situations where large quantities of goods and services are supplied to the general public and only incidentally are furnished to related organizations.”

In addition to related-party disclosures on Schedule C-2 of this facility's Facility Cost Profile, this facility makes the following related-party disclosure(s):

Name of Owner or Related-Person Or Related Company	Salary or Goods/Services Purchased	Sch C Account where reported	Amount Paid for Salary or Goods /Services	Actual Cost to the Related Party	Adjustment Amount of Related Party Costs on Sch C-1 (Actual Cost – Amount Paid)	Adjustment number on Sch C-1	Attach support for Related Party calculation and mark "X" below

I hereby certify that the above information is true and correct and that any misrepresentation, falsification, concealment, or omission of material facts constitutes fraud, and I may be prosecuted under applicable federal or state law.

\_\_\_\_\_  
Owner/officer (printed name)

\_\_\_\_\_  
FCP Preparer (printed name)

\_\_\_\_\_  
Owner/officer (signature)

\_\_\_\_\_  
Date

\_\_\_\_\_  
FCP Preparer (signature)

\_\_\_\_\_  
Date

