

Disclosure of Business Transactions with Subcontractors and Wholly Owned Suppliers Snapshot

Federal regulations require Medicaid providers to disclose certain information about business transactions upon request of the State Medicaid agency (SMA) to prevent kickbacks or other inappropriate business transactions from harming the Medicaid program. Providers must sign an enrollment agreement that stipulates the provider will furnish certain information related to business transactions and relationships within 35 days of a request by the SMA.[1] The provider must disclose full information related to:

- The ownership of any subcontractor with whom the provider has had significant business transactions during the 12-month period ending on the date of the request; and
- Any significant business transactions between the provider and any wholly owned supplier, or between the provider and any subcontractor, during the 5-year period ending on the date of the request.[2]

Significant business transactions are those that, individually or in a series, exceed the lesser of \$25,000 or 5 percent of a provider's total operating expenses in any fiscal year.[3] Providers who do not comply with the disclosure requirements cannot receive Federal funds for services they furnished from the day the information was due until the day they supplied it.[4]

The Centers for Medicare & Medicaid Services (CMS) recommend that SMAs include a reference to these disclosure requirements in their enrollment agreements, and emphasize the 35-day requirement.[5] CMS also recommends SMAs educate providers regarding these requirements. The means of education are within the SMAs' discretion, but may include provider enrollment websites and provider information bulletins in addition to provider enrollment agreements.[6] Finally, CMS recommends that SMAs have their provider enrollment personnel and their program integrity personnel meet regularly to ensure good communication and development of policies and documents that meet regulatory requirements.[7]

When these disclosure requirements were established, they only applied to fee-for-service providers. SMAs will phase them in for managed care network providers by July 1, 2018.[8]

For More Information

To see the electronic version of this and other E-Bulletins or materials about other program integrity topics posted to the Medicaid Program Integrity Education page, visit <https://www.cms.gov/Medicare-Medicaid-Coordination/Fraud-Prevention/Medicaid-Integrity-Education/edmic-landing.html> on the CMS website.

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References

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- 5 Centers for Medicare & Medicaid Services. Center for Program Integrity. (2010, August). Medicaid Program Integrity. Toolkits to Address Frequent Findings: 42 CFR 455.105. Disclosures of Business Transactions. (pp. 2, 7). Retrieved April 28, 2016, from <https://www.cms.gov/Medicare-Medicaid-Coordination/Fraud-Prevention/FraudAbuseforProfs/Downloads/fftoolkit-business-transactions.pdf>
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- 7 Centers for Medicare & Medicaid Services. (2010, August). Best Practices for Medicaid Program Integrity Units' Collection of Disclosures in Provider Enrollment. (p. 2). Retrieved May 9, 2016, from <https://www.cms.gov/Medicare-Medicaid-Coordination/Fraud-Prevention/FraudAbuseforProfs/downloads/bppedisclosure.pdf>
- 8 42 C.F.R. § 438.600(c)(2). Retrieved August 4, 2016, from http://www.ecfr.gov/cgi-bin/text-idx?SID=7e9af966c976e04be9800e9bee4af82d&mc=true&node=se42.4.438_1600&rgn=div8

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