



State of California—Health and Human Services Agency
California Department of Public Health



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Acting Director

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Governor

March 04, 2015

AFL 15-06

TO: Skilled Nursing Facilities

SUBJECT: Change of Ownership (CHOW) Notification Requirements

AUTHORITY: Code of Federal Regulations (CFR), Title 42, sections 420.206, 455.104, 455.105, and 489.18;
Health and Safety Code (HSC) sections 1265 and 1267.5;
California Code of Regulations (CCR), Title 22, section 72201

This All Facilities Letter (AFL) notifies skilled nursing facilities (SNFs) of the state and federal requirements for reporting a change of ownership (CHOW) to the California Department of Public Health (CDPH).

State law requires SNFs to submit a new licensing application for any CHOW. CHOW applications are subject to the full application review and approval processes. If a CHOW application is denied by L&C, all interim management arrangements for the facility during the period of L&C's CHOW application review must end with that denial, and the former owner must resume operating the facility. Failure to comply with conditions of licensure can result in suspension or revocation of the license.

Additionally, federal law requires facilities certified for participation in Medicare and/or Medi-Cal programs to notify CDPH within 35 days after any CHOW of the disclosing entity, a fiscal agent, or the managed care entity (42 CFR sections 420.206(b) and 455.104(c)). Failure to comply with these conditions will result in the termination of the Medicare and/or Medi-Cal provider agreement.

The following events constitute a CHOW requiring notification to CDPH:

- The transfer of the title and property of the facility;
- For a partnership: removal, addition, or substitution of a partner;
- For a corporation: merger into another corporation, or consolidation with another to form a new corporation; and
- For a lease: the lease of all or a portion of the facility.

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Federal certification and state licensing provisions require SNFs to notify the CDPH Licensing and Certification Program (L&C) of any change in a beneficial ownership interest of five percent or more. L&C must approve any such changes for purposes of licensure. Federal regulations require that specified information be submitted for individuals who have a beneficial ownership interest of five percent or more. The forms and procedures for reporting CHOWs and ownership changes can be found at:

<http://www.cdph.ca.gov/pubsforms/forms/Documents/SNF-ICF-AppRequestLtrChecklist-revised-090112.pdf>.

Please note that facilities are responsible for following all applicable laws. Any failure of CDPH to expressly notify facilities of statutory or regulatory requirements does not relieve facilities of their responsibility for following all laws and regulations. Facilities should refer to the full text of all applicable sections of the HSC, Title 22 of the CCR, and Title 42 of the CFR to ensure compliance.

If you have questions regarding any of the matters discussed in this AFL, please contact your local district office.

Sincerely,

Original signed by Jean Iacino

Jean Iacino
Deputy Director