



**Capital Markets Day  
June 7, 2012**

Certain statements in today's presentation contain forward-looking statements within the meaning of the federal securities laws. All statements that do not concern historical facts are forward-looking statements and include, among other things, statements about our expectations, beliefs, intentions and/or strategies for the future. These forward-looking statements include statements regarding our future operations, financial condition and prospects, expectations for treatment growth rates, revenue per treatment, expense growth, levels of the provision for uncollectible accounts receivable, operating income, cash flow, operating cash flow, estimated tax rates, capital expenditures, the development of new centers and center acquisitions, government and commercial payment rates, revenue estimating risk, the impact of our related level of indebtedness on our financial performance, including earnings per share, HealthCare Partners current and future operations including the duals revenue opportunity, and EBITDA and operating income projections for HealthCare Partners.

These statements involve substantial known and unknown risks and uncertainties that could cause our actual results to differ materially from those described in the forward-looking statements, including, but not limited to, risks resulting from uncertainties associated with governmental regulations, general economic and other market conditions, competition, accounting estimates, the variability of our cash flows, the concentration of profits generated from commercial payor plans, continued downward pressure on average realized payment rates from commercial payors, which may result in the loss of revenue or patients, a reduction in the number of patients under higher-paying commercial plans, a reduction in government payment rates under the Medicare ESRD program or other government-based programs, the impact of health care reform legislation that was enacted in the United States in March 2010, changes in pharmaceutical or anemia management practice patterns, payment policies, or pharmaceutical pricing, our ability to maintain contracts with physician medical directors, legal compliance risks, including our continued compliance with complex government regulations, current or potential investigations by various governmental entities and related government or private-party proceedings, continued increased competition from large and medium-sized dialysis providers that compete directly with us, our ability to complete any acquisitions, mergers or dispositions that we might be considering or announce, or integrate and successfully operate any business we may acquire, expansion of our operations and services to markets outside the United States, or to businesses outside of dialysis and the other risk factors discussed in the Company's most recent quarterly filings on Form 10-Q and our Annual Report on Form 10-K.

We base our forward-looking statements on information currently available to us, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of changes in underlying factors, new information, future events or otherwise. All references to "DaVita" and "DaVita Inc." as used throughout this presentation refer to DaVita Inc. and its subsidiaries. All references to "HealthCare Partners" and "HCP" as used throughout this presentation refer to HealthCare Partners Holdings, LLC and its related entities.

For a reconciliation of non-GAAP financial information included in this presentation to the most comparable measure calculated in accordance with GAAP, see the attached reconciliation schedule.

Deal Summary

About HealthCare  
Partners

Integrated Care  
Model

HealthCare  
Partners Outlook

Dialysis Outlook

Summary



# Strategic Rationale

- **Good space** 
  - \$100B+ fragmented market
  - “Where the puck is headed”
- **Good asset** 
  - 20 year track record
  - Clinical leadership
  - Scale
- **Good deal** 
  - Attractive multiple
  - Attractive risk/reward profile
  - Earnings/cash flow foundation
- **Good combination** 
  - Growth leg on top of dialysis business

# Fundamental Forces of Change

- **Strain of FFS healthcare**
- **Increased incentives for transparent quality & cost**
- **Healthcare becoming more “consumer-like”**
- **Physician consolidation**
- **Increased comfort with managed care**

# Why Now?

First of all...



...but importantly

- Not an optimal time to buy
  - Segment is hot
  - Peak margin phase
  - MA rate pressure
- Unique opportunity
  - Hot for a legitimate, long-term reason
  - HCP one of the best positioned

# A Clear Leader

- **Clinical strength**
- **20 year track record, steady growth**
- **Significant scale in 3 markets**
- **Reputation with physicians, payors, and government**
- **Employer/Partner of choice**

# Deal Terms<sup>(1)</sup>

## Purchase Price

- **\$4.42 billion**

## Components

- **\$3.66 billion cash**
- **9.38 million DaVita shares**
- **Earn out up to \$275M**

## Deal Multiple

- **8.4x 2011 EBITDA**
- **7.2x net of tax**

## Capital Structure

- **\$3.8 billion new debt**
- **3.7x pro forma**

(1) Stock price Friday, May 18, 2012: \$80.81

# Good Deal

- **Attractive price**
- **Consistent cash flow**
- **Low capital intensity**
- **Substantial long-term shareholder upside**
- **Distinctively attractive risk-reward profile**

# Great Combination: Shared Core Competencies

- Payor negotiations
- Physician partnering
- Leading clinical quality
- Multi-site management
- Disciplined growth
- Continuous innovation
- Mission & values

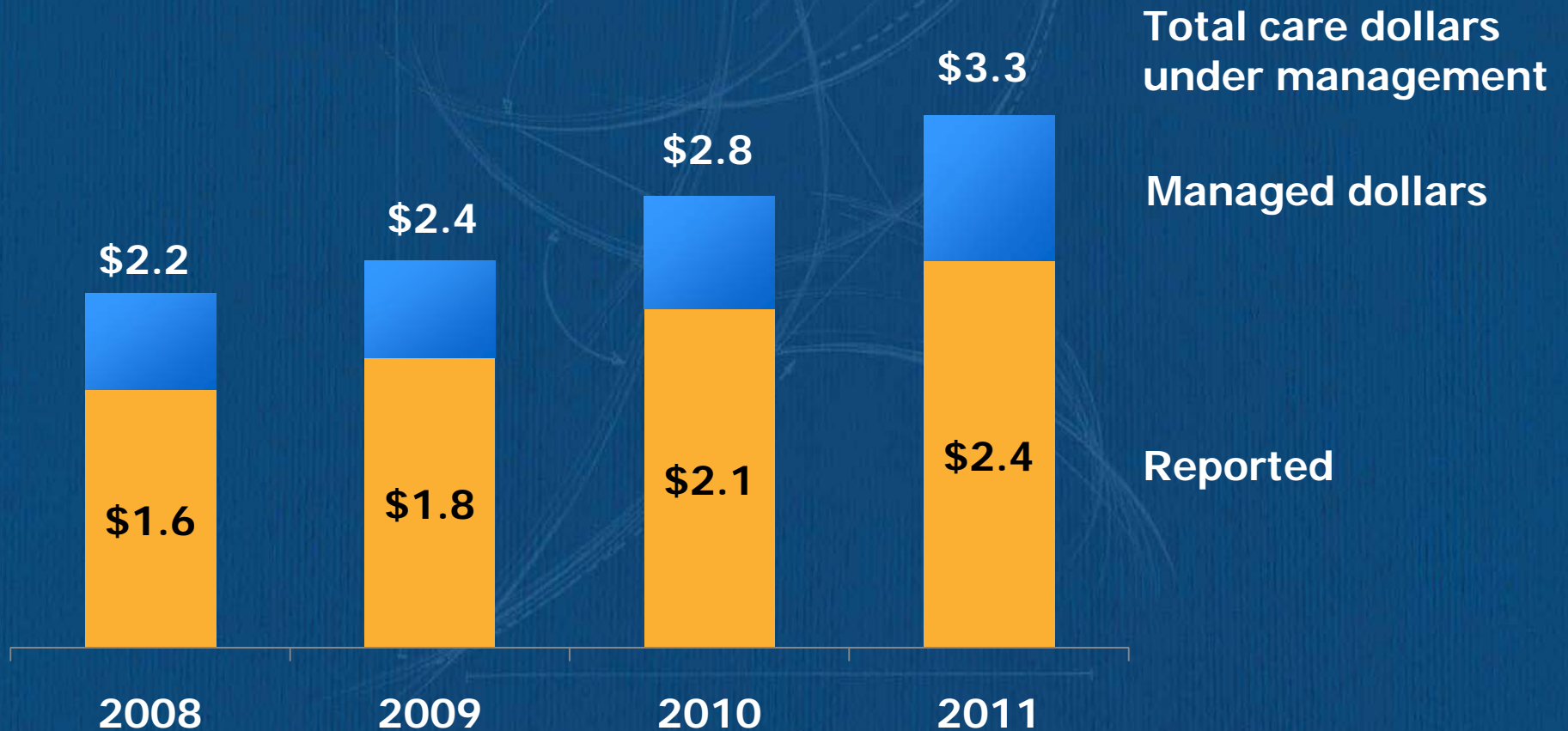


# HealthCare Partners At a Glance

- Operates in 3 states: California, Florida, Nevada
- Senior patients: 180,000
- Commercial patients: 461,000
- Medicaid patients: 26,000
- Group primary care physicians: 395
- Affiliated primary care physicians: 1,190
- Group specialists: 320
- Affiliated specialists: 6,180
- Affiliated hospitals: 111

# Revenue and Managed Dollars

★ \$ in Billions



# Adjusted EBITDA<sup>(1)</sup>

★ \$ in Millions



(1) EBITDA excluding stock-based compensation expense; see Non-GAAP reconciliation



*Physician-led integrated care teams  
helping and empowering patients!*

# What Does HealthCare Partners Do?

- Improves care, outcomes, and eliminates waste
- Manages a global payment
- Clinically/financially accountable for all healthcare needs of a population
- Manages risk through clinical pathways and analytics

# Physician Descriptions of HealthCare Partners



# Management Overview

Name	Role	Age	Years w/ HCP <sup>(1)</sup>	Staying
<b>Robert Margolis, MD</b>	<b>Chairman of the Board, CEO, Managing Partner</b>	66	37	✓
Sherif Abdou, MD	NV Market President	51	15	✓
Sherri Allen	NV Chief Operating Officer	53	3	✓
Amir Bacchus, MD	NV Medical Director	48	15	✓
Zan Calhoun	Chief Operating Officer	65	7	✓
William Chin, MD	Executive Medical Director	71	32	✓
Lorie Glisson	FL Market President	48	16	✓
Matthew Mazdyasni	EVP, CAO, CFO	55	30	✓
Lance Lieberman, MD	FL Market Medical Director	57	9	✓
Tom Paulsen, MD	CA Market Medical Director	56	26	✓

(1) Includes years with predecessor organizations

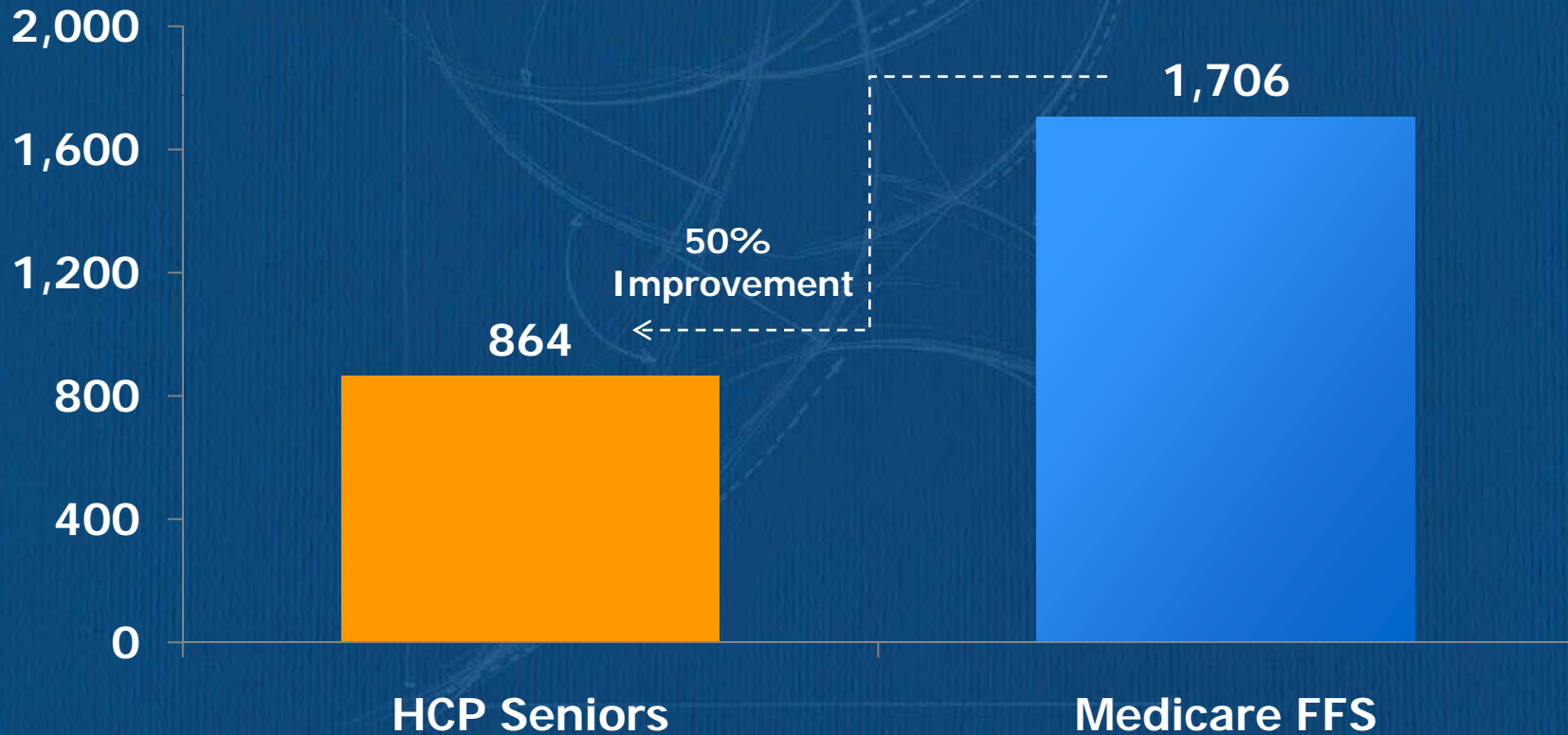
# HCP Management Team

- Committed to success of DaVita HealthCare Partners
- Employment contracts for top management
- Up to 33% equity consideration with lock-ups for up to 4 years
- Robert Margolis, MD
  - Remains CEO of HealthCare Partners
  - Joins DaVita HealthCare Partners BOD as Co-Chairman



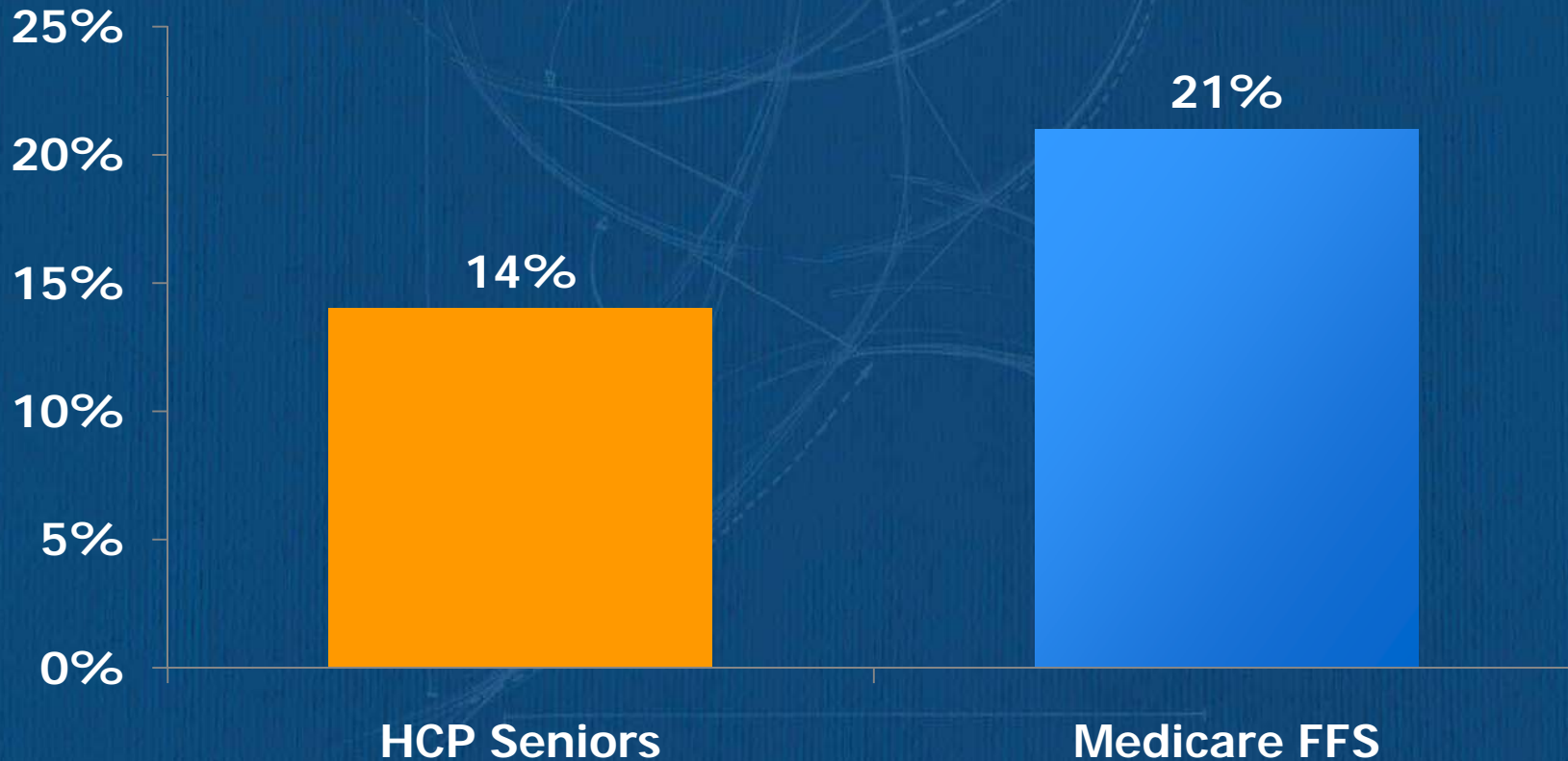
# Clinical Utilization – CA Example

- *Inpatient Acute Bed Days/1000 pts (2010)*



# Clinical Utilization – CA Example

- *30 day all cause re-admit rate*



# Proactive Population Management



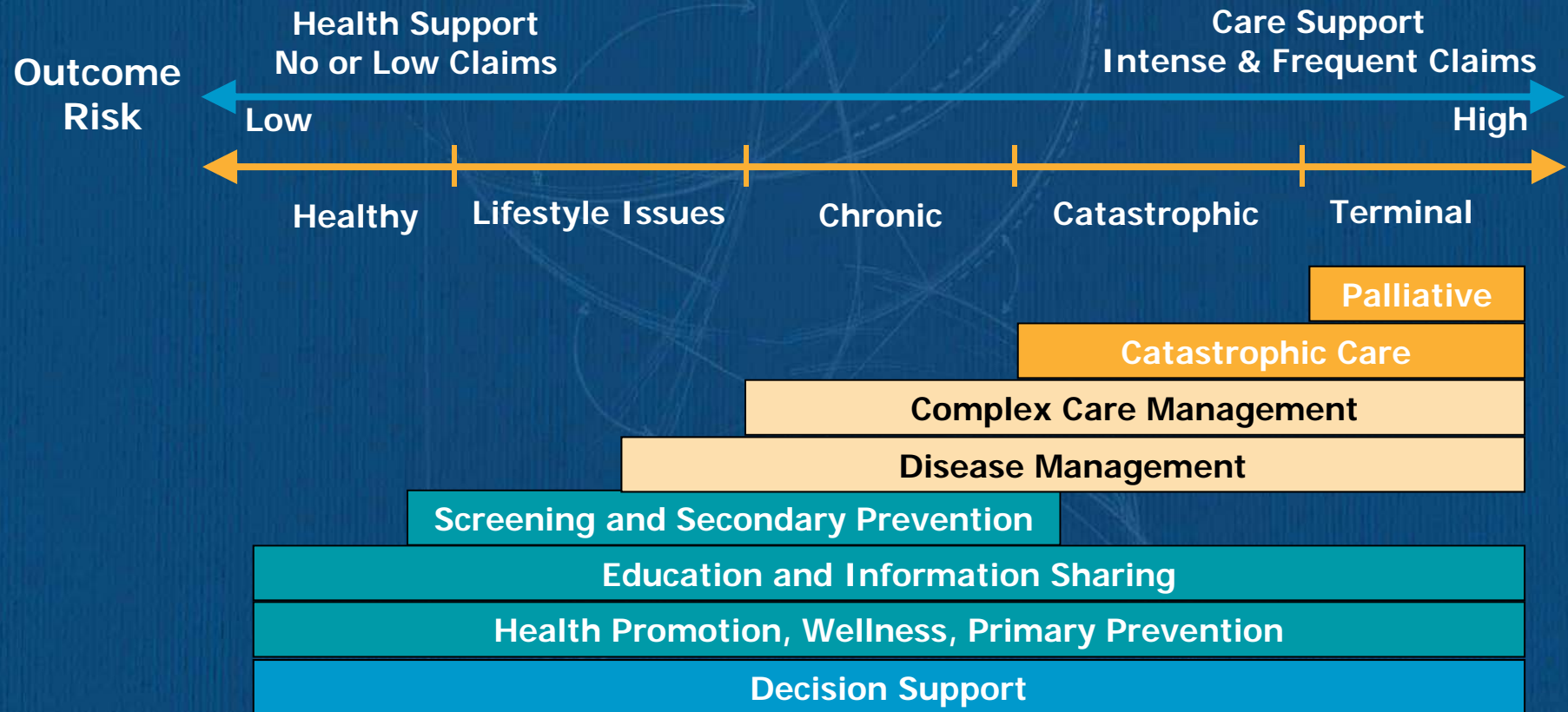
## Continuously improve:

- Care
- Quality
- Efficiency
- Patient Experience

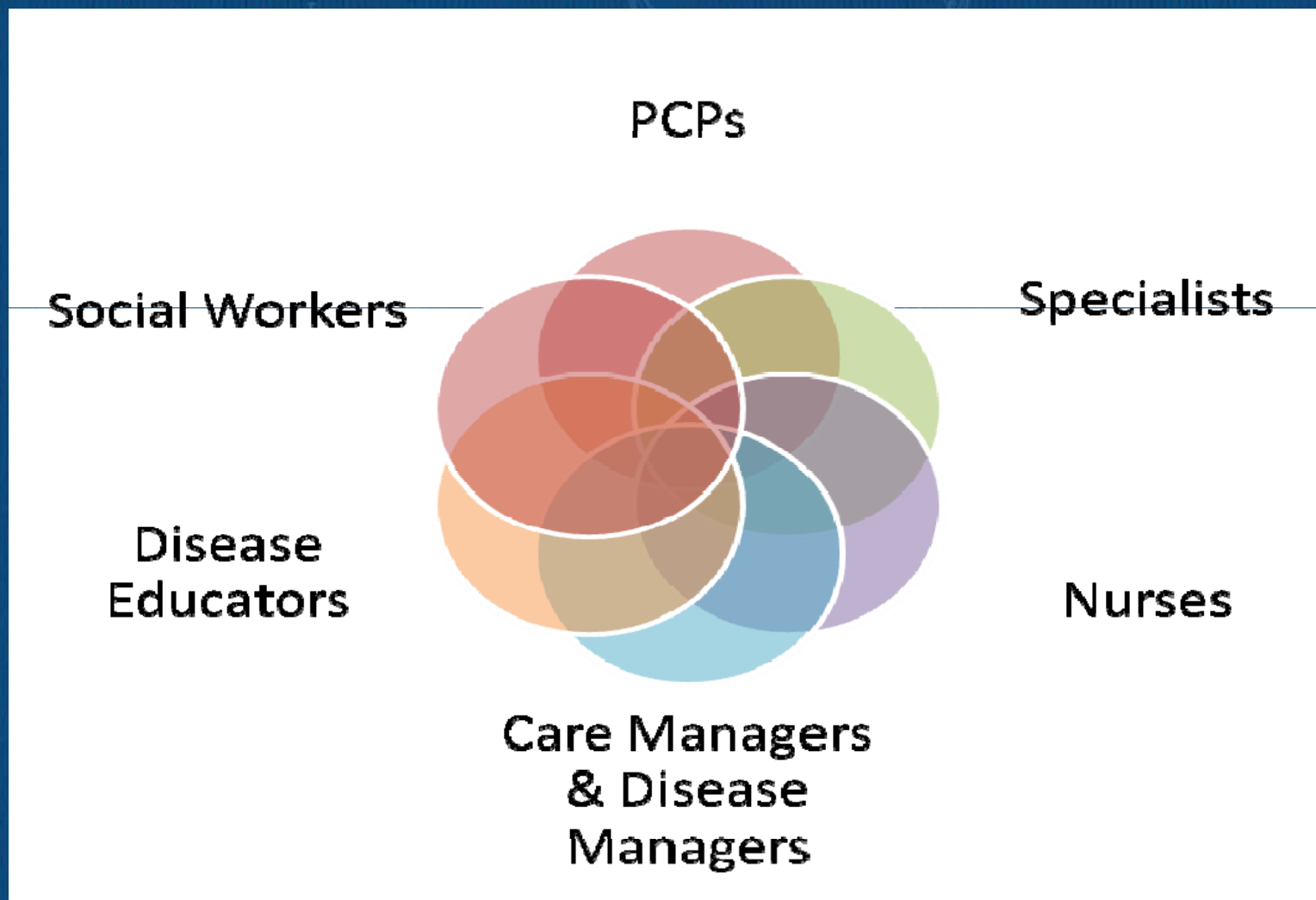
# Medical Risk Management

- Integrated and data-driven management tools:
  - Disease management
  - Comprehensive data analysis
  - Same day access and urgent care centers reduce ER visits and admissions
  - Hospital risk management

# Programs Overlap



# The HCP Care Team Approach



# Clinical Data, Clinical Tools

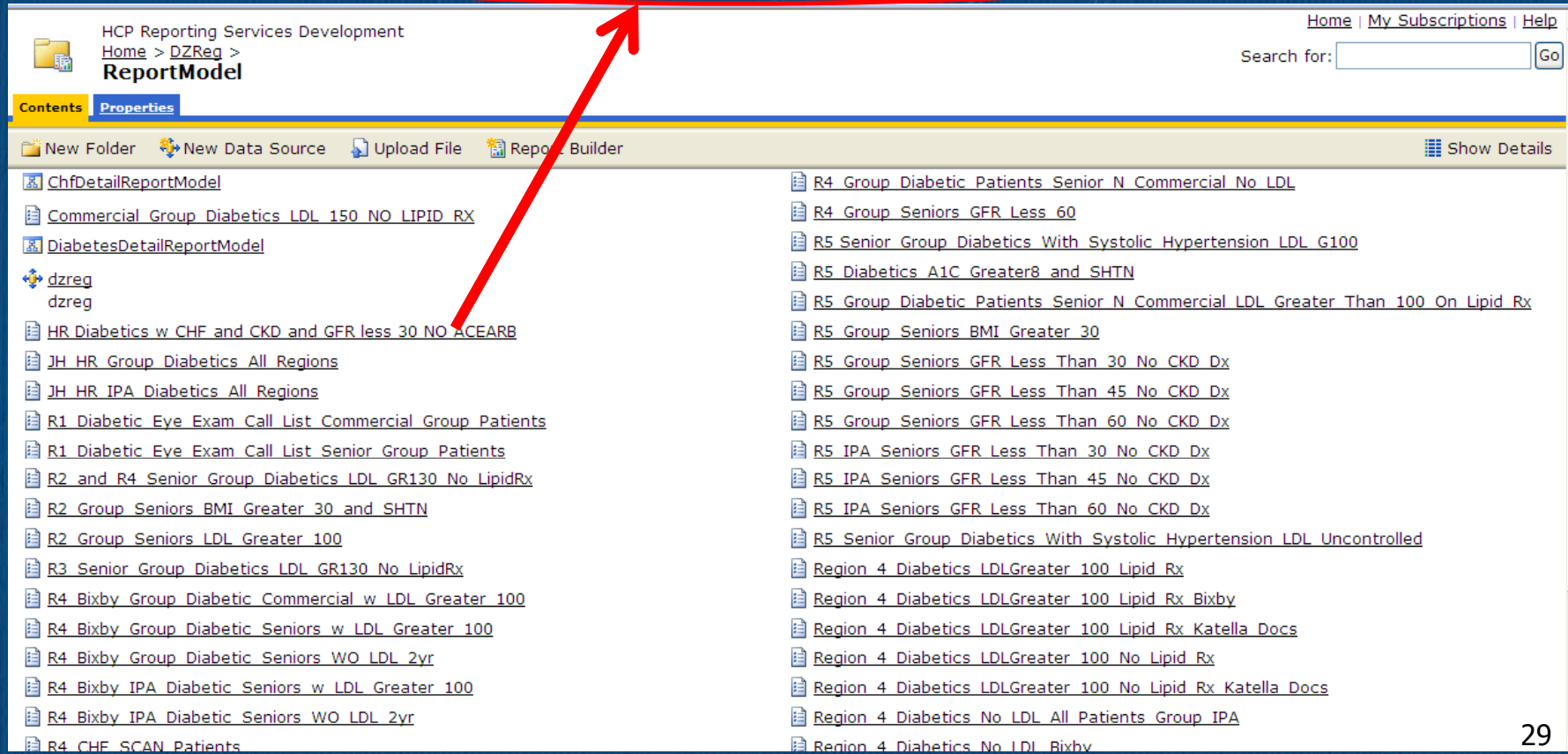


**Disease registries for every physician to understand patient panel composition**

- **Web-based, self-serve, disease registries:**
  - Diabetes
  - COPD
  - CHF
  - CKD
  - Dementia
  - CAD
  - Asthma
  - Depression

# Custom Registries Based on Specific Interventions

 [HR Diabetics w CHF and CKD and GFR less 30 NO ACEARB](#)



HCP Reporting Services Development  
Home > DZReg > ReportModel

Search for:  Go

Contents Properties

New Folder New Data Source Upload File Report Builder Show Details

- ChfDetailReportModel
- Commercial Group Diabetics LDL 150 NO LIPID RX
- DiabetesDetailReportModel
- dzreg
  - dzreg
  - HR Diabetics w CHF and CKD and GFR less 30 NO ACEARB**
  - JH HR Group Diabetics All Regions
  - JH HR IPA Diabetics All Regions
  - R1 Diabetic Eye Exam Call List Commercial Group Patients
  - R1 Diabetic Eye Exam Call List Senior Group Patients
  - R2 and R4 Senior Group Diabetics LDL GR130 No LipidRx
  - R2 Group Seniors BMI Greater 30 and SHTN
  - R2 Group Seniors LDL Greater 100
  - R3 Senior Group Diabetics LDL GR130 No LipidRx
  - R4 Bixby Group Diabetic Commercial w LDL Greater 100
  - R4 Bixby Group Diabetic Seniors w LDL Greater 100
  - R4 Bixby Group Diabetic Seniors WO LDL 2yr
  - R4 Bixby IPA Diabetic Seniors w LDL Greater 100
  - R4 Bixby IPA Diabetic Seniors WO LDL 2yr
  - R4 CHF SCAN Patients
- R4 Group Diabetic Patients Senior N Commercial No LDL
- R4 Group Seniors GFR Less 60
- R5 Senior Group Diabetics With Systolic Hypertension LDL G100
- R5 Diabetics A1C Greater8 and SHTN
- R5 Group Diabetic Patients Senior N Commercial LDL Greater Than 100 On Lipid Rx
- R5 Group Seniors BMI Greater 30
- R5 Group Seniors GFR Less Than 30 No CKD Dx
- R5 Group Seniors GFR Less Than 45 No CKD Dx
- R5 Group Seniors GFR Less Than 60 No CKD Dx
- R5 IPA Seniors GFR Less Than 30 No CKD Dx
- R5 IPA Seniors GFR Less Than 45 No CKD Dx
- R5 IPA Seniors GFR Less Than 60 No CKD Dx
- R5 Senior Group Diabetics With Systolic Hypertension LDL Uncontrolled
- Region 4 Diabetics LDLGreater 100 Lipid Rx
- Region 4 Diabetics LDLGreater 100 Lipid Rx Bixby
- Region 4 Diabetics LDLGreater 100 Lipid Rx Katella Docs
- Region 4 Diabetics LDLGreater 100 No Lipid Rx
- Region 4 Diabetics LDLGreater 100 No Lipid Rx Katella Docs
- Region 4 Diabetics No LDL All Patients Group IPA
- Region 4 Diabetics No LDL Bixby

ENTER NAME OR MRN

Schedule Patient Lists

PIP HOME

Region V - HCP IPA - Northridge Med Grp All Offices Oz MD, Alan

PATIENT MANAGEMENT

Include patients with these intervention types:

HCC All HCC Categories  P4P All Measures  Clinical All  Rx  Clinical

Chart Review

SCHEDULE

PATIENT LISTS

- PATIENT PANEL

- BY INTERVENTION TYPE

- BY DEMOGRAPHICS

- HCC BY CATEGORY

- HCC PHYSICIAN PURSUIT LIST

- NO HCC HISTORY

- HCC NON RECAPTURED CODES

- P4P BY CATEGORY

- P4P PURSUIT LIST

PERFORMANCE MEASURES

HCC SUMMARY

HCC RECAPTURE RATE SUMMARY

HCC RECAPTURE RATE TREND

P4P SCORES

TOOLS

CONTACT US

Generate Report As:  
 On Screen  Excel  PDF  Patient Intervention Reports

Only patients with selected interventions will be displayed.

**Screenshot of list of patients needing interventions**

PATIENT NAME	DOB	MRN	PCP NAME	LAST HCC SERVICE	LAST P4P SERVICE	INTERVENTIONS	INTERVENTION REPORT
Almond, Dulce	07/08/1955		Oz MD, Alan		01/18/2010	<ul style="list-style-type: none"> <li>P4P - Need CRC screening</li> </ul>	
Alpine, Strawberry	05/04/1959		Oz MD, Alan		10/08/2009	<ul style="list-style-type: none"> <li>P4P - Need CRC screening</li> <li>P4P - Needs PAP</li> </ul>	
Apple, Rose	10/11/1978		Oz MD, Alan			<ul style="list-style-type: none"> <li>P4P - Needs PAP</li> </ul>	
Asian, Pear	01/04/1937		Oz MD, Alan	03/08/2010	03/08/2010	<ul style="list-style-type: none"> <li>Diabetes with Eye Disease - Evaluate and code 250.5* if likely due to DM</li> <li>P4P - Need CRC screening</li> <li>P4P - Perform HbA1c Test</li> <li>P4P - Perform LDL Test</li> <li>P4P - Perform Nephropathy Screening</li> <li>P4P - Submit both Blood Pressure CPTII Codes</li> </ul>	
Banana, Pudding	06/11/1957	47-678011	Oz MD, Alan		02/13/2008	<ul style="list-style-type: none"> <li>P4P - Need Mammo Screening</li> </ul>	
Betel, Nut	07/23/1958	47-841764	Oz MD, Alan			<ul style="list-style-type: none"> <li>P4P - Need CRC screening</li> <li>P4P - Need Mammo Screening</li> <li>P4P - Needs PAP</li> </ul>	
Cherry, Strawberry	07/01/1959		Oz MD, Alan		01/20/2010	<ul style="list-style-type: none"> <li>P4P - HbA1c Control &lt; 7% and Retest</li> <li>P4P - Need CRC screening</li> <li>P4P - Perform Nephropathy Screening</li> </ul>	

# Point of Care Reminders

HEALTHCARE PARTNERS		PATIENT INTERVENTION REPORT	
Region(s): Region V		Site(s): Valley	REPORT DATE: 3/1/2012 Page 1 of 7
Name	Telephone	Address	
MRN	Enrolled	City/Zip	
DOB	Gender	Next PCP Appt	
Last UCC/ER Visit Summary			
DATE OF SERVICE	FACILITY NAME	FIRST DX	
08/16/2011			
PIR Summary 2012:			
Description	Suggested Action		
Comprehensive Diabetes Care	Perform HbA1c Test Submit both Blood Pressure CPTII Codes		
Comprehensive Diabetes Care	Perform HbA1c Test Perform LDL Test Perform Nephropathy Screening		
Diabetes Care- Eye Exam	Needs retinal or dilated eye exam		
Glaucoma Screening in Older Adults	Needs eye exam for glaucoma		
15 Diabetes With Renal Or Peripheral Circulatory Manifestation 250.40 Diabetes W/renal Manif. Type II Or Unspec. Controlled	Needs Coding		
19 Diabetes Without Complication 250.00 Diabetes W/o Complication Type II / Unspec. Controll	Needs Coding		
131 Renal Failure 585.3 Chronic Kidney Disease, Stage III (moderate)	Needs Coding		
105 - VASCULAR DISEASE 440.0 - AORTIC ATHEROSCLEROSIS	Hospital Summary or Discharge Note - 02/07/2008 - West Hills Radiology. CT Angio with atherosclerotic vascular disease of the aorta. This would be consistent with aortic atherosclerosis. Also note on 10/15/07 CXR.		

# Integrated Care Team



# Alignment

- Physician compensation
  - Panel size
  - Clinical outcomes
  - Patient satisfaction
  - Group/regional resource management

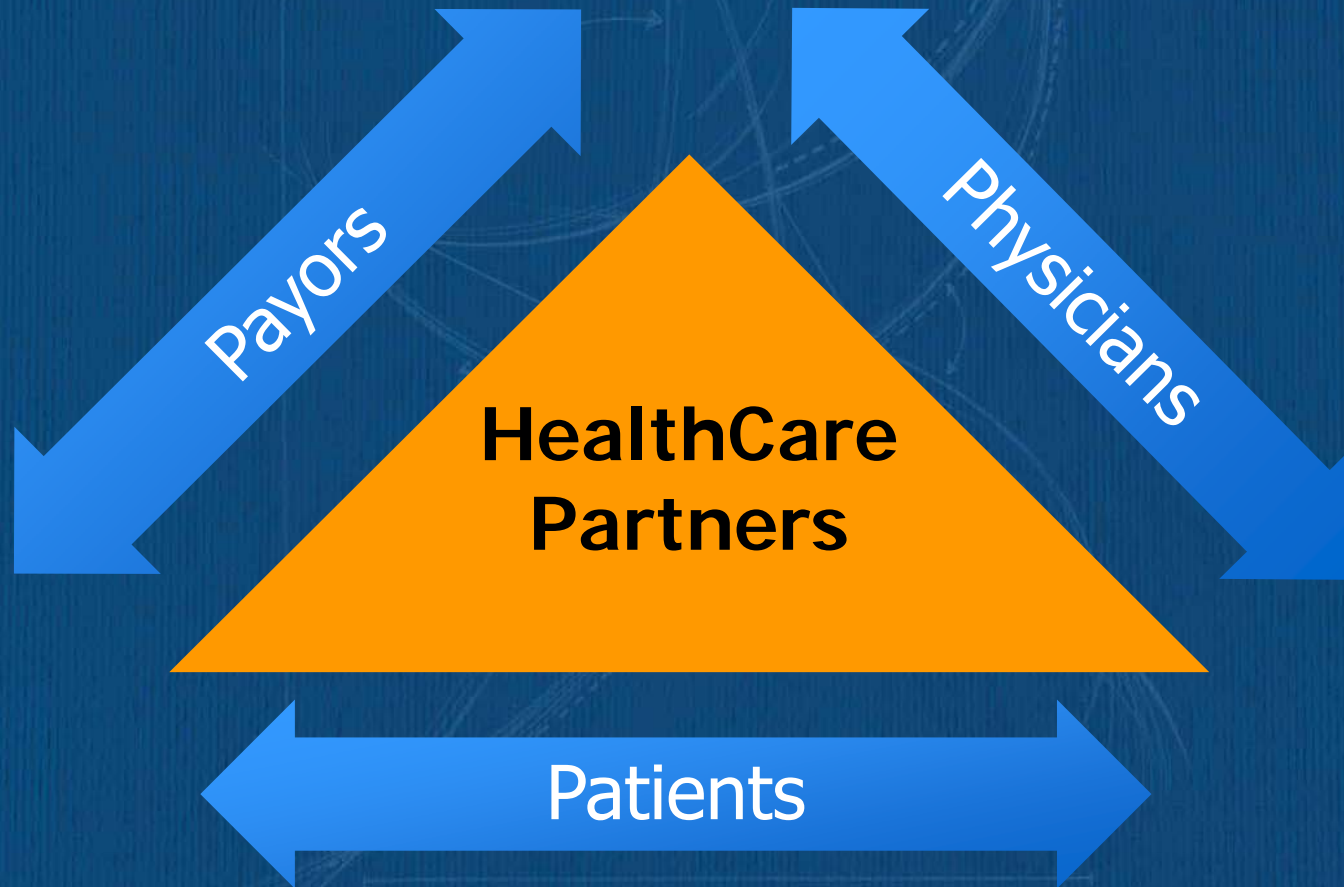
# Example: COPD Program

	% Change
PCP visits	30% ↑
Drug cost est.	3% ↑
Total admits	30% ↓
Total bed days	39% ↓
Total ED visits	23% ↓
Cost of care (all paid-pmpm)	34% ↓

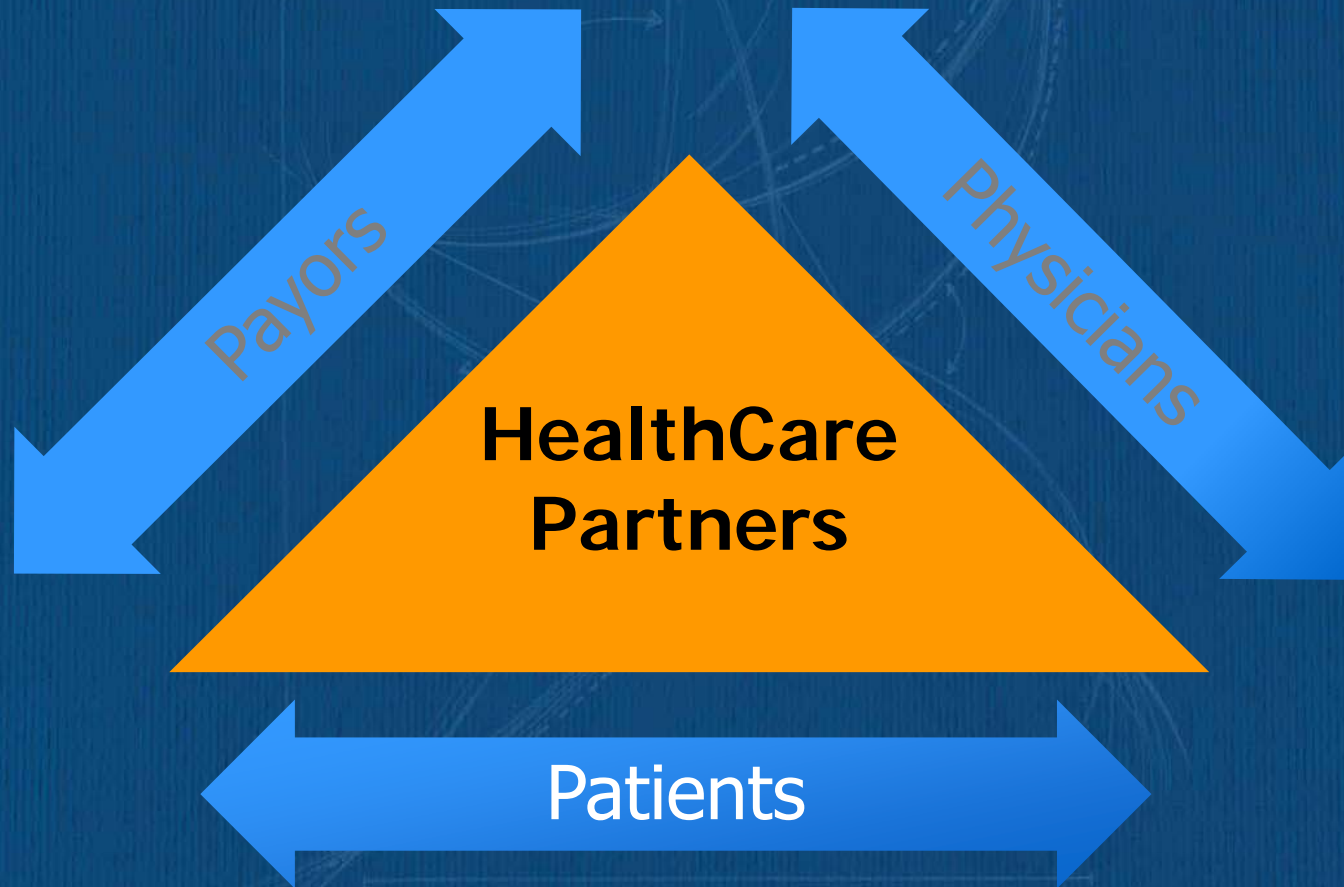
# Not the Only One

- Kaiser Permanente
- Mayo Clinic
- Geisinger Health System
- Sharp Rees-Stealy
- Group Health
- Others . . .

# Results



# Results



# Through the Eyes of a Patient

Same-day appointments

I know my  
physician and  
care team

24 hour access to  
patient phone support

Unhurried doctor  
visits

Healthcare Partners  
physician in the hospital

I don't have to  
repeatedly provide  
the same  
information in  
different settings

***Differentiated***

Manage my health with  
the on-line portal

Coordination with  
my family on transportation  
and other lifestyle matters

Health classes  
and coaching and education



*~90% would recommend their HCP  
physician*

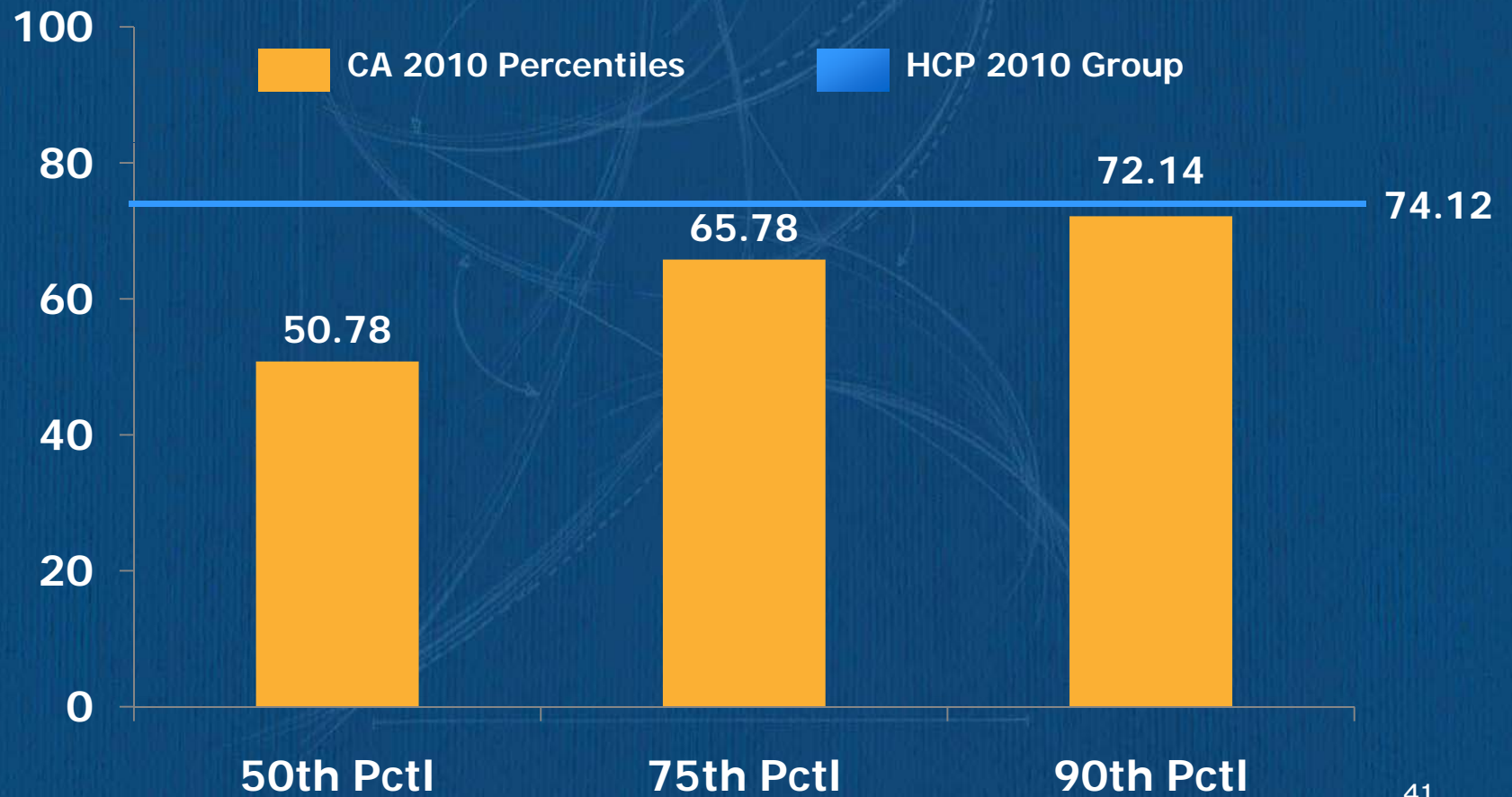
The background features a dark blue gradient with several thin, white, abstract lines and arrows. These lines are curved and intersect, creating a sense of movement and flow. Some lines are solid, while others are dashed. The overall effect is a complex, interconnected network of paths.

# *Sample Clinical Results*

# Clinical Focus

- Percentage of Patients

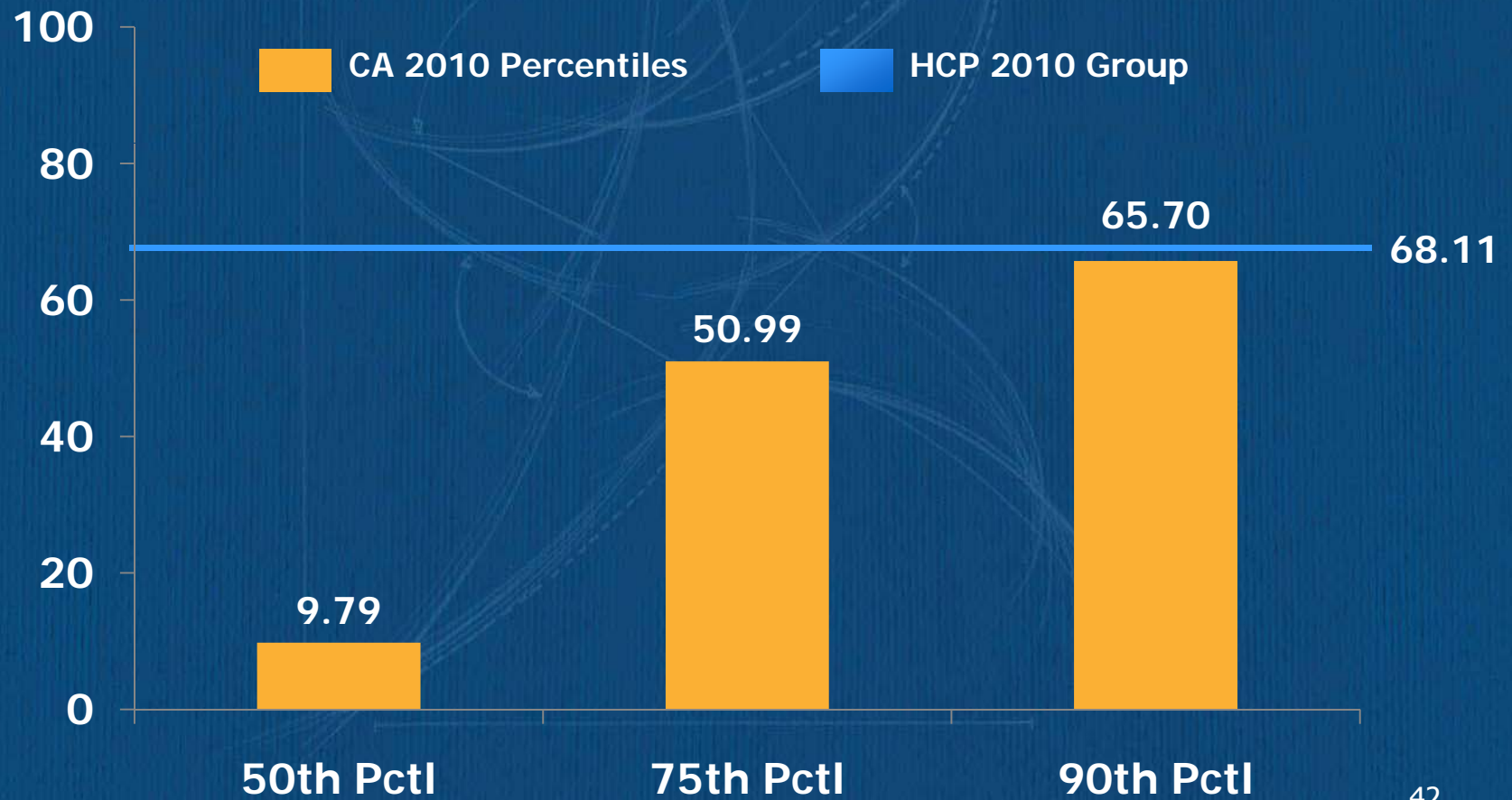
## Colorectal Cancer Screening



# Clinical Focus

- Percentage of Patients

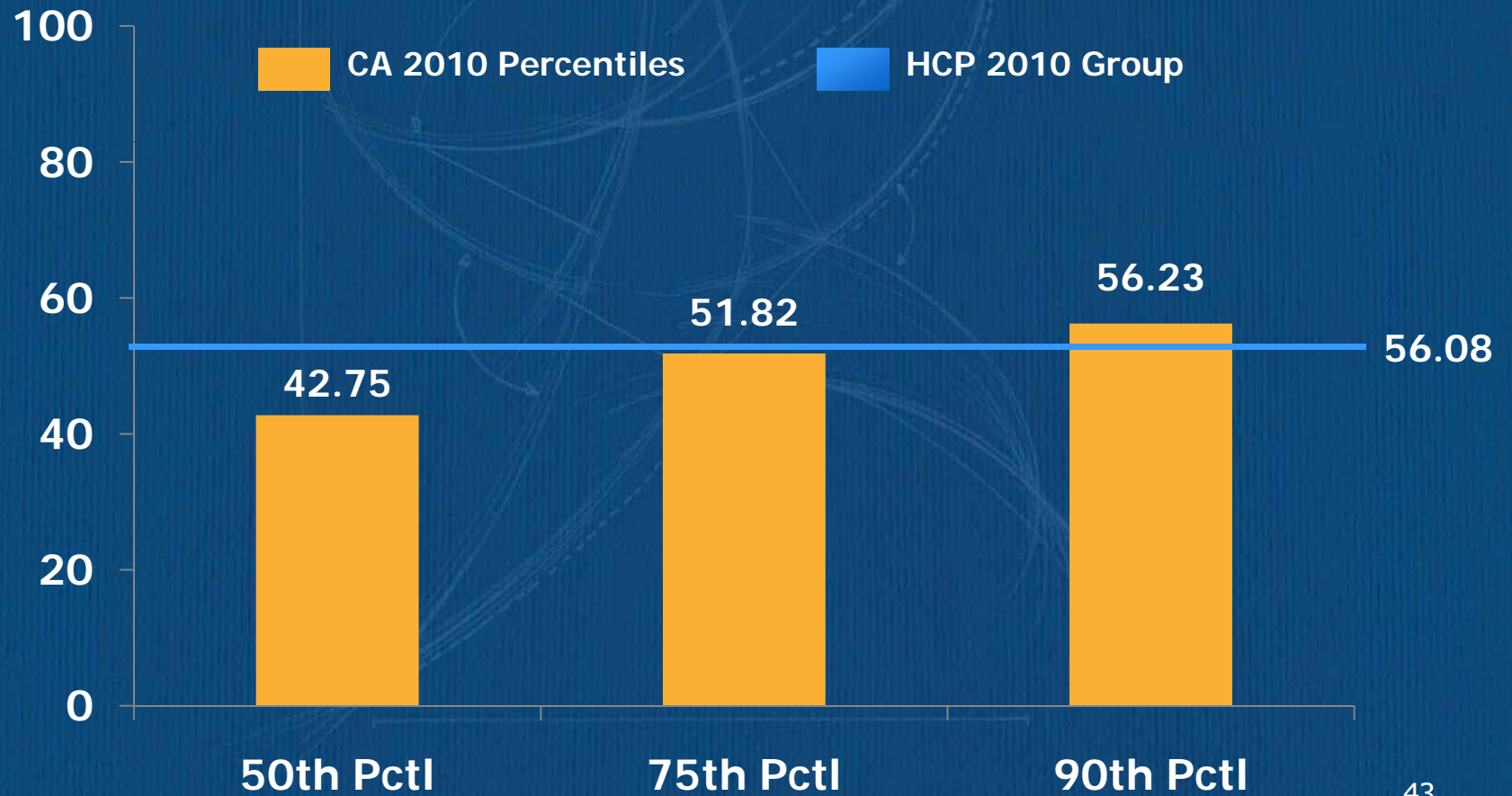
## Diabetic Blood Pressure Control <14



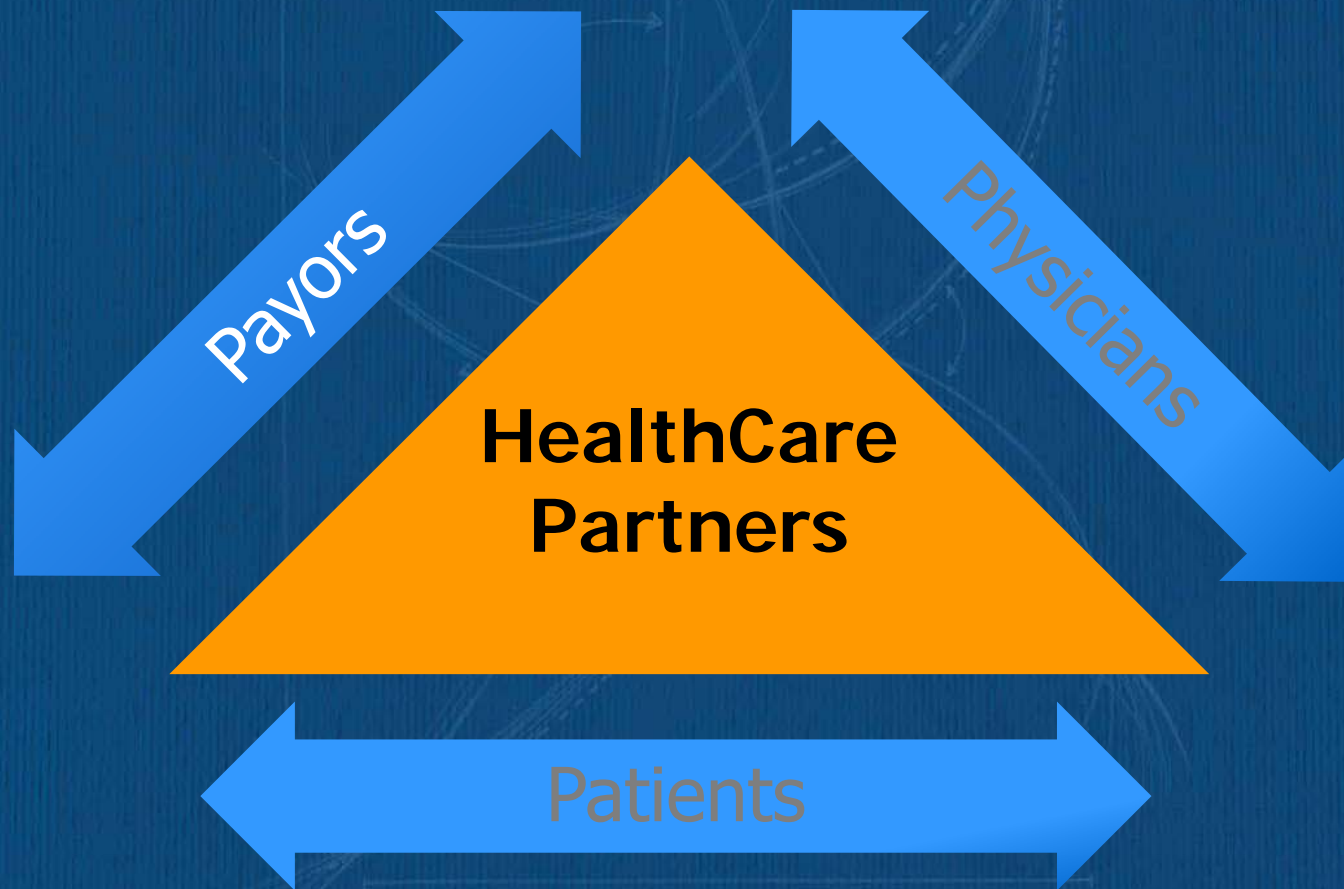
# Clinical Focus

- Percentage of Patients

## Diabetes LDL Control <100



# Results



# 6 Largest Payors

Payor	State	Length of Relationship (Years) <sup>(1)</sup>
A	CA	20
B	CA	20
C	CA	20
D	FL	19
E	CA	15
F	NV	5

(1) Excludes years with predecessor organizations

# HCP's Strength

CALIFORNIA

FLORIDA

NEVADA



Share of key payors' MA lives

30-40%

50%+

~100%

Physicians

A leading physician group

Payor relations & hospitals

Strong, long-term relationships

# Why Payors Stay with HCP

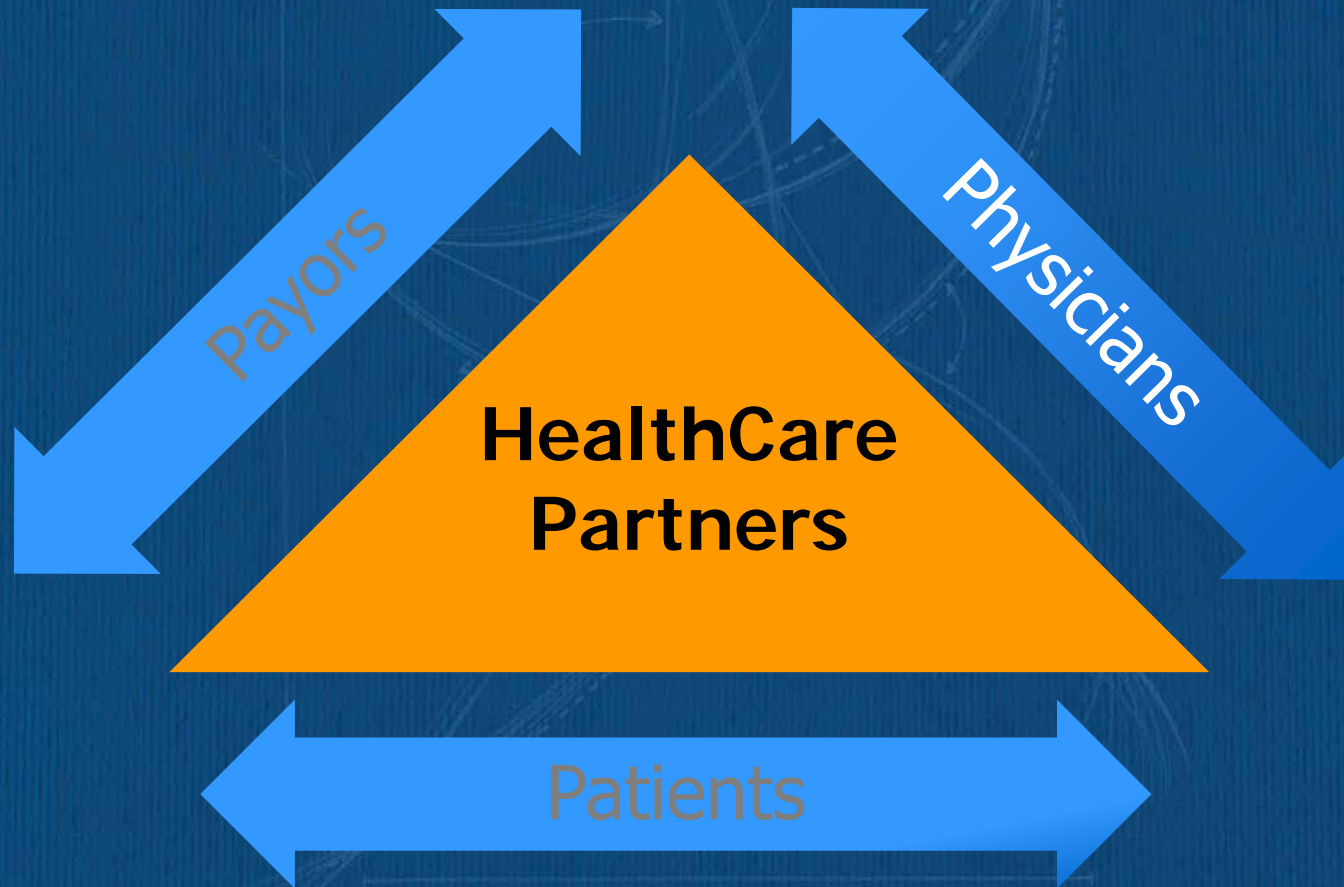
## Performance

- Care
- Patient satisfaction/retention
- Administrative costs
- Star rating

## Structural

- Network
- Patient/physician bond

# Results



# Attractive Alternative for Physicians

- Good practice environment
- Compensation/work/life balance
- Professional development
- Culture of physician leadership



**> 95% physician retention**

# Awards and Accolades

**Best Places to Work in Florida (2011)**

*-Florida Trend's Magazine*

**Top Places to Work (2010)**

*-St. Petersburg Times*

*Rewarded 3 of 32 "Pioneer" ACOs (2012)*

*Sole "Pioneer" in CA, FL, NV*

*-CMS Innovation Center'*

**Best Places to Work (2011)**

*-Modern Healthcare*

**Best Places to Work in Tampa (2011)**

*-Tampa Bay Business Journal*

**Finalist in "2010 Innovations in Healthcare"**

*-ABL Organization*

**First Place – Best Places to Work (2012)**

*-Vegas, Inc.*



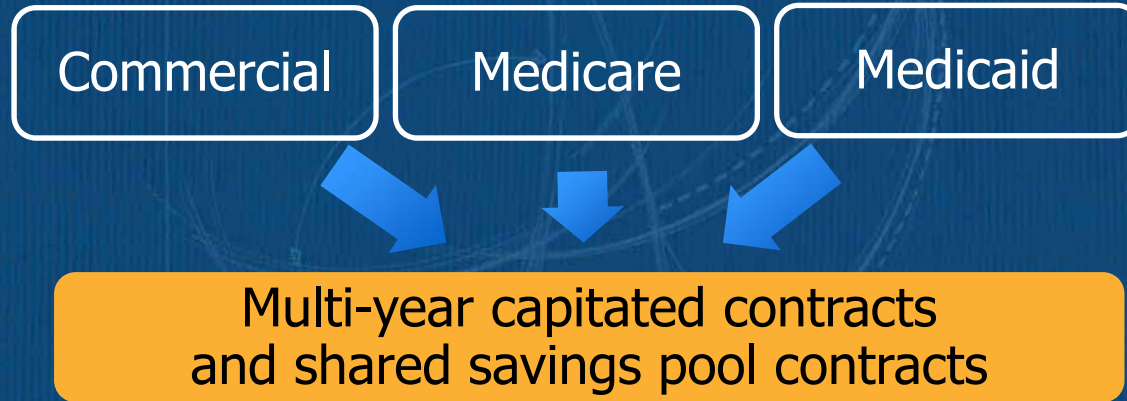
# Business Model

Commercial

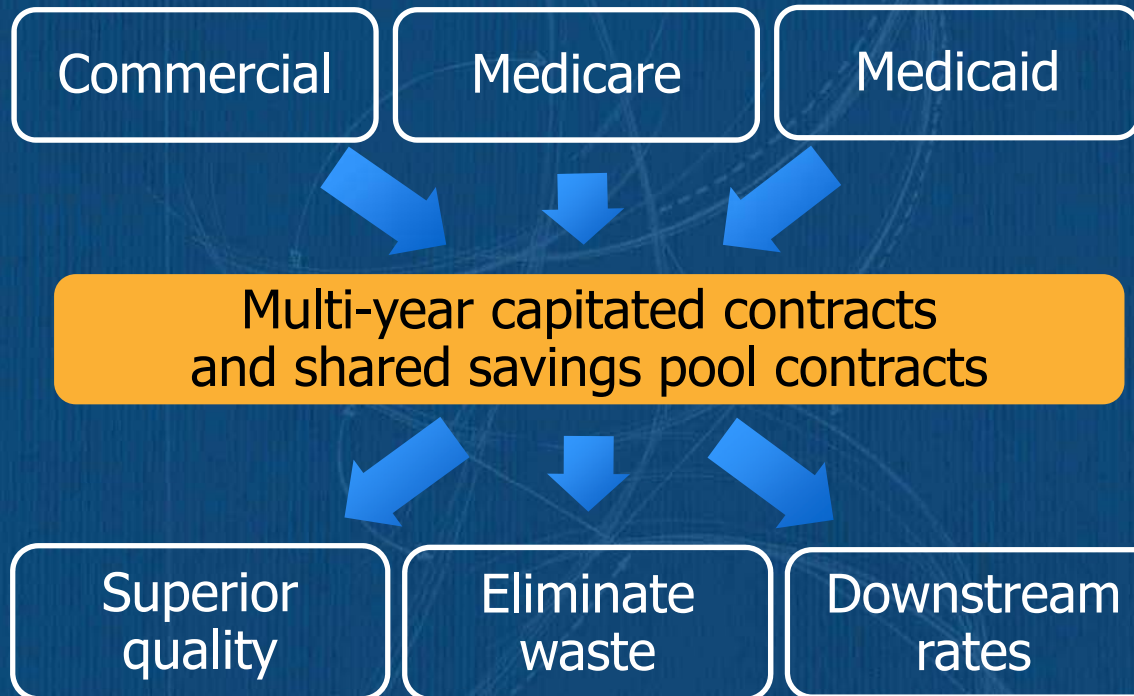
Medicare

Medicaid

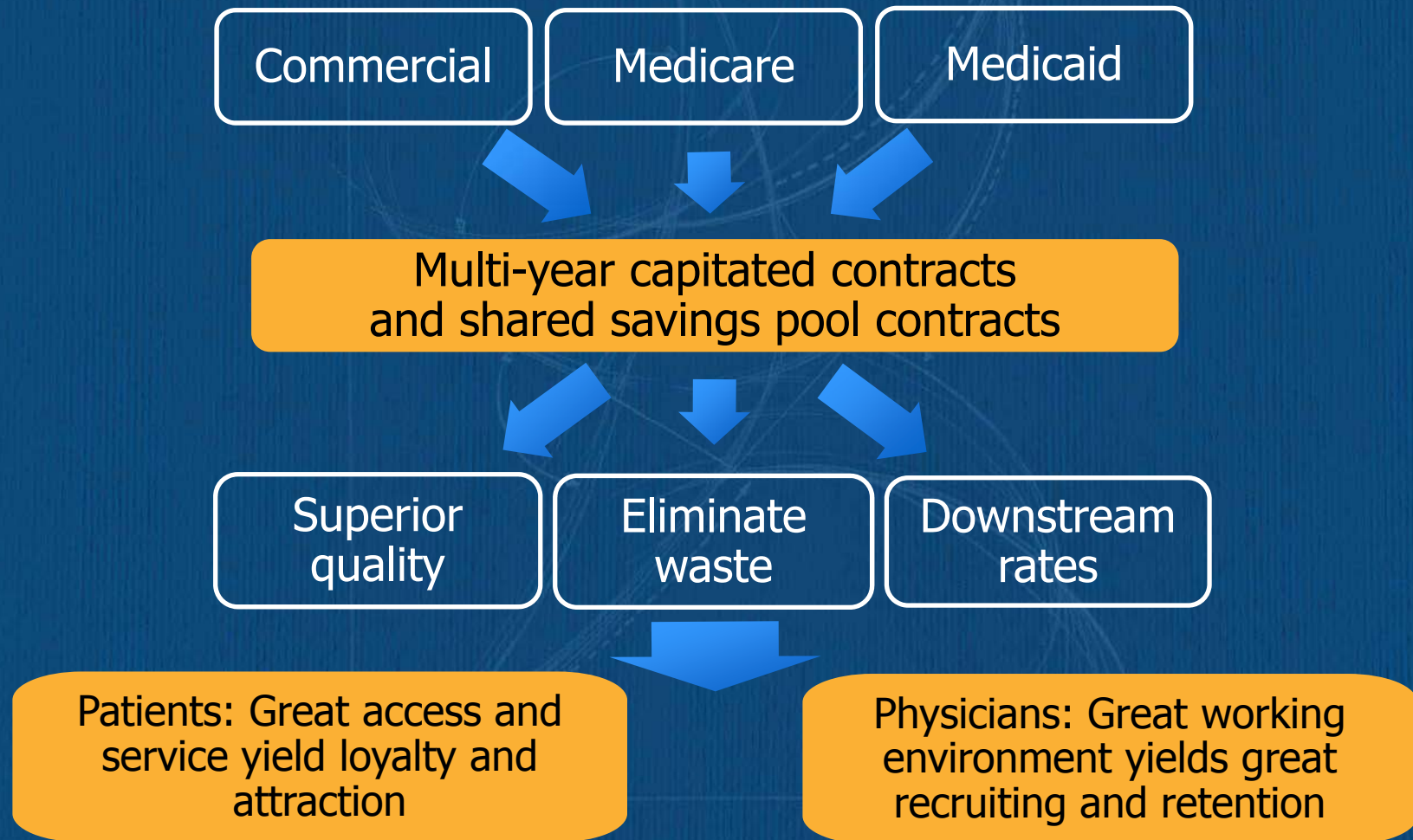
# Business Model



# Business Model



# Business Model



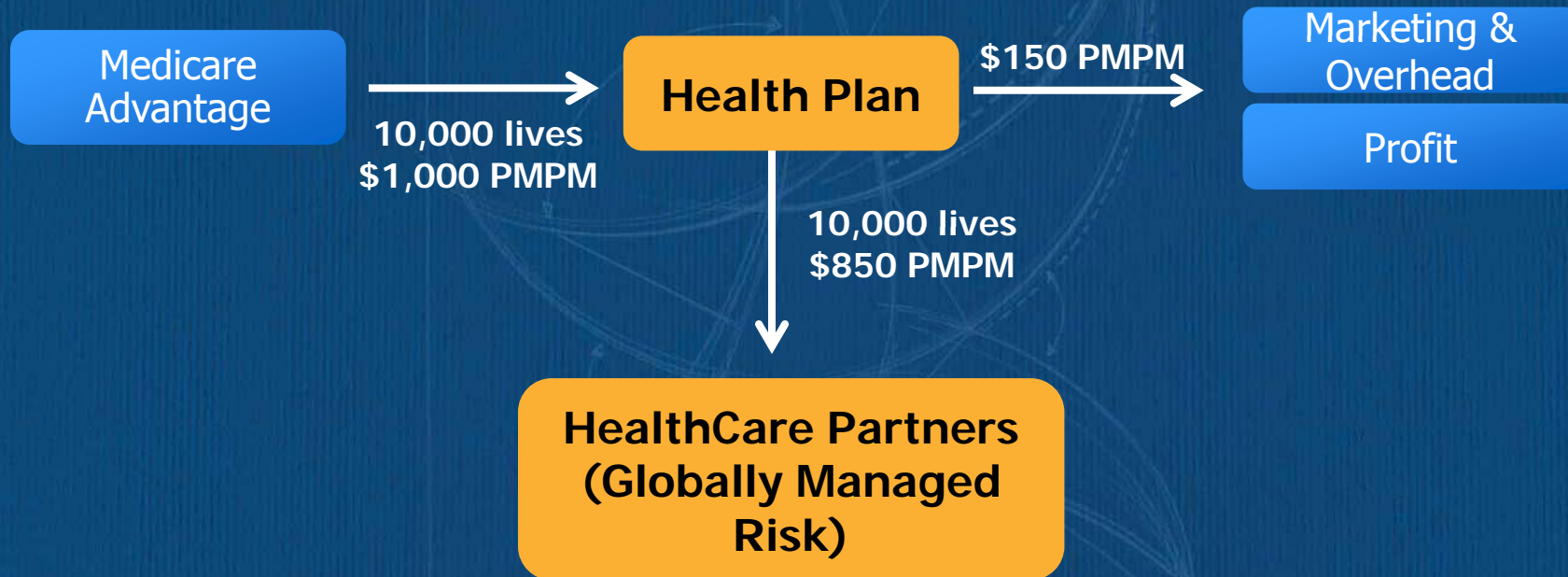
# How HCP Contracts with Health Plans

★ *Illustrative*



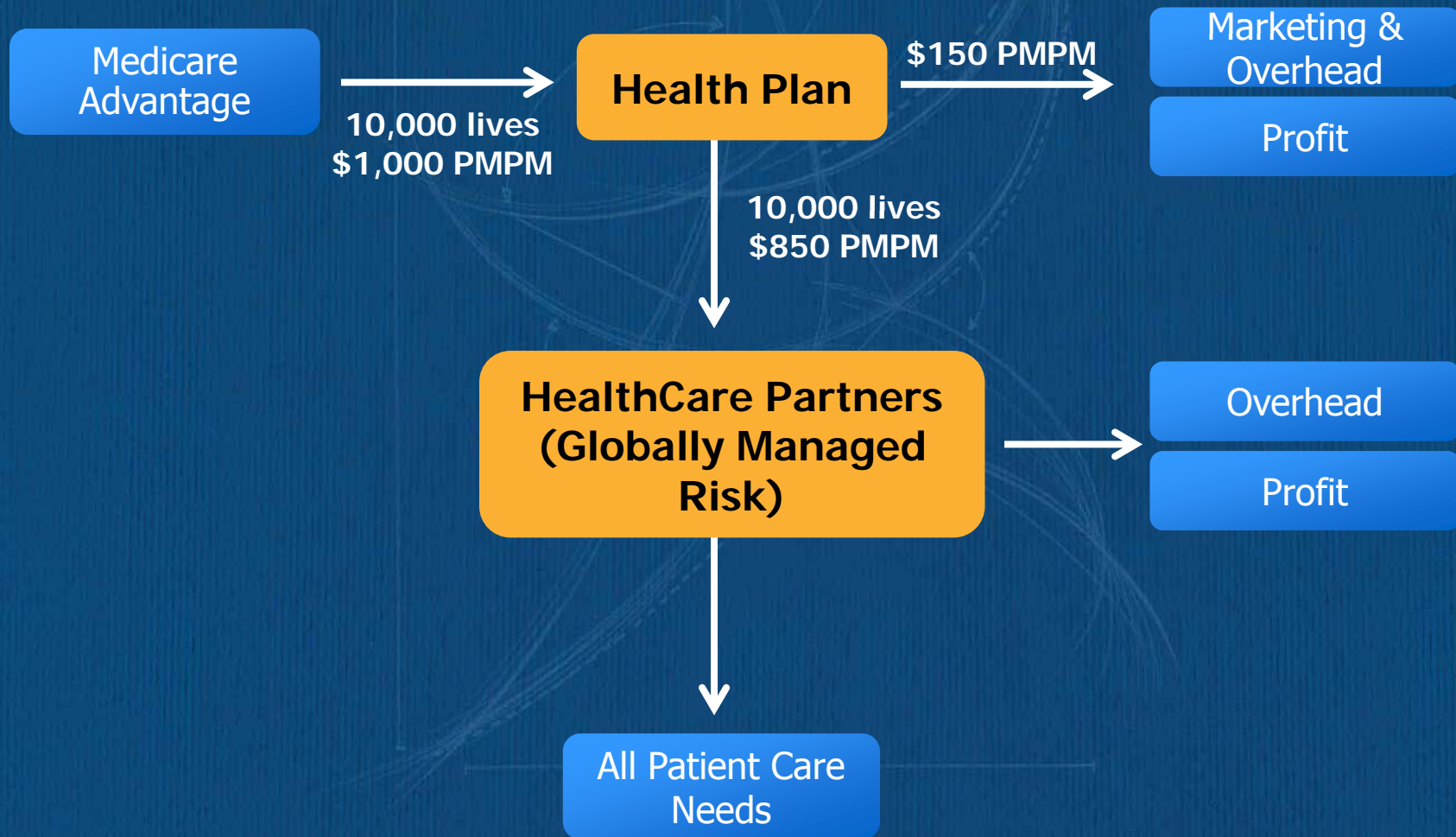
# How HCP Contracts with Health Plans

★ *Illustrative*



# How HCP Contracts with Health Plans

★ *Illustrative*



Enrollment

X



Rate

-

Cost



Enrollment

X

Rate

-

Cost

- Organic growth
- Tuck-in acquisitions
- New geographies
- Emerging products

# Medicare Advantage Market



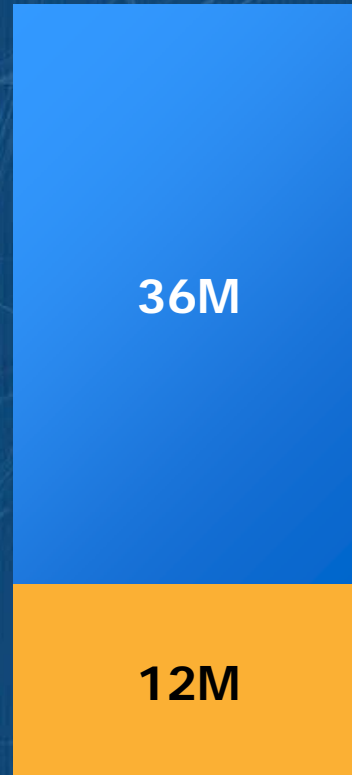
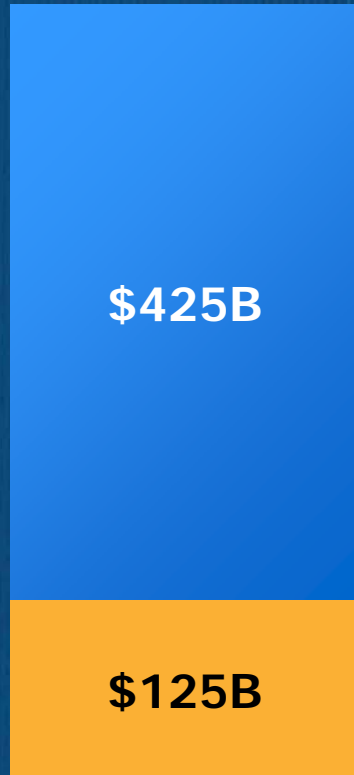
- **Large**
- **Highly Fragmented**
- **Growing**

# Large

★ 2011

Total Medicare Spend  
\$550B

Total Medicare Enrollment  
48M



FFS

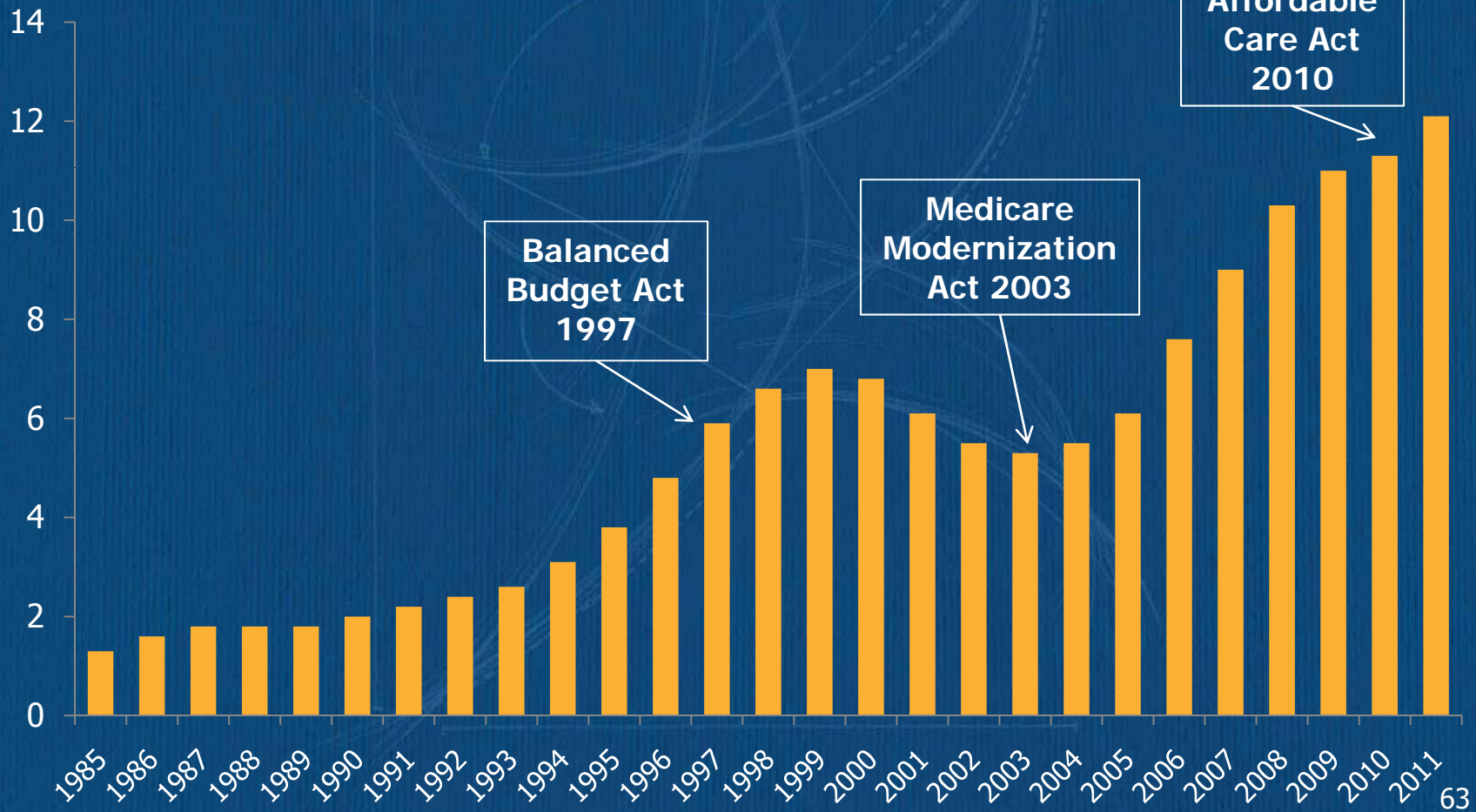
Medicare  
Advantage

# Growing

★ *In Millions*

★ *CAGR ('85-'11): 9%*

## Medicare Advantage Enrollment



# Why Seniors Choose MA

## Medicare Advantage

Basic Coverage

- One plan covers Part A, B & D components
- Reduced cost sharing
- Enhanced benefits

Annual Cost  
(LA county)

- \$2,000-\$3,000 less out of pocket

# Organic Growth

- Aging and growth of population
- Medicare Advantage penetration
- Performance of HCP MA payors in markets
- Strength of HCP within payors



# Growth Through IPA

## Physicians

- Contract access/conversions
- IT & integrated care resources
- Maintain practice independence

## HealthCare Partners

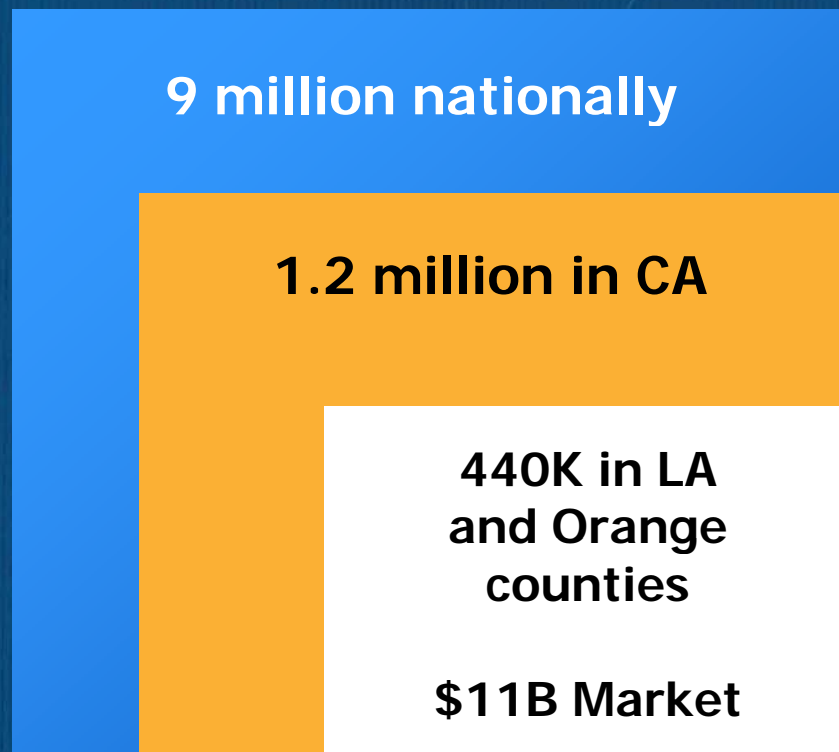
- Broader provider network
- No capital commitment

# Acquisition Opportunities

- Post-close improvements
- Accretive in-market tuck-ins
- Disciplined new market entry

# Duals Opportunity

## Dual Eligible Population



- 80% higher cost than Medicare
- 4x diabetes
- 45% > 10 clinical conditions
- States moving to managed care
- CA launching in > 4 counties in 2013

# California Duals Opportunity

440k in LA and OC

HCP works w/ all 3 expected payors

Even at 5% market, w/ \$2,000 PMPM,  
\$500M+ revenue opportunity

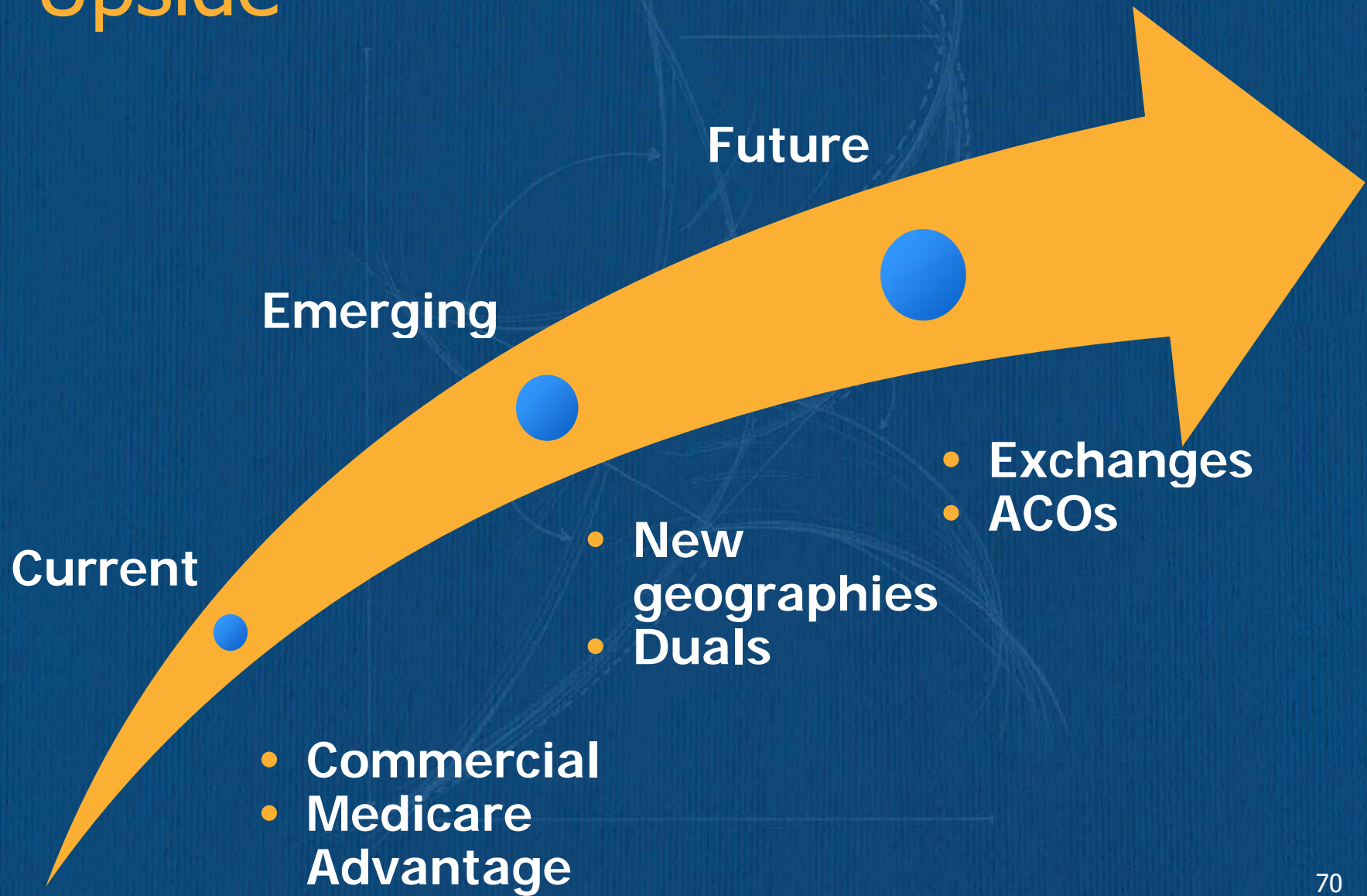
## Upside:

- Higher Share
- Other States

## Challenges:

- Program undefined
- Harder population
- Incremental services
- Incremental geography

# Upside



Enrollment

X

Rate

-

Cost

# Medicare Advantage Headwinds

- **Scheduled decreases to MA payments**
  - **ACA eliminates MA premium to FFS Medicare by 2016**
  - **Sequestration cut in 2013**
  - **Coding intensity adjustment increases in 2014**

# Offsetting MA Rate Cuts

- **Shared impact partially offset:**
  - **Benefit changes**
  - **Pass through to providers**
  - **Star ratings**
  - **Payor**

Enrollment

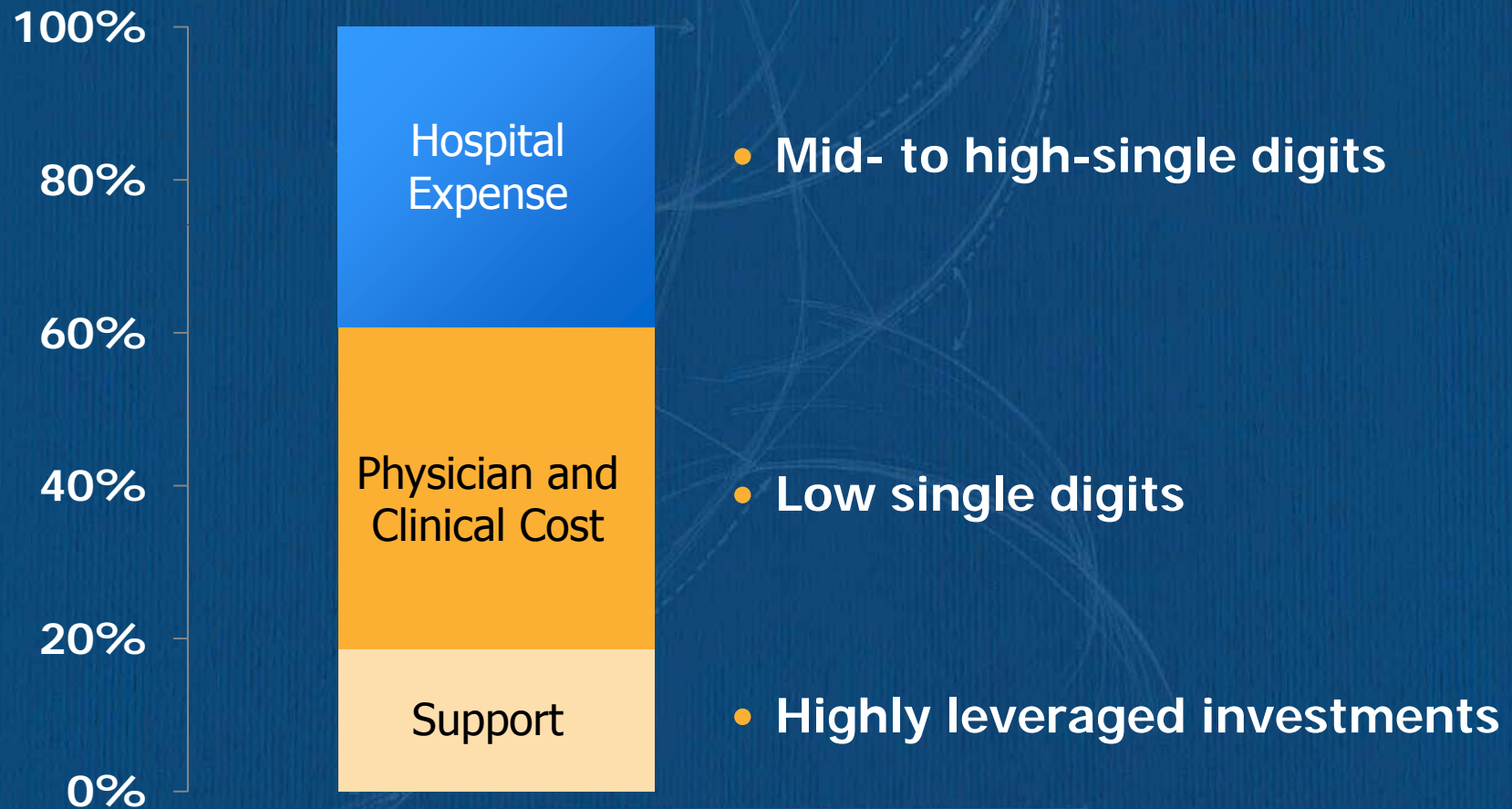
X

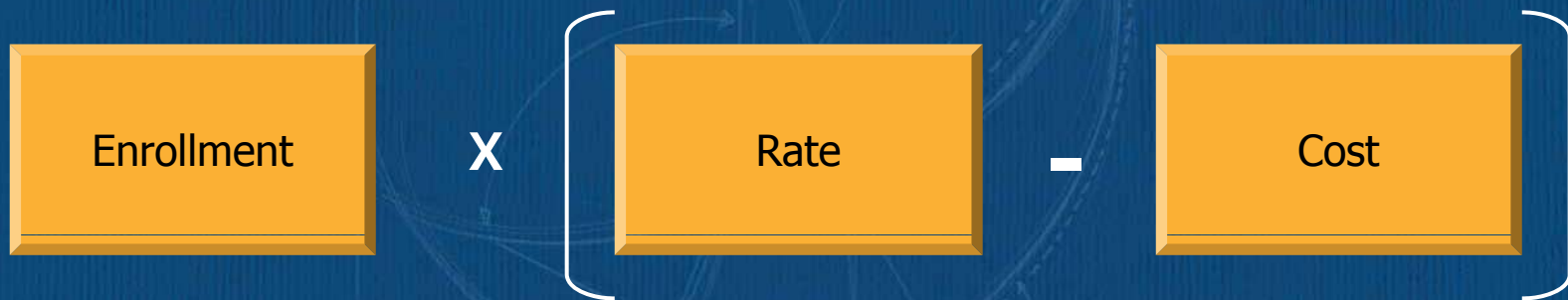
Rate

-

Cost

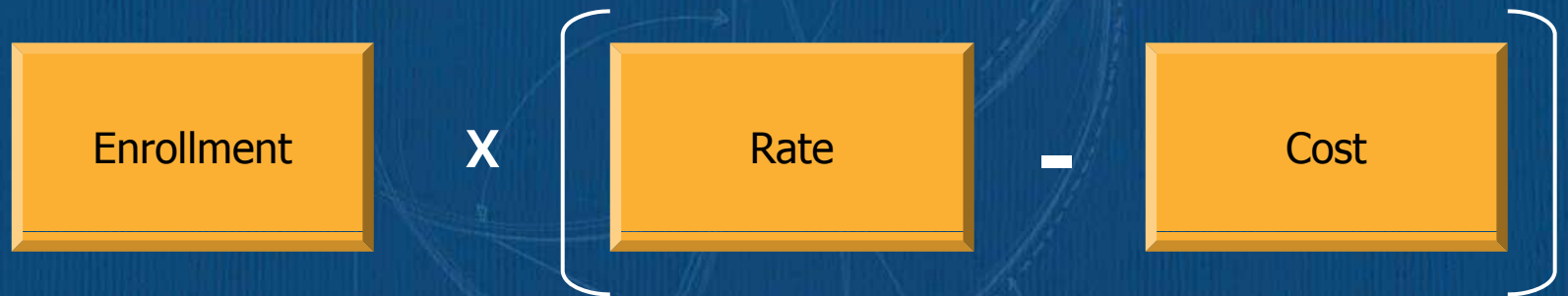
# HCP Costs Composition





*Margin compression balanced by volume growth & new opportunities*

# 3 Year Business Outlook



- Organic growth
  - MA: 3-5%
  - Commercial: Flat
- + 5% tuck-in acquisitions
- + New geographies
- + Emerging products

- 2.5 to 4.5% growth

- 3.5 to 5.5% growth



*0-3% organic OI growth*  
*3-6% with tuck-in acquisitions*  
*+ opportunities*

# 2012-2013 EBITDA Outlook

- **2012: \$525 - \$560 million**
- **2013: \$550 - \$600 million**

# Adjusted EBITDA<sup>(1)</sup>

★ \$ in Millions

*A Great Run*



(1) EBITDA excluding stock-based compensation expense; see Non-GAAP reconciliation

# What Changes Are Coming?

- Headwinds start to fade after 2014
- Emerging products?
- Intend to do significant acquisitions



*OI expected to accelerate post 2014*

# 2013 EPS Impact

- **Dependent on:**
  - Earnings trajectory
  - Interest rates
  - Annual amortization expense
- **Neutral to modestly accretive on a GAAP basis**
  - Includes \$0.70 - \$0.90 of amortization expense

# Near Term Swing Factors

- Organic growth
- Acquisition pipeline
- Duals opportunity
- MA rates
- Hospital and other provider rates
- Cost efficiency

# Indicative 2013 Net Cash Generation

★ *\$ in Millions*

<b>Midpoint EBITDA Guidance</b>	<b>\$575</b>
<b>Implied Taxes on OI</b>	<b>(\$210)</b>
<b>After Tax Interest</b>	<b>(\$132)</b>
<b>Tax Step-Up Benefit</b>	<b>\$60</b>
	<hr/>
	<b>\$243</b>

# HCP Downside Scenario

MA rate & commercial enrollment pressure

+ Increasing expenses

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= Flat EBITDA

# HCP Downside Scenario

MA rate & commercial enrollment pressure

+ Increasing expenses

= Flat EBITDA



**Still**

- We can
  - Pay interest
  - ~\$200M FCF/yr
  - De-lever
  - After-tax cash-on-cash return of 8%

# HCP Downside Scenario

MA rate & commercial enrollment pressure

+ Increasing expenses

= Flat EBITDA

**Still**

- We can
  - Pay interest
  - ~\$200M FCF/yr
  - De-lever
  - After-tax cash-on-cash return of 8%

**AND**

- EPS remains neutral to slightly dilutive on a GAAP basis
- 10% accretive excluding amortization

# HCP Summary

Cash flows

Strong, stable

Capital requirements

Very low

OI growth scenario

3-6%; accelerating post 2014

Industry  
consolidation

Low

Growth opportunity

Huge

Growth options

Duals, ACOs, exchanges



# DaVita at a Glance

★ *As of Q1'12*

- LTM Revenue \$7.1B
- LTM OI \$1.2B
- U.S. Facilities 1,841 (43 states)
- International Facilities 15 (3 countries)
- Patients ~145,000

# Key Investment Highlights

## Industry

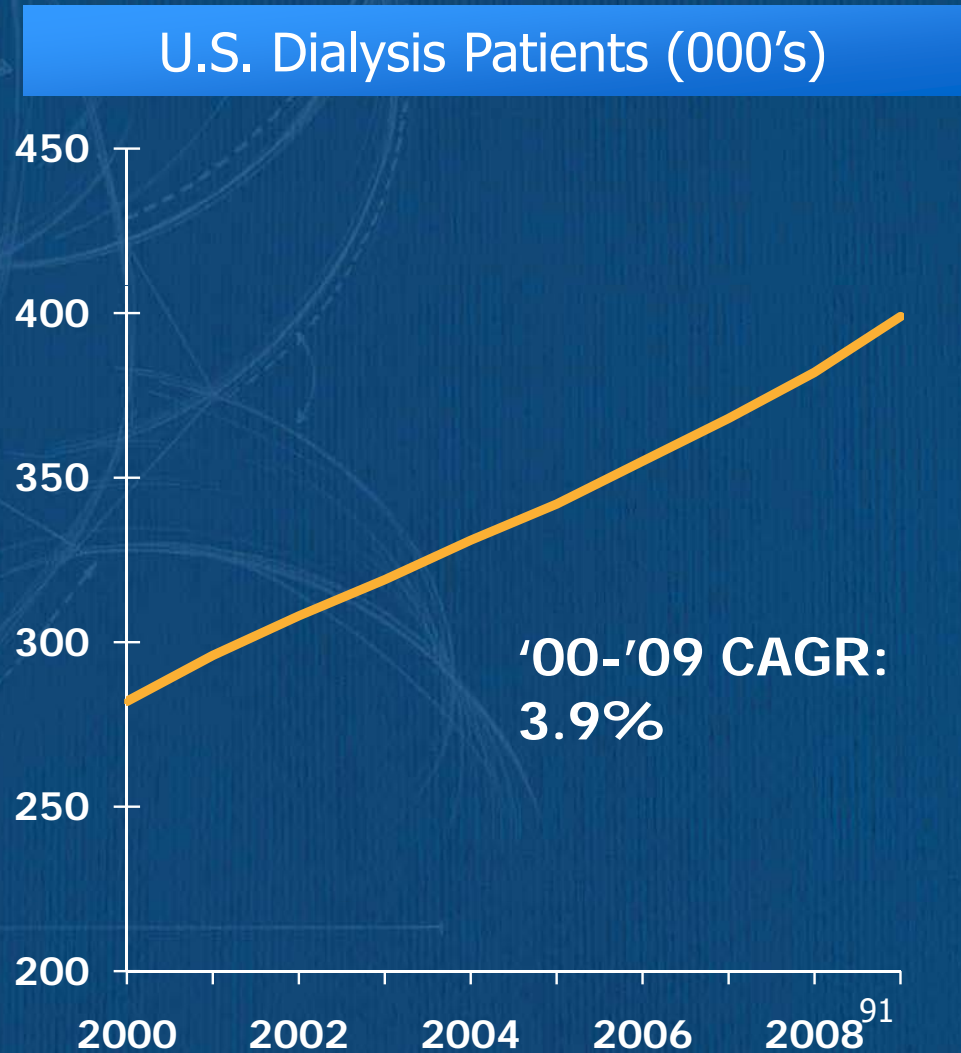
- Stable demand growth
- Steady cash flows
- Significant government accountability
- Unusual transparency
- Reasonable credibility/coherence in DC

## DaVita

- Strong clinical outcomes
- Scale provider
- Strong compliance record
- Operating track record
- Experienced management team
- Integrated care capability

# Favorable Industry – Stable Demand Growth

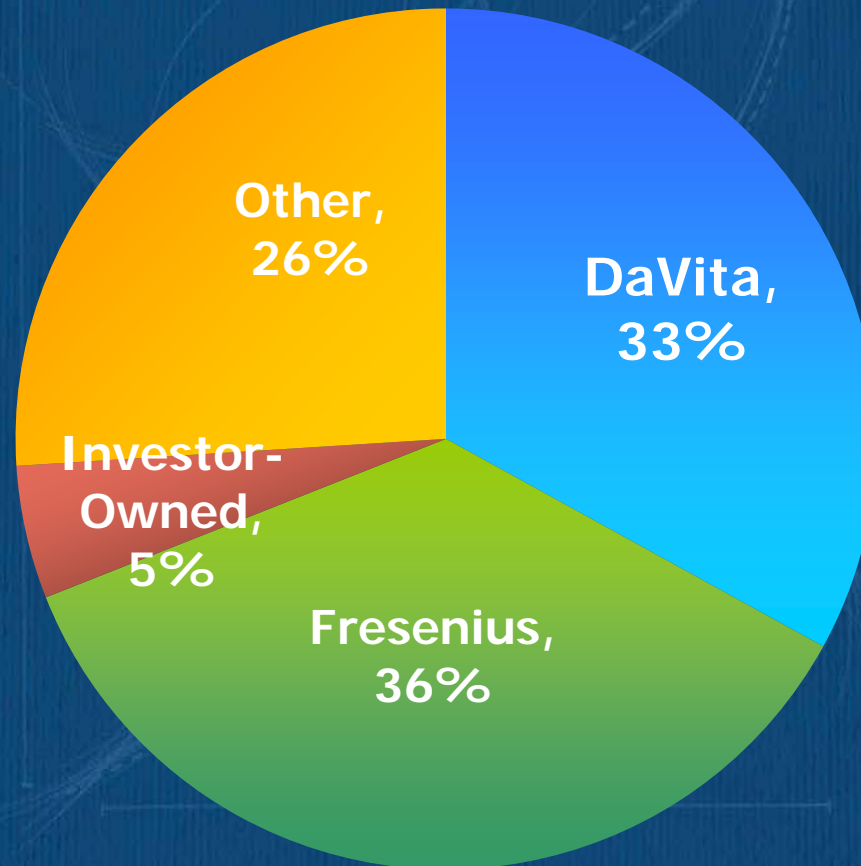
- Steady and resilient industry demand
- No clinical controversy



# Leading Provider with Scale

★ *As of 2010\**

- Serving nearly one-third of U.S. dialysis patients



\*Data as of 2010, with DaVita post-DSI Acquisition and Fresenius post-Liberty Acquisition  
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# Strong Clinical Outcomes

★ As of Q1'12

- Kt/V < 1.2 97%
- % Fistulas Placed 69%
- Ca ≤ 10.2 98%
- Phos ≤ 5.5 80%
- CVC use (Day 90) 15%

## A Quality Leader



# Strong Operating Track Record

<u>OI</u>	<u>We Said</u> <sup>(1)</sup>	<u>We Did</u> <sup>(2)(3)(6)</sup>	<u>In or Above Range</u>
• 2003:	\$292-312M	\$355M	✓
• 2004:	\$356-380M	\$402M	✓
• 2005:	\$410-435M <sup>(4)</sup>	\$462M	✓
• 2006:	\$575-645M <sup>(5)</sup>	\$701M	✓
• 2007:	\$680-750M	\$800M	✓
• 2008:	\$790-850M	\$822M	✓
• 2009:	\$870-930M <sup>(6)</sup>	\$940M	✓
• 2010:	\$950-1,020M	\$997M	✓
• 2011:	\$1,040-1,100M	\$1,155M	✓

<sup>(1)</sup> First guidance.

<sup>(2)</sup> Non-GAAP measure; excludes one-time charges and reported prior period recoveries.

<sup>(3)</sup> 2003 and 2004 represent the original amounts as reported and have not been adjusted for the required divestitures that occurred in connection with the Gambro acquisition. In addition, all amounts presented have not been adjusted for the effects of the required divestitures in connection with the DSI acquisitions.

<sup>(4)</sup> Gambro acquisition completed October 2005.

<sup>(5)</sup> Includes stock compensation expense; Original guidance excluded stock compensation.

<sup>(6)</sup> Effective January 1, 2009, we were required to change the presentation of minority interests (noncontrolling interests) in our consolidated statement of income, which changed the presentation of operating income as well. All prior amounts have not been adjusted to reflect the application of this requirement.

# of Treatments

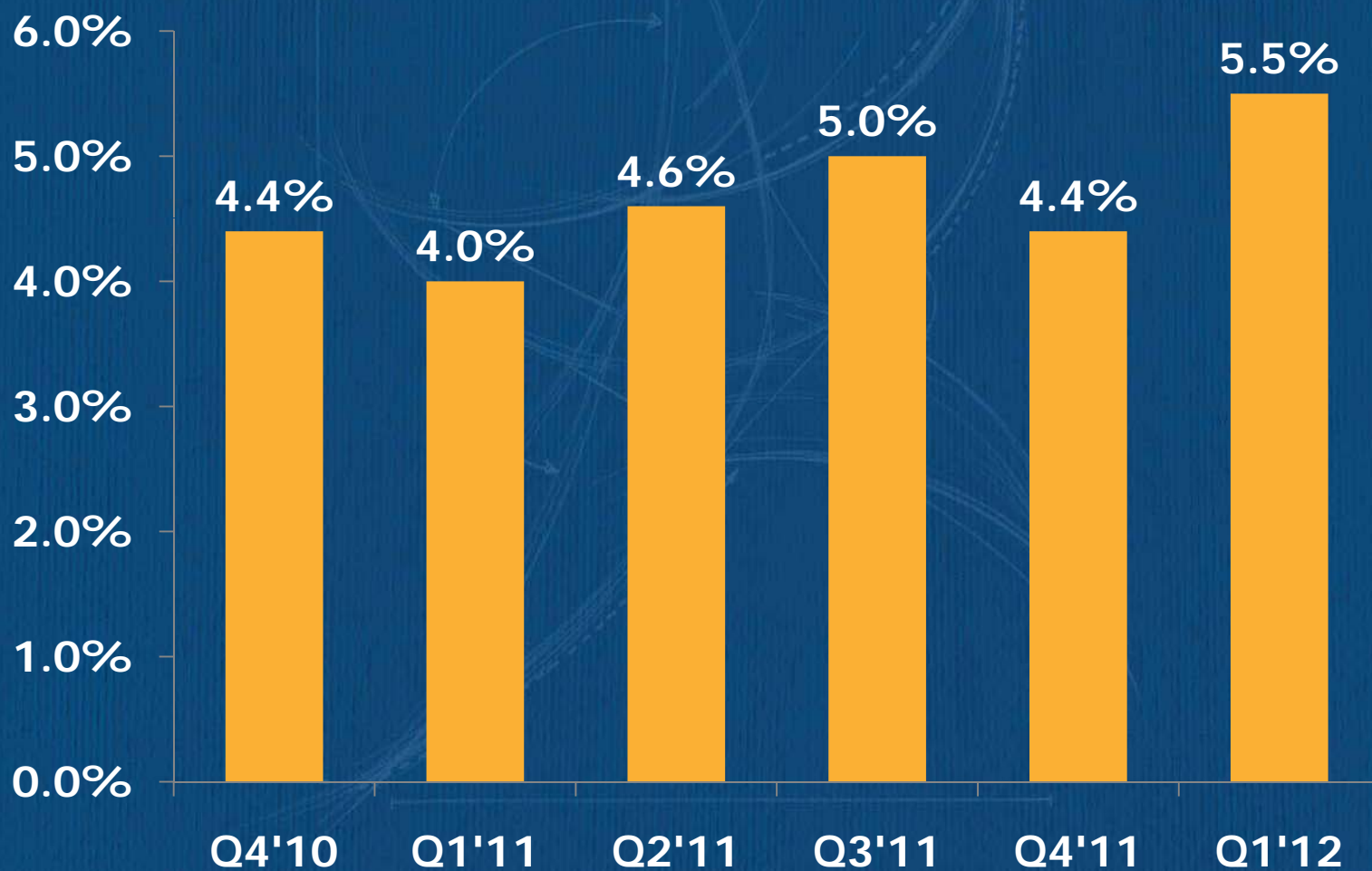
X

Revenue / Tx

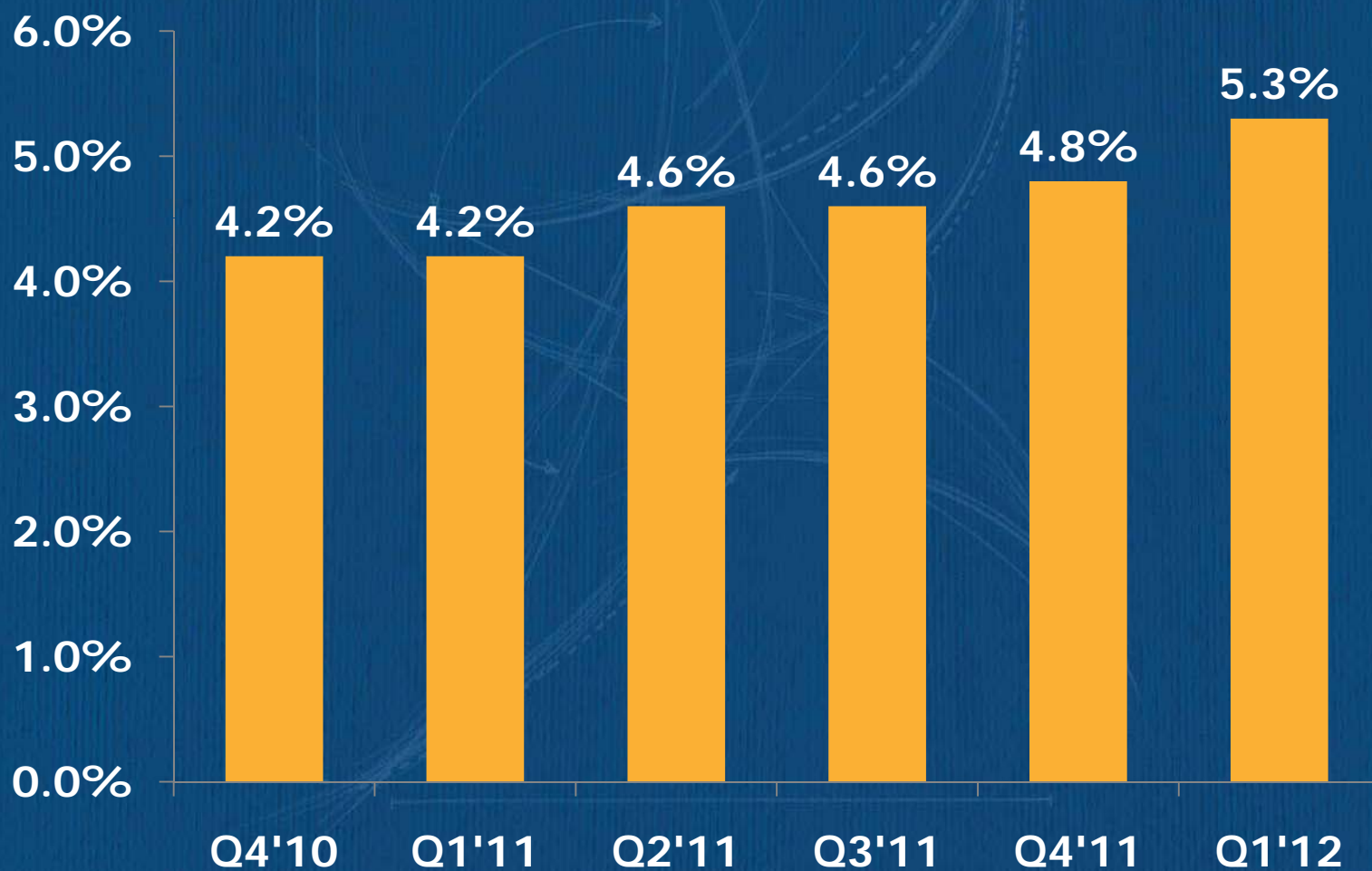
-

Expense / Tx

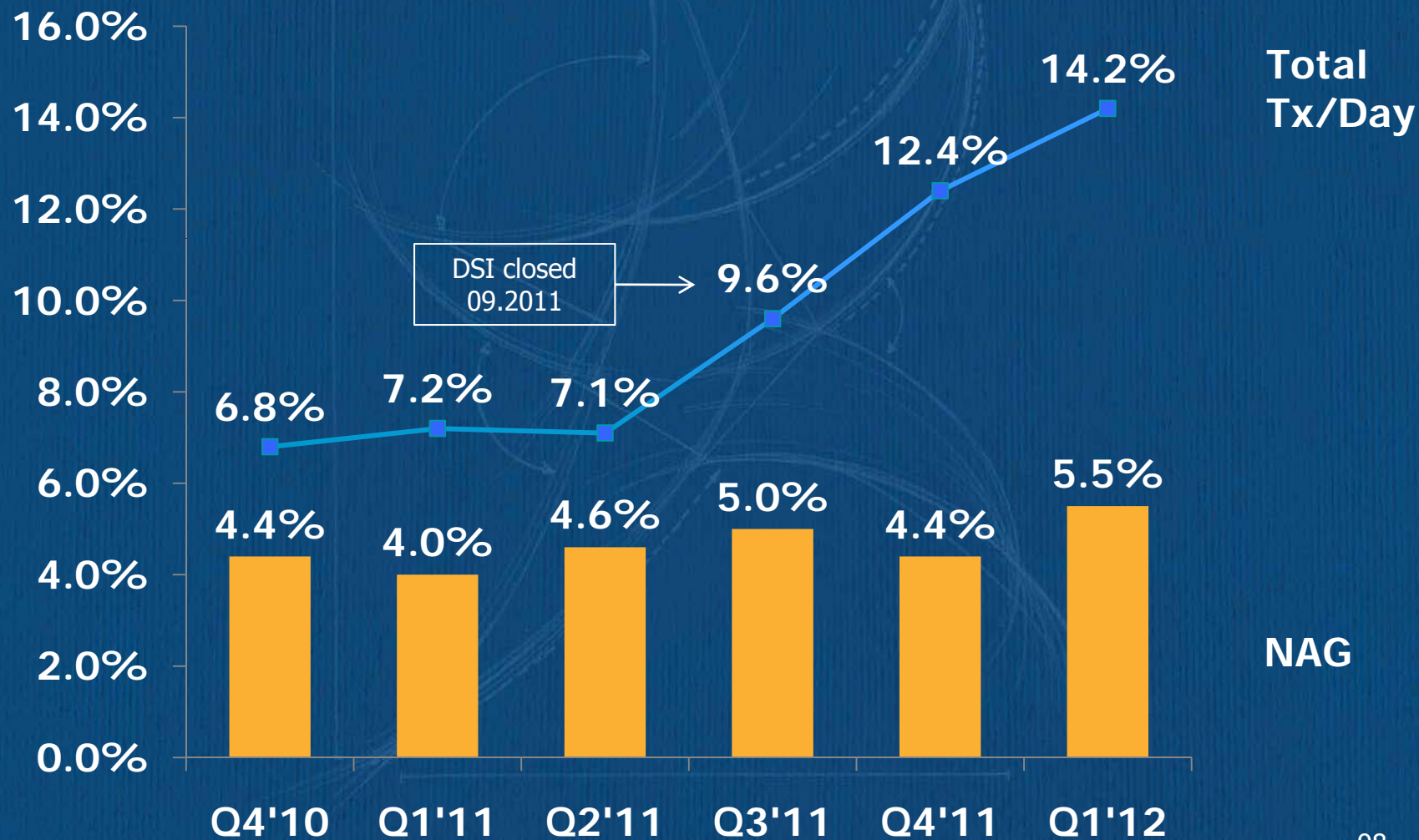
# Non-Acquired Growth (NAG)



# Normalized Non-Acquired Growth (NAG)



# Total U.S. Tx/Day Growth (YoY)



# of Treatments

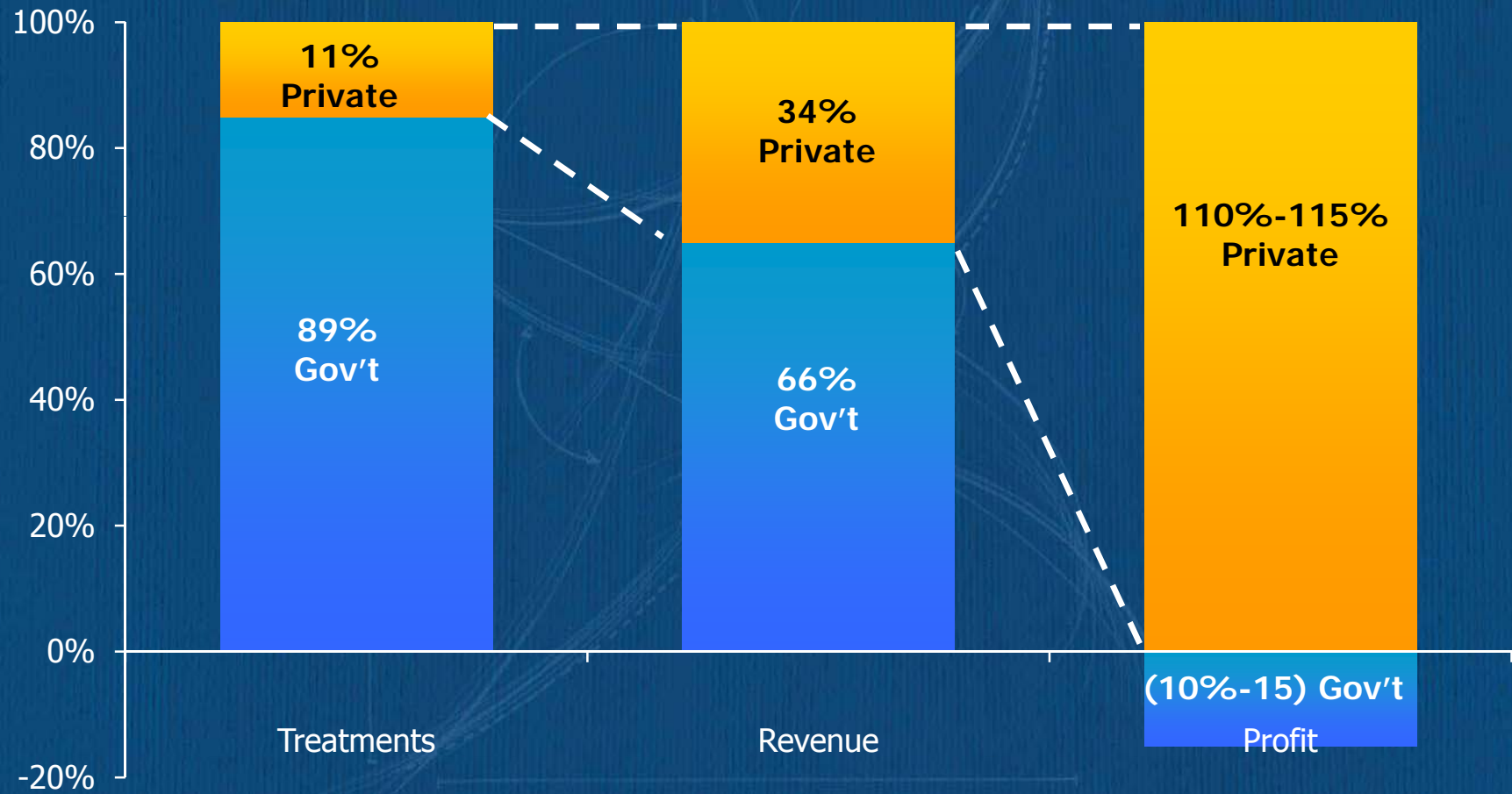
X

Revenue / Tx

-

Expense / Tx

# Profit Concentration



# Private Revenue Takeaways

- Multi-year contracting
- Bundled contracting
- Mix
- Dialysis patient equal rights
- Uncertainty of exchanges

# Government Revenue

## Medicare

- ~50% of dialysis revenue
  - Market basket
  - QIP
  - Periodic rebasing
  - 2% cut in 2013
  - Case mix adjustor
  - Bigger bundles

## M Adv, VA, Medicaid

- ~15% of dialysis revenue
  - State budget issues

# of Treatments

X

Revenue / Tx

-

Expense / Tx

# Cost per Treatment



## Component

- Teammate Costs
- Pharma and supplies
- Other center-level costs
- G&A

## Historical

- 1 – 2 %/yr
- Rate & productivity
- Dynamic
- 1 – 2 %/yr
- In line with Tx growth (over time)

# Orals in 2014 → Big Swing Factor

## Good News

- Adherence = improved health
- DaVita is a leader

## Bad News

- Uncertainty
- CMS data
  - Limited
  - Retrospective
  - Out of date



*A potential win/win*

# Integrated Care

- Improve quality of care
- Lower total ESRD costs
- Public policy advocacy



# Dialysis EPS Growth Scenario

- Demand Growth 4%  
+ DeNovos & Acquisitions
- Total Volume Growth 5% - 6%  
+ Fixed Cost Leverage
- Operating Income Growth 6% - 7%  
+ Financial Leverage
- Net Income/EPS Growth 7% - 9%  
+ Share Repurchase

---

**EPS Growth**

**9% - 11%**

# Dialysis Summary

Cash flows Strong, stable

Capital requirements Low

OI growth scenario 5-7%

Industry consolidation High

Growth opportunity Solid

Growth options International, integrated kidney care



# Summary

	Dialysis	HealthCare Partners
Cash flows	Strong, stable	Strong, stable
Capital requirements	Low	Very low
OI growth scenario	5-7%	3-6%; accelerating post 2014
Industry consolidation	High	Low
Growth opportunity	Solid	Huge
Growth options	International, integrated kidney care	Duals, ACOs, exchanges

*~ \$500M/year in excess cash to deploy*



**Capital Markets Day  
June 7, 2012**

# Reconciliations for Non-GAAP Measures

## Reconciliation for Non-GAAP measures (unaudited)

### Reconciliation of HealthCare Partners' Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization and excluding stock-based compensation expense)

We believe that adjusted EBITDA enhances a user's understanding of HealthCare Partners' income from operations for these periods by presenting consistent operating income items that we believe provide another means of understanding HealthCare Partners' operating performance excluding stock-based compensation expense. Adjusted EBITDA also serves as a measure of liquidity of HealthCare Partners in that it provides information about the ability of HealthCare Partners to generate cash from operations. This measure is not a measure of financial performance under GAAP and should not be considered as an alternative to operating income, net income or operating cash flow.

	2011	2010	2009	2008
	(in millions)			
Net income .....	\$ 409	\$ 330	\$ 220	\$ 203
Income taxes .....	71	49	40	30
Debt expense, net.....	9	(1)	—	8
Depreciation and amortization.....	31	29	26	24
Impairments.....				5
Stock-based compensation expense.....	7	7	7	8
<b>Adjusted EBITDA</b> .....	<b>527</b>	<b>414</b>	<b>293</b>	<b>278</b>
Less depreciation and amortization .....	(31)	(29)	(26)	(24)
Less stock-based compensation expense .....	(7)	(7)	(7)	(8)
Less total other income, net.....	(1)	—	(1)	—
<b>Operating income</b> .....	<b>\$ 488</b>	<b>\$ 378</b>	<b>\$ 259</b>	<b>\$ 246</b>

# Reconciliations for Non-GAAP Measures

## Reconciliations for Non-GAAP Measures (dollars in millions)

### Reconciliation of operating income and operating income margin

We believe that operating income and operating income margin excluding Medicare lab recoveries related to prior years' services, gains from insurance settlements, a non-cash goodwill impairment charge, the valuation gain on the Product Supply Agreement, and noncontrolling interests enhances a user's understanding of our operating income and operating income margin for these periods by providing a measure that is more meaningful because it excludes Medicare lab recoveries related to prior years' services, insurance settlement gains related to insurance proceeds from Hurricane Katrina and from a fire that destroyed one of our centers, a non-cash goodwill impairment charge that resulted from a decrease in the implied fair value of goodwill below its carrying amount associated with our infusion therapy business, a non-recurring non-cash item that resulted from the termination of our purchase obligation for dialysis machines from Gambro Renal Products Inc. under the Product Supply Agreement, and noncontrolling interests that were originally deducted from operating income, and accordingly is more comparable to prior periods as originally reported and indicative of consistent operating income and operating income margin. This measure is not a measure of financial performance under United States generally accepted accounting principles and should not be considered as an alternative to operating income and operating income margin.

	2003		2004		2005		2006		2007		2008		2009		2010		2011	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Operating income .....	\$386		\$395	18.1%	\$489	16.4%	\$778	15.9%	\$909	17.3%	\$869	15.4%	\$940	15.4%	\$997	15.5%	\$1,131	16.2%
Less: Medicare lab recoveries related to prior years' services.....	(24)		(8)	(0.3%)	(4)	(0.1%)	—	—	—	—	—	—	—	—	—	—	—	—
Gains on insurance settlements .....	—		—	—	—	—	—	—	(7)	(0.1%)	—	—	—	—	—	—	—	—
Goodwill impairment charge.....	—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	24	0.3%
Valuation gain on the product supply agreement .....	—		—	—	—	—	(38)	(0.8%)	(55)	(1.0%)	—	—	—	—	—	—	—	—
	362		387	17.8%	485	16.3%	740	15.2%	847	16.1%	869	15.4%	940	15.4%	997	15.5%	1,155	16.5%
Noncontrolling interests .....	(7)		(14)	(0.6%)	(23)	(0.8%)	(39)	(0.8%)	(47)	(0.9%)	(47)	(0.8%)	—	—	—	—	—	—
	\$355		\$373	17.2%	462	15.5%	\$701	14.4%	\$800	15.2%	\$822	14.5%	\$940	15.4%	\$997	15.5%	\$1,155	16.5%

\*2003 operating income is as originally reported and has not adjusted for the required divestitures related to the Gambro acquisition. (2) Operating income for 2004 excluding the operating income impact of the required divestitures' related to the Gambro acquisition of \$29 million and Medicare lab recoveries related to prior years' services, would have been \$402 million.