

Disclosure of Financial Relationships Report (DFRR) Requirement, Exception and Instructions

Requirement

Completion of the Disclosure of Financial Relationships Report (DFRR or Report) is required under section 1877(f) of the Social Security Act. The Report must be completed, certified by the appropriate officer of the hospital, and received by CMS within 60 days of the date that appears on the cover letter or e-mail transmission. Pursuant to 42 C.F.R. § 411.361(f), failure to timely submit the requested information concerning an entity's ownership, investment, and compensation arrangements may result in civil monetary penalties of up to \$10,000 for each day beyond the deadline established for disclosure.

Please be advised that the results from the DFRR may be shared with other Federal agencies and with Congressional committees, as permitted or mandated by law. We intend to protect from public disclosure, to the fullest extent permitted by Exemptions 4 and 6 of the Freedom of Information Act, 5 U.S.C. § 552(b) (4) and (b)(6), any confidential business information and any individual-specific information collected. We note that CMS is prevented by the Trade Secrets Act, 18 U.S.C. § 1905, from releasing confidential business information, except as authorized by law.

Information collected from each hospital will be analyzed separately to determine whether the financial relationships are in compliance with the physician self-referral laws and implementing regulations. At this time, we do not plan to aggregate data.

Exception to Mandatory Reporting

An entity that furnishes a total (Part A and Part B combined) of 20 or fewer Medicare services during a calendar year is excepted from this reporting requirement pursuant to 42 C.F.R. § 411.361(b). If you believe that the hospital qualifies for this exception:

- The Chief Executive Officer, Chief Financial Officer, or a comparable officer of the Hospital must certify in writing that the hospital furnishes a total (Part A and Part B combined) of 20 or fewer Medicare services during a calendar year.
- The certification statement must read as follows: "I, (insert name), hereby certify that, to the best of my knowledge and belief, (insert name of Hospital) furnishes a total (Part A and Part B combined) of 20 or fewer Medicare services during a calendar year. Therefore the hospital is relying on the exception in 42 C.F.R. § 411.361(b) and will not be reporting financial relationship data concerning the facility." The certification statement must be signed and dated, and include the title of the signatory.
- If the hospital or entity qualifies for the exception at 42 C.F.R. § 411.361(b), please mail the original and one copy of the signed certification statement to: Physician Self-Referral, Centers for Medicare & Medicaid Services, 7500 Security Boulevard, Mailstop C4-25-02, Baltimore, Maryland 21244-1850. In

addition, we request, but do not require, that you email a PDF or other electronically scanned version of the document to: HOSPITALDISCLOSURE@cms.hhs.gov. In the subject line, please include the title "Exception to Disclosure Report."

General Instructions for DFRR

- The requested disclosures on Worksheets 1 through 6 pertain only to hospitals with physician ownership or investment. For purposes of this Report, ownership is synonymous with investment.
- For any question pertaining to the financial relationship between a physician and the Hospital or entity or individual, "physician" shall include each immediate family member of the physician, as defined in 42 CFR §411.351.
- The terms, "physician-owner" and "physician-investor" are used interchangeably throughout this report.
- Please provide the physician's last name, first name, and Medicare National Provider Identifier (NPI). Only for those physicians who have not yet received an NPI, may the physician's Unique Physician Identification Number (UPIN) be submitted instead. We will not accept a hospital created identifier (for example, Physician 1, Physician 2, etc.).
- Where supporting documentation or an explanation is requested, please include the name of the physician-owner or physician-investor, and his/her NPI.
- Supplemental documents should be provided only when specifically requested on a worksheet. Supporting documentation should be organized and clearly labeled to reference the relevant worksheet. Please include only information that responds to the question asked; extraneous information should not be included. For example, if only a few pages of a large document are responsive to a question, please submit only those relevant pages.
- If a particular question does not apply to the hospital, please type "N/A."
- If sufficient rows are not provided, please save the Excel spreadsheet, insert the necessary number of additional rows, and print a copy of the revised Excel spreadsheet.
- Upon completion of the entire DFRR, please verify all information presented (including the totals for the respective fields or columns) and return an original and one copy to: Physician Self-Referral, Centers for Medicare & Medicaid Services, 7500 Security Boulevard, Mailstop C4-25-02, Baltimore, Maryland 21244-1850. CMS also requests, but does not require, that a PDF or other

electronically scanned version of the DFRR and accompanying documentation be sent to HOSPITALDISCLOSURE@cms.hhs.gov.

- Please enter all date fields in the following format: MM/DD/YY. For example, “March 31, 2006” must be entered as follows: 03/31/06.

Report Contents

The attached report consists of the following spreadsheets:

- **Cover Sheet -- (Certification Page)**
- **Worksheet 1 -- Hospital Characteristics**
- **Worksheet 2 -- Direct Ownership in Hospital**
- **Worksheet 3 -- Indirect Ownership in Hospital**
- **Worksheet 4 -- Payments Made to Hospital by Direct Owners**
- **Worksheet 5 -- Payments Made to Hospital by Indirect Owners**
- **Worksheet 6 -- Investment Reconciliation**
- **Worksheet 7 -- Compensation Arrangements - Rentals, Personal Service Arrangements, and Recruitment (See 42 C.F.R. § 411.357)**
- **Worksheet 8 -- Other Types of Compensation Arrangements (See 42 C.F.R. § 411.357)**

Key Terms

1. **Additional Purchases:** Stocks purchased after initial or starting investment. Report the total cost and number of additional shares of stock purchased.
2. **Assessments:** Any cost or fee required and paid by any investor of the hospital. These fees usually do not involve any basis or change in the owner’s investment in the facility.
3. **Back-up Guarantee:** Physician-owner’s risk of loss or liability related to the ownership of his or her stock is guaranteed by another entity. If the borrower has difficulty in repayment, the payment is guaranteed by a third party.
4. **Basis of Stock/Shares:** The cost of the stock at the end of the cost reporting period(s) ending in 2006.
5. **Capital Calls:** Each investor is asked/required to put additional capital in the company. Depending on the structure of the call, if no additional shares are

- issued, the basis (cost) of the investor's stock will increase, or if additional shares are issued, the number of the investor's shares will increase.
6. **Compilation of Financial Statements:** A compilation presents information in the form of financial statements that are the representation of management without expressing assurances.
 7. **Direct Ownership or Investment Interest:** Direct ownership or investment interest is defined at 42 C.F.R. § 411.354(a) (2).
 8. **Disproportionate Guarantee by Physician Investor:** Physician investor's risk of loss or liability related to the ownership of his/her stock is guaranteed by the corporate investor in a disproportionate percentage to the percentage of stock owned by that physician investor (i.e., Physician investor owns 40% of the stock of a hospital, but assumes risk of loss or liability equal to 20%.)
 9. **Fair Market Value:** Fair market value is defined at 42 C.F.R. § 411.351.
 10. **Hospital:** Hospital is synonymous with operating entity (that is, the corporation or legal entity through which the hospital operates).
 11. **Immediate family member:** An immediate family member means: Husband or wife; birth or adoptive parent, child, or sibling; stepparent, stepchild, stepbrother, or stepsister; father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law; grandparent or grandchild; and spouse of a grandparent or grandchild. 42 C.F.R. § 411.351.
 12. **Indirect Ownership or Investment Interest:** An indirect ownership or investment interest is defined at 42 C.F.R. § 411.354(b) (5).
 13. **Internally prepared:** Internally prepared financial statements are prepared by employees of the hospital, and are used mostly to monitor the hospital's performance.
 14. **Loan Guarantees:** A situation when the borrower's liability is collateralized by a third party.
 15. **NPI:** Medicare National Provider Identifier.
 16. **Other Capital Assessments:** Report only if shares of stock are involved. Fees assessed should not be reported.
 17. **Relinquishments or Sales:** For each share of stock that is sold during the cost reporting period(s) in 2006, report the dollar amount of the sale and the number of shares sold.
 18. **Reporting Period:** The reporting period refers to any cost reporting period(s) ending in 2006.
 19. **Return of Capital Dividends:** A distribution that is not paid out of the earnings and profits of the company. This distribution reduces the basis of the stock.
 20. **Review of Financial Statements:** A review of financial statements is an engagement that results in an accountant's opinion that expresses less assurance than that of a certified audit, but more than a compilation. Typically this involves limited auditing, testing, analytical procedures, and/or inquiries.
 21. **Stock/share:** These terms are used interchangeably throughout the worksheets.
 22. **Stock Dividends:** Stock dividends are distributions made by a corporation of its own stock.

Worksheet 1 – Hospital Characteristics

- Please include month, date, and year for the beginning and end of your cost reporting period.
- If the hospital has more than one cost report period for 2006, please complete a separate worksheet for each respective cost report period.

Worksheet 2 -- Direct Ownership in Hospital

- Identify the class of stock (if applicable) and list all owners of that class within the same grouping on the Worksheet.
- If the direct owner is the physician, enter “Self” in Column B.
- If the direct owner is not the physician, please write the individual’s name in Column A and in Column B indicate his/her relationship to the physician and give the physician’s name.
- The basis of the stock/shares is the cost of the stock at the end of the cost reporting period(s) ending in 2006. This amount should equal Worksheet 6, Column B, Line 18.
- One hundred percent of ownership should be identified for each individual class of stock.
- If the hospital has more than one cost report period for 2006, please complete a separate worksheet for each respective cost report period.

Worksheet 3 – Indirect Ownership in Hospital

- Report only indirect ownership interests of physicians and immediate family members on this Worksheet.
- In Column A, identify each entity with ownership in the hospital and identify the type of entity in Column B. The entity’s percentage of direct ownership should be listed in Column C.
- List each investor-owner of the group entity in Column D. Indicate if the investor-owner is a physician. If the investor-owner is an immediate family member of the physician, please indicate the relationship to, and name of the physician to whom the investor-owner is related.
- Column E should indicate each investor-owner’s percentage ownership in the entity at the end of the cost reporting period(s) in 2006, with the number of shares owned (if applicable) listed in Column F. Each type of share owned (if

applicable) should be listed individually with the type of stock labeled in Column G.

- To calculate the percent of indirect ownership in Column H for each investor-owner of the entity, multiply the percentage in Column C by the percentage in Column E.
- If the hospital has more than one cost report period for 2006, please complete a separate worksheet for each respective cost report period.

Worksheet 4 – Payments Made to Hospital by Direct Owners

- Report only payments to the hospital by direct physician-owners and immediate family member owners on this Worksheet.
- Complete one line for each payment made by a physician-owner related to his or her investment interest, including, but not limited to: initial investments, assessments, capital calls, and loan guarantees. If necessary, please insert additional lines.
- In Column B, indicate “Self” if the physician is the direct owner. If the direct owner is not the physician, please list the direct owner’s name in Column A, and in Column B, indicate the immediate family member’s relationship to the physician and give the physician’s name.
- Do not group payments under one physician name, but rather use a separate line for each type of payment made by a physician.

Worksheet 5 -- Payments Made to Hospital by Indirect Owners

- Report only payments made by indirect physician-owners and immediate family member owners on this Worksheet.
- Complete one line for each payment made by an entity related to an investment interest, including, but not limited to: initial investments, assessments, capital calls, and loan guarantees. If necessary, please insert additional lines.
- List the name of the indirect ownership entity in Column A. In Column B, list the names of individuals that compose that entity, placing only one person per line and indicating his or her status, i.e., “Self” for physician, or “IFM” for immediate family member.
- For immediate family members, enter the relationship to and name of the physician family member in Column C.

- Do not group payments under one entity name, but rather use a separate line for each type of payment made by an entity.

Worksheet 6 -- Investment Reconciliation

- Please complete a separate Worksheet for each physician-owner or immediate family member owner.
- Please provide the owner's Social Security Number (SSN) or NPI as appropriate.
- If a physician owns more than one class of stock/equity, a separate worksheet must be completed for each class of stock/equity.
- Line 10, Column A -- The begin date must be the start of the cost reporting period(s) that end(s) in 2006. That is, for a cost reporting period of July 1, 2005 to June 30, 2006, the begin date is 07/01/05.
- Line 10, Columns B, C, and D must reflect the physician-owner's total investment for the class of stock/equity described, as of the beginning of the period being evaluated (all cost period(s) ending in 2006).
- Lines 11 through 17, Columns B, C, and D must reflect any and all changes to the physician-owner's stock/equity during the period being evaluated, so that line 18 reflects the owner's total investment at the end of the period.
- Line 17 must reflect all other capital assessments that occurred during the cost reporting period(s) ending in 2006.
- Line 18, Column A – The end date must be the end date of the cost reporting period(s) that end(s) in 2006. That is, for a cost reporting period of July 1, 2005 to June 30, 2006, the end date is 06/30/06.
- Line 18, Column B – The amount entered here should be equal to the amount listed on Worksheet 2, Column C for each class of stock for each physician owner.
- If the hospital has more than one cost report period for 2006, please complete a separate worksheet for each respective cost report period.

Worksheet 7 -- Compensation Arrangements - Rentals, Personal Service Arrangements, and Recruitment (See 42 C.F.R. § 411.357)

- For all physicians who had one or more of the compensation arrangements listed in Columns A through D list the physician's complete name in the first column, the physician's NPI, and insert either a "Y" for yes or "N" for no as to whether the physician is an owner/investor of the hospital. In addition, please insert the applicable number of compensation arrangements in each respective column.

- For those compensation arrangements listed in Columns A through D, include not just those that you believe fit within an exception in 42 C.F.R. § 411.357, but those that are implicated by the referenced exception.
- The information requested in Columns A and B must include compensation arrangements that occur in either direction (i.e., rentals to/from physicians).
- Please indicate in the appropriate column the number of compensation arrangements that pertain to the physician for the reporting period(s) ending in 2006.
- If the hospital has more than one cost report period for 2006, please complete a separate worksheet for each respective cost report period.
- Note that for each line in Columns A through D that contains a number, we are requiring the submission of supporting documentation for each compensation arrangement. With the exception of uniform personal service arrangements, please submit a copy of the written agreement(s) that were in effect during the reporting period(s) ending in 2006.
- Personal Service Arrangements (PSA – Column C)
 - For each physician listed, please indicate the number of PSAs in effect for the cost reporting period(s) ending in 2006.
 - In the next column, indicate if the physician used a uniform PSA prepared by the hospital. We consider a PSA to be uniform if all of the elements present in the arrangements are materially the same. Only one copy of the uniform PSA should be included in the supplemental materials. This one copy will satisfy the supporting documentation requirement for all physicians who entered into a uniform PSA with the hospital.
 - Indicate whether or not the hospital has a signed copy of this agreement on file for this physician in the next sub-column with a Y or N.
 - Please indicate this on the Worksheet whether the physician had a non-uniform PSA in effect for the cost reporting period(s) ending in 2006, and provide a copy of the PSA with the supplemental materials for this Worksheet.

Worksheet 8 -- Other Types of Compensation Arrangements (See 42 C.F.R. § 411.357)

- This Worksheet addresses other compensation arrangements exceptions that are found at 42 C.F.R § 411.357.
- Please note that you may be required to furnish an explanation or additional documentation depending on the answer to each question.

- Submit only the information that is necessary to answer the question by removing extraneous documentation where possible.

Questions

Questions regarding these instructions may be directed to:
DFRR-Questions@cms.hhs.gov.