



Capital Markets Day  
May 18, 2016



*This presentation contains forward-looking statements within the meaning of the federal securities laws. All statements in this presentation, other than statements of historical fact, are forward-looking statements and include, among other things, statements about our expectations, beliefs, intentions and/or strategies for the future. Words such as “expect,” “will,” “plan,” “anticipate,” “believe,” “forecast,” “guidance,” “outlook,” “goals” and similar expressions are intended to identify forward-looking statements.*

*These forward-looking statements could include but are not limited to 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 dialysis centers and dialysis center acquisitions, government and commercial payment rates, revenue estimating risk and the impact of our level of indebtedness on our financial performance, including earnings per share. Additionally, forward-looking statements may include statements that identify uncertainties or trends, discuss the possible future effects of current trends or uncertainties, or indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured.*

*Our actual results could differ materially from these forward-looking statements due to numerous factors that involve substantial known and unknown risks and uncertainties, including without limitation the risks and uncertainties associated with the risk factors set forth in our annual report on Form 10-K for the year ended December 31, 2015, as well as other risks and uncertainties set forth from time to time in the reports we file with the U.S. Securities and Exchange Commission, including without limitation our most recently filed quarterly report on Form 10-Q for the quarter ended March 31, 2016.*

*All forward-looking statements in this presentation are based on information available to us on the date of this presentation. We undertake no obligation to update or revise any forward-looking statements, whether as a result of changed circumstances, new information, future events or otherwise.*

 **Kent Thiry**

Chairman & Chief Executive Officer



*DaVita*®





Introduction

DaVita Medical  
Group

DaVita  
International

DaVita Kidney  
Care

Enterprise  
Summary

# OI Outlook

## 2016-2019 OI Outlook

**DMG**

5 – 9%<sup>1</sup>

**U.S. KC**

2 – 7%

**Int'l**

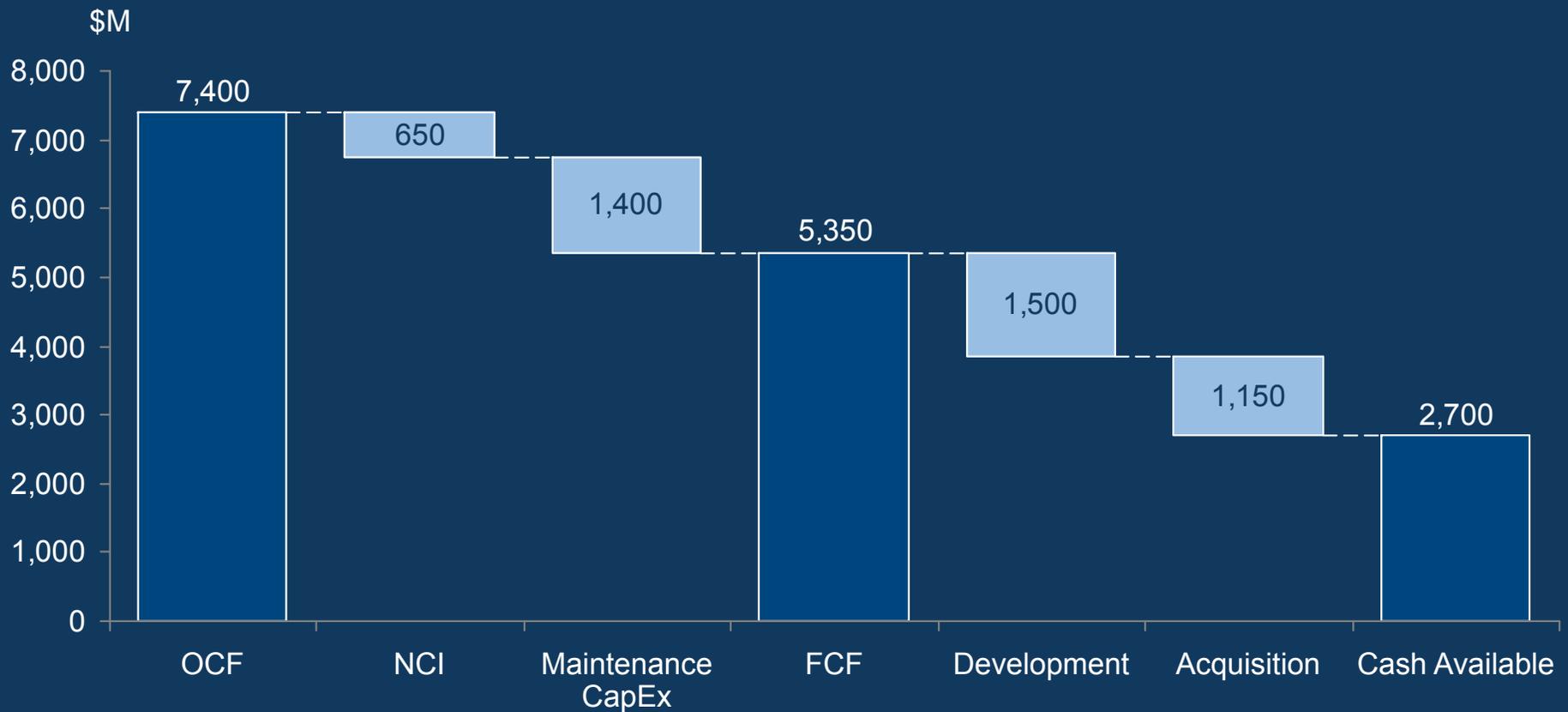
Breakeven by 2018

**Enterprise**

3 – 8%<sup>1</sup>

1. 2016 CAGR guidance excludes non-recurring items, including a goodwill impairment charge and an estimated accrual associated with the HCP hospice business.

# Cash generation and uses 2016-2019



# EPS scenario

- Consolidated OI Growth + Financial Leverage 3% - 8%
  - Net Income/EPS Growth + Share Repurchase/Acq's 4% - 10%
- EPS Growth 5% - 12%**

# Bad news / good news

## Bad news

- Rate risk
- DMG is WIP
- Compliance risk

## Good news

- Clinical excellence
- Stable demand & cash flow
- Market leadership
- Population health capability
- Distinctive platform



Introduction

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# DaVita Medical Group

- Attractive segment
- Strong platform/asset
- Steady progress despite headwinds
  - Rate cuts
  - Capabilities
  - Relationships
- 2016-2019 Operating Income: 5-9% CAGR<sup>1</sup>
  - \$1.0B cumulative net cash flow<sup>2</sup>
- Leading Independent Medical Group in America

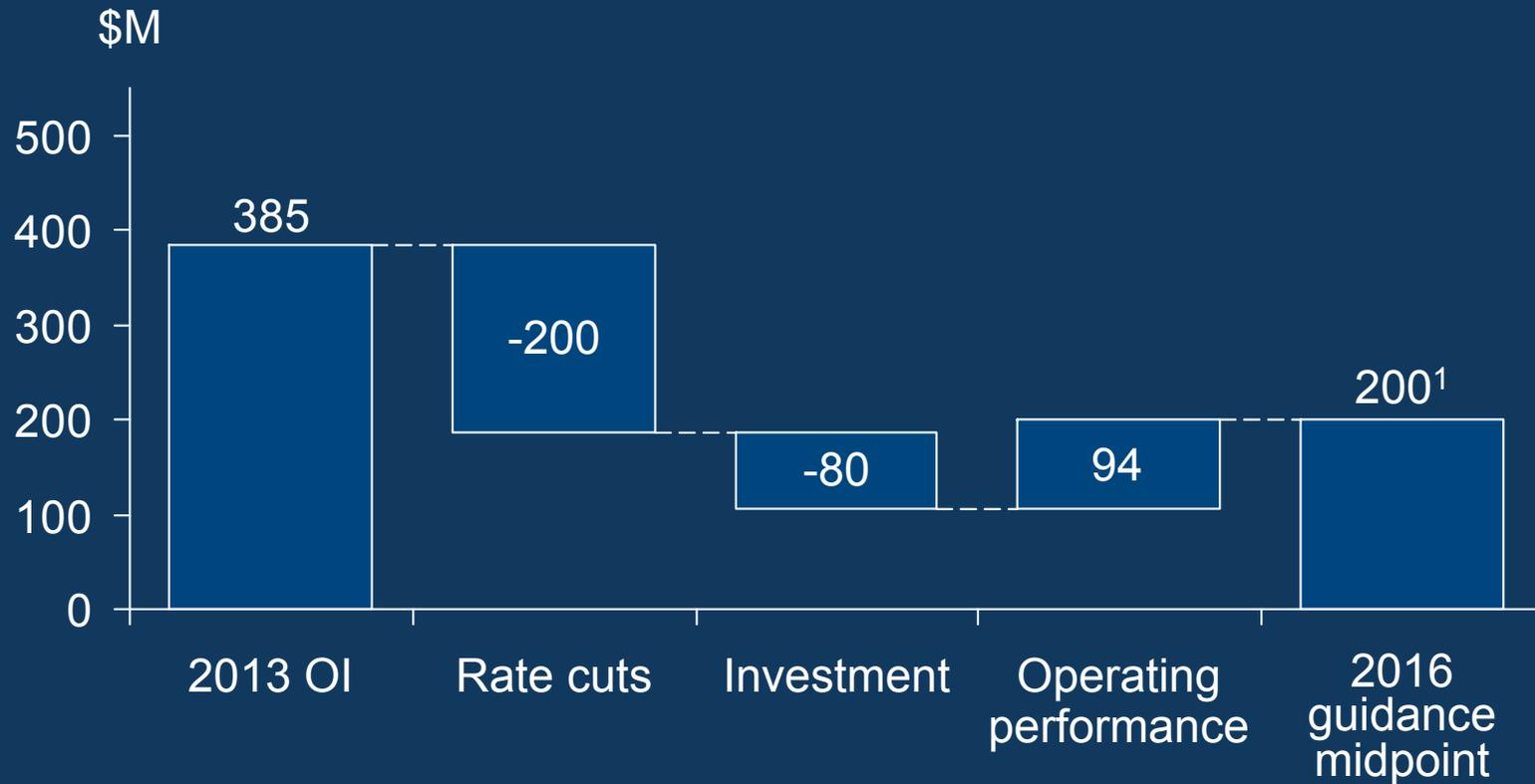
1. 2016 guidance excludes non-recurring items, including a goodwill impairment charge and an estimated accrual associated with NV hospice

2. OCF excluding interest expense less maintenance capex & acquisitions other than the Everett Clinic.

# Components

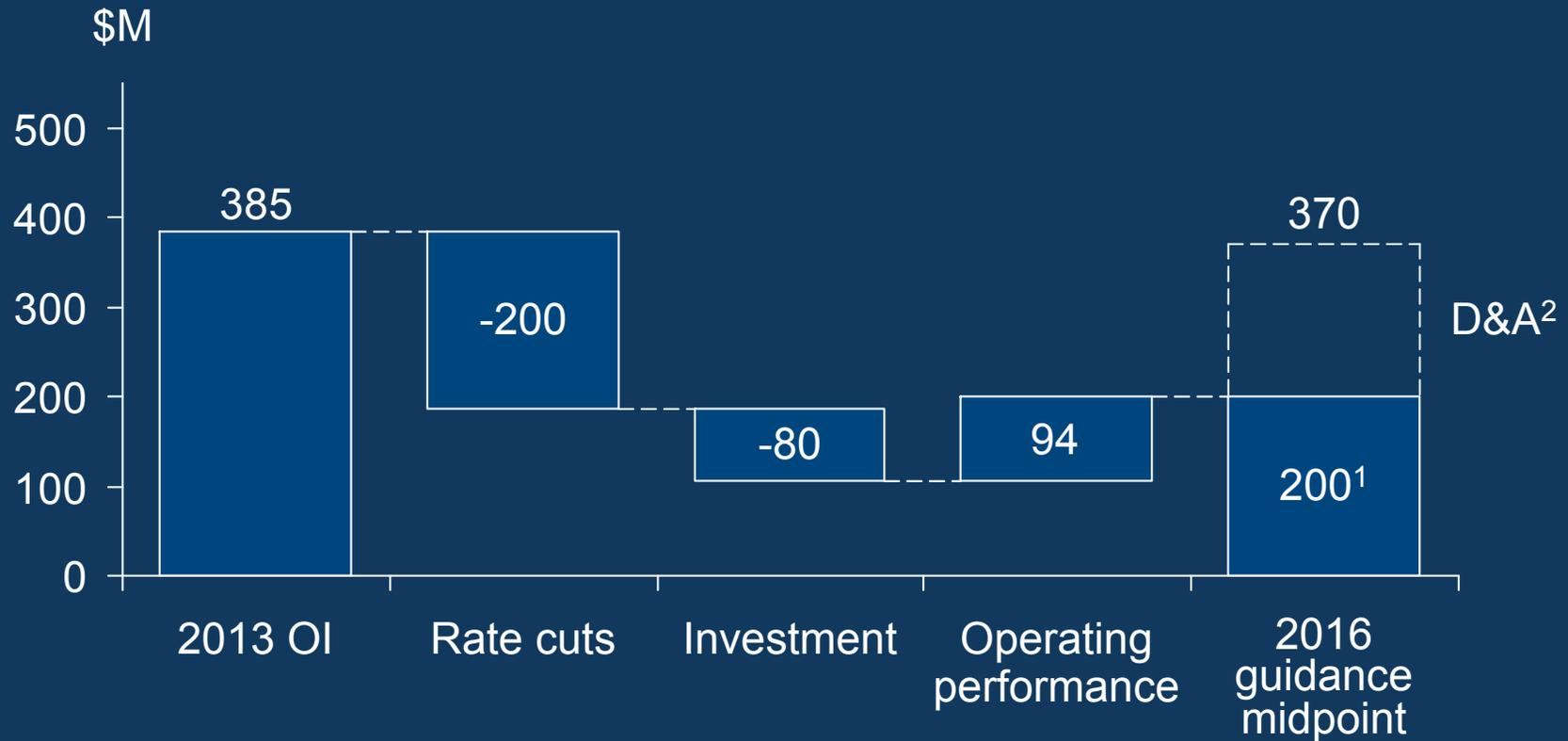
- Moderate
  - Patient growth
  - Rate increases
  - Conversion to Value
  - Per member medical cost
- Substantial
  - G&A savings
  - Capability investment
- No new market entries

# 2013 - 2016 OI



1. 2016 guidance excludes non-recurring items, including a goodwill impairment charge of \$77M and a \$16M estimated accrual associated with NV hospice

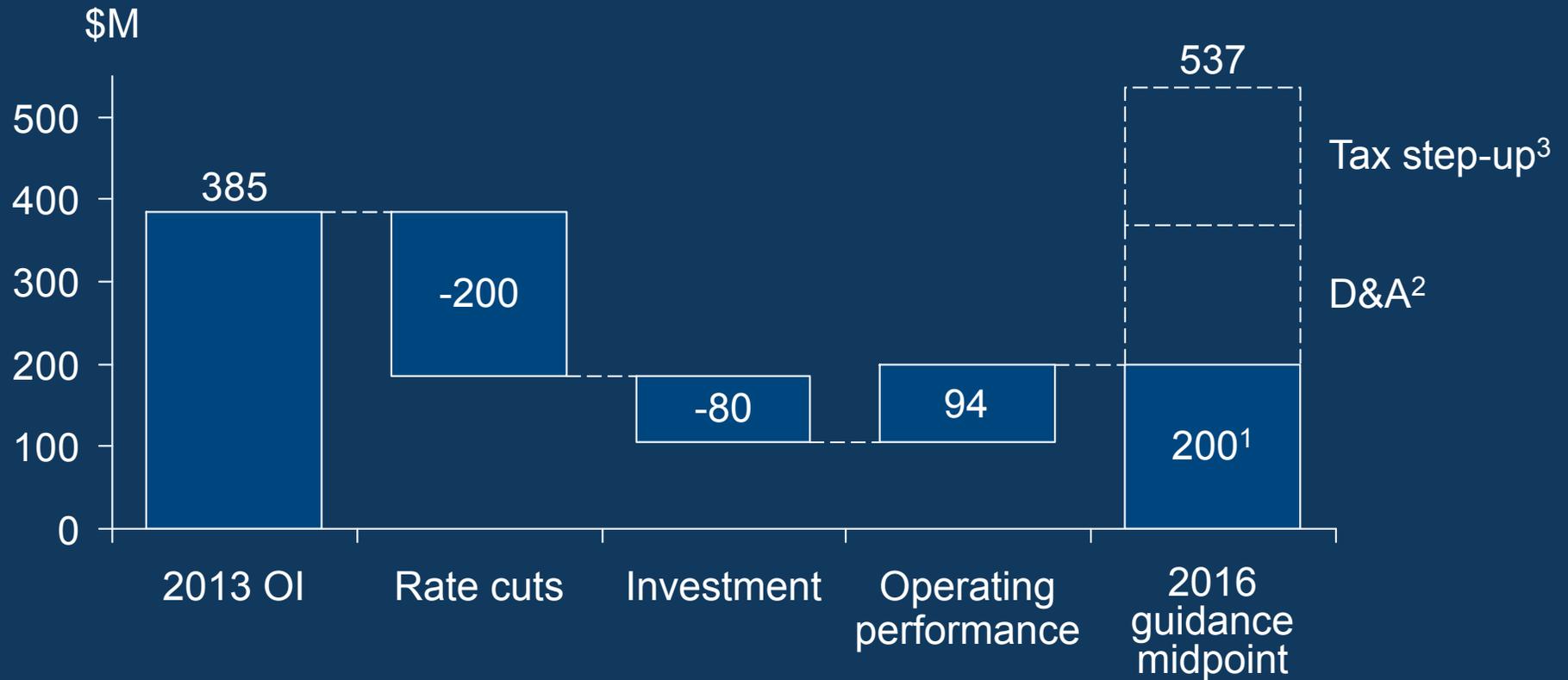
# 2016 EBITDA



1. 2016 guidance excludes non-recurring items, including a goodwill impairment charge of \$77M and a \$16M estimated accrual associated with NV hospice

2. Assumed \$170M of D&A expense

# ★ 2016 tax-adjusted EBITDA



1. 2016 guidance excludes non-recurring items, including a goodwill impairment charge of \$77M and a \$16M estimated accrual associated with NV hospice  
 2. Assumed \$170M of D&A expense 3. Pre-tax equivalent (\$167M) of ~ \$100M annual cash benefit from amortization of tax step-up

# Our journey

2013

2014

2015

2016-17

Legacy

Learn



Change senior mgmt



Transform team



Drive to excellence



32 of 40



New

Bad deals



Fix deals



Colorado Springs



Begin to grow/shift mix



R&D



Everett





# Jim Rechten

President, DaVita Medical Group California

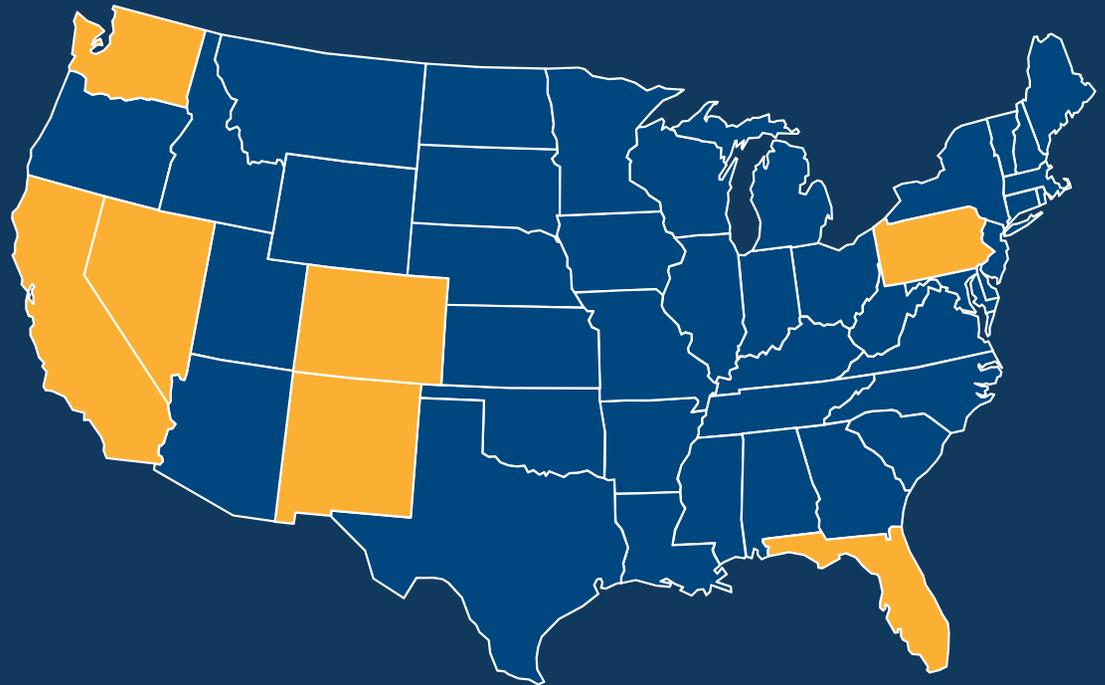


## DaVita Medical Group

- What is our outlook?
- How reasonable is the outlook?
- Why do we like this business?

# DaVita Medical Group

- 1,600 team clinicians
- 12K affiliate physicians
- 1.5M+ total patients
- 800K PHM lives
- 250 clinics



# DaVita Medical Group

- \$5.0B Care dollars under management<sup>1</sup>
- \$3.9B Revenue<sup>1</sup>
- 2016 Operating Income: \$175-225M<sup>2</sup>
- 2016 EBITDA: \$370M (midpoint)<sup>2</sup>
- 2016 Tax Adj EBITDA: \$537M (midpoint)<sup>2</sup>

1. LTM 3/31/2016

2. 2016 guidance excludes non-recurring items, including a goodwill impairment charge of \$77M and a \$16M estimated accrual associated with NV hospice

# Outperforming MA benchmarks

STAR Measure	DMG avg	MA Nat'l avg	
Body mass index (BMI)	4	4	
Colorectal cancer	5	3	
Diabetes: Blood sugar	5	4	
Diabetes: Nephropathy	5	3	
Diabetes: Eye exam	4	3	
Osteoporosis	4	3	
Rheumatoid arthritis	3	3	
Breast cancer	5	4	
Blood pressure	4	3	

Note: Preliminary data as of May 2016

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# Consistent across geographies

STAR Measure	DMG avg	CA	FL	NV	NM	CO	WA
Body mass index (BMI)	4	4	5	5	3	5	5
Colorectal cancer	5	5	5	4	5	5	5
Diabetes: Blood sugar	5	5	5	5	5	5	5
Diabetes: Nephropathy	5	5	5	5	4	4	4
Diabetes: Eye exam	4	4	4	4	4	4	3
Osteoporosis	4	4	4	3	4	5	3
Rheumatoid arthritis	3	3	3	2	5	5	4
Breast cancer	5	5	5	4	5	5	4
Blood pressure	4	4	4	5	5	5	5

Note: Preliminary data as of May 2016

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# 2016-2019

**Rate**

**Unit  
growth**

**Mix**

**Cost**

Legacy  
MA growth

New market  
conversion to  
Value

# 2016-2019

**Rate**

**Unit  
growth**

**Mix**

**Cost**

Legacy  
MA growth

New market  
conversion to  
Value

**5-9% OI CAGR<sup>1</sup>**

1. 2016 guidance excludes non-recurring items, including a goodwill impairment charge and an estimated accrual associated with NV hospice

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## DaVita Medical Group

- What is our outlook?
- How reasonable is the outlook?
- Why do we like this business?

# 2016-2019

**Rate**

**Unit  
growth**

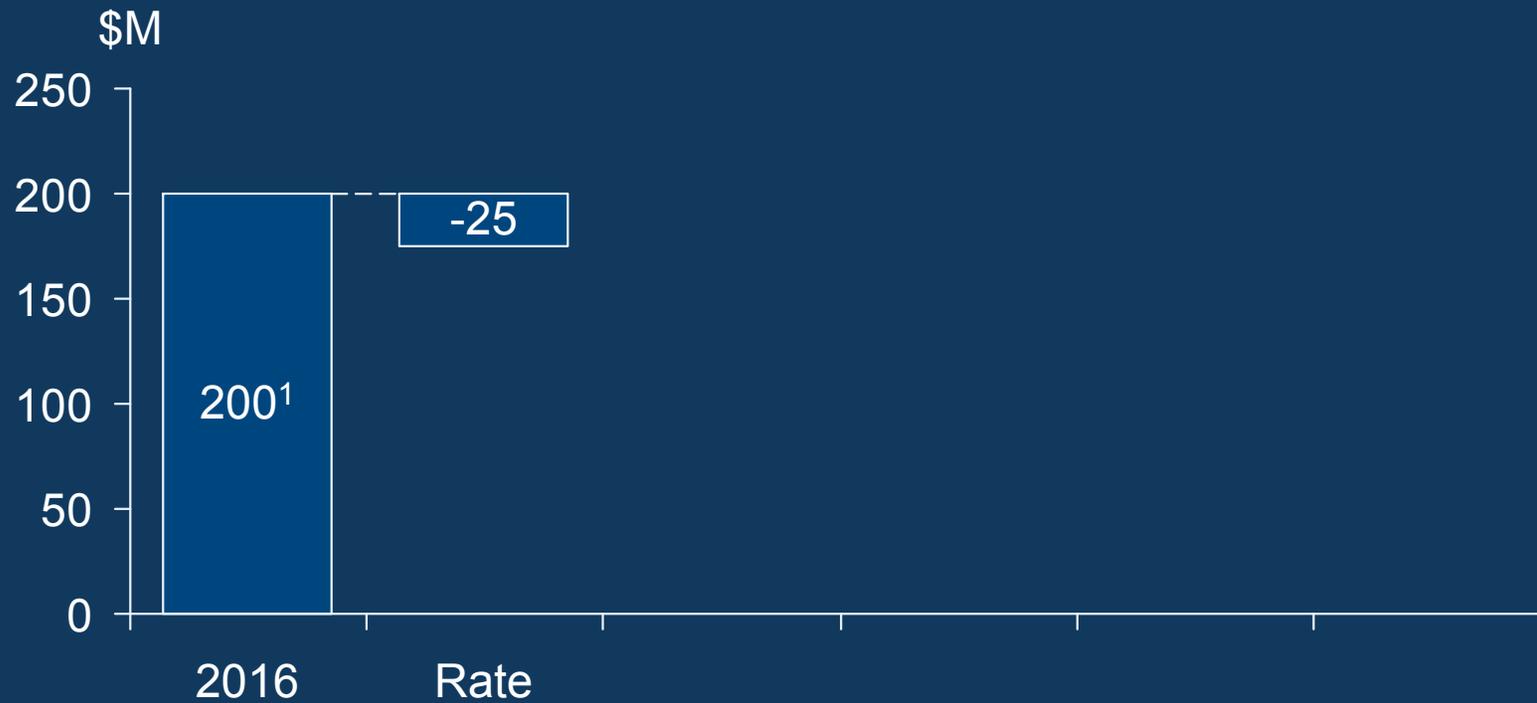
**Mix**

**Cost**

# Rate

- 2017: ~\$25M Medicare rate hit
- 2018 and beyond: Tracks medical expense

# 2016-2019 OI outlook



1. Mid-point of guidance, excludes non-recurring items, including a goodwill impairment charge of \$77M and an estimated accrual associated with NV hospice of \$16M

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# 2016-2019

**Rate**

**Unit  
growth**

**Mix**

**Cost**

Legacy  
MA growth

# Medicare Advantage growing

Members (M)



Note: Includes cost and demonstration plans, and enrollees in Special Needs Plans as well as other Medicare Advantage plans

Source: Kaiser Family Foundation analysis of Congressional Budget Office data

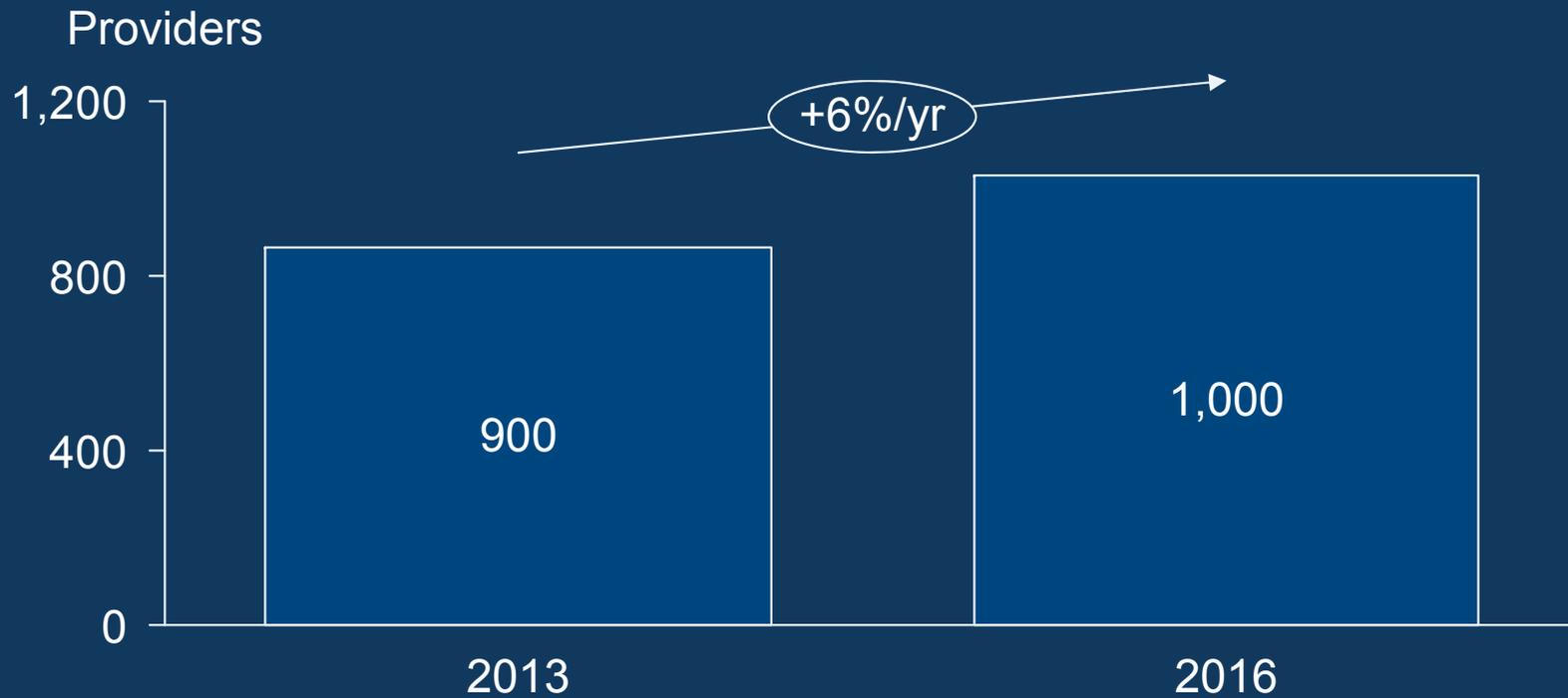
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## 4% Legacy MA patient growth

- Our geography projected at 4-6% per year
- Significant investments
  - Growing physician network
  - Physician and patient experience

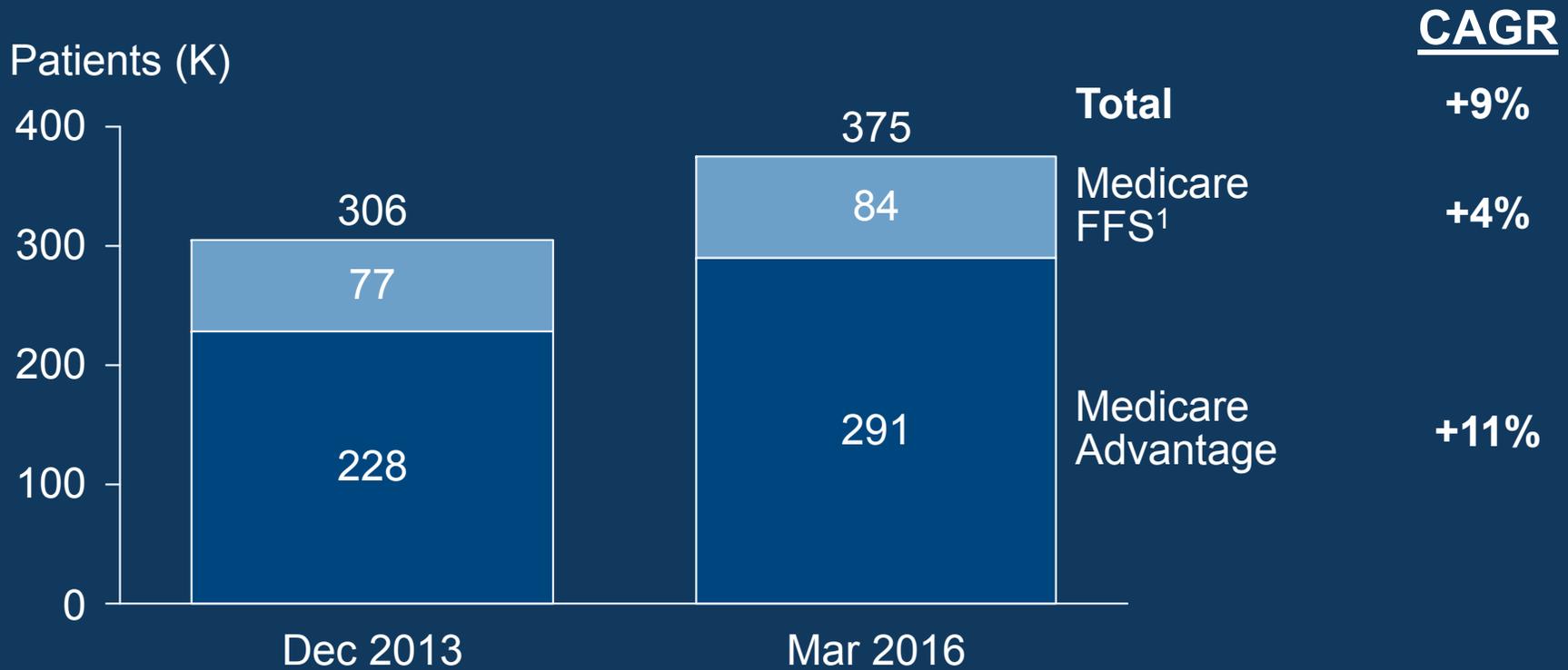
# Building capacity

Legacy geographies only



Note: As of Mar 31 of each year. Includes employed PCPs, specialists, hospitalists, and advanced care practitioners  
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# Legacy Medicare growth



1. Unique Medicare fee-for-service patients (i.e., not covered by a capitation arrangement) seen in 12 months ending in labeled quarter, e.g., "Dec 2013" = 1/1/13 to 12/31/13

# 2016-2019 OI outlook



1. Mid-point of guidance, excludes non-recurring items, including a goodwill impairment charge of \$77M and an estimated accrual associated with NV hospice of \$16M

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# 2016-2019

Rate

Unit  
growth

Mix

Cost

New market  
conversion to  
Value

# Why value-based contracts?

**Illustrative example: One Medicare patient for a year**

**Fee for Service**

\$600 revenue

**Value**

\$10,000 revenue

# Quality care = better economics

**Right  
diagnosis**

Appropriate risk adjustment

**Right care**

Quality bonus

**Right process**

Appropriate utilization

# ★ Why value-based contracts?

**Illustrative example: One Medicare patient for a year**

**Fee for Service**

\$600 revenue



~\$30 variable contribution

**Value**

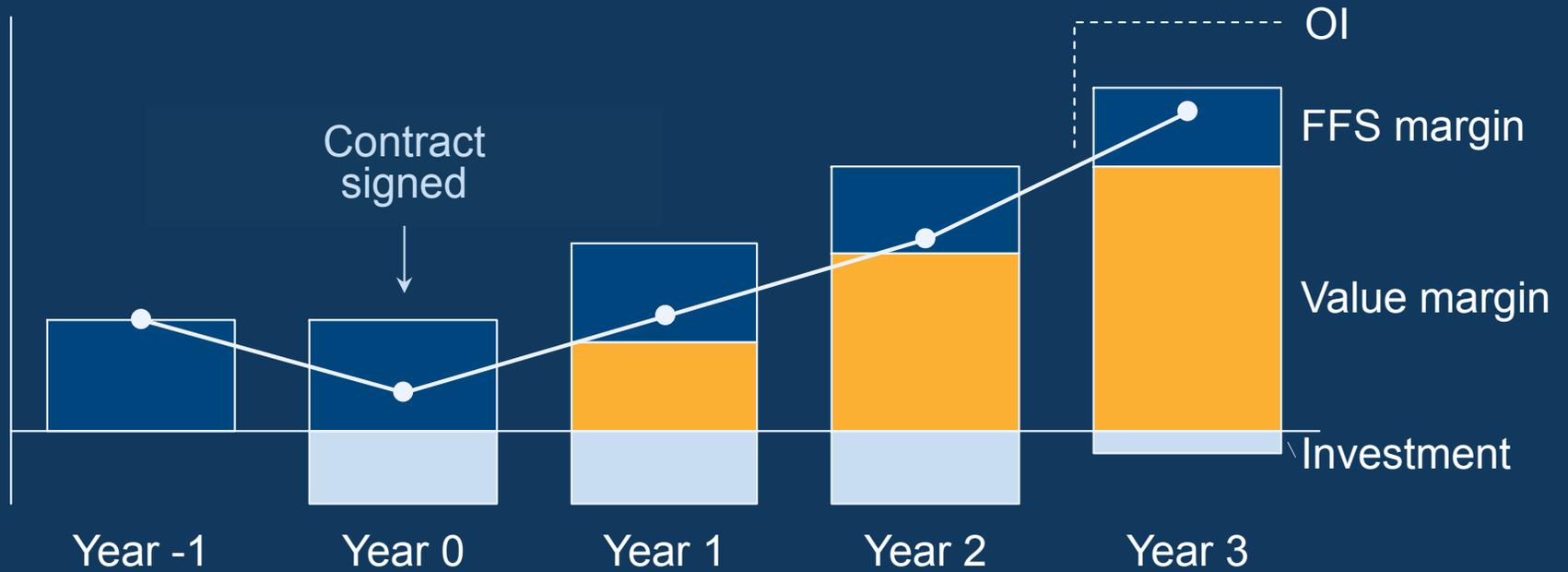
\$10,000 revenue



~\$500 variable contribution

# ★ “Value” takes time & money

Blinded example



# Conversion in new geographies

- Washington, New Mexico, Colorado
- 60K MA patients in non-full-risk contracts
- Most payors want to move
- Outlook
  - 50% conversion
  - 30% of average contribution

# 2016-2019 OI outlook



1. Mid-point of guidance, excludes non-recurring items, including a goodwill impairment charge of \$77M and an estimated accrual associated with NV hospice of \$16M

# 2016-2019

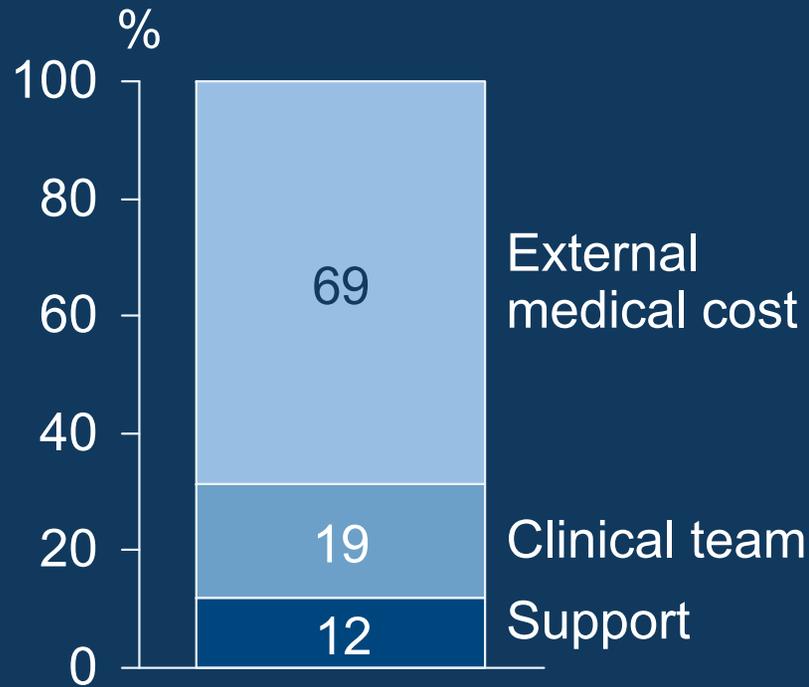
**Rate**

**Unit  
growth**

**Mix**

**Cost**

# Costs



**Investment**

+

**Savings**

# Building platform: examples

## Catch-up

- Oracle
- Security
- Compliance
- Business development

## Next generation

- Care management
- Predictive analytics
- JVs
- Innovation

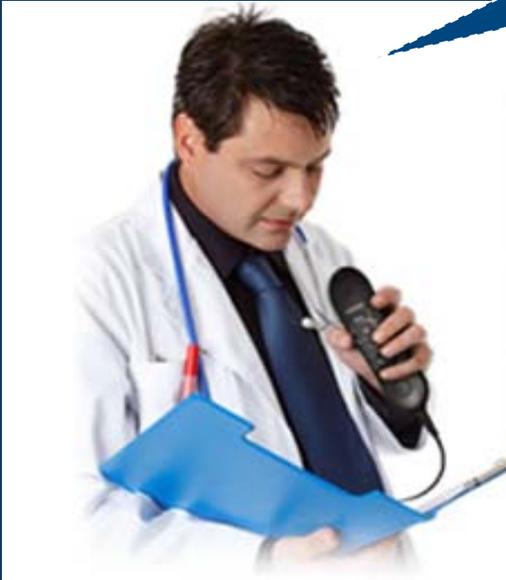
# Google Glass



- Time savings:
  - 1-2 hours
  - 3-4 more visits
- Positive patient feedback

# ★ Dragon 360 dictation

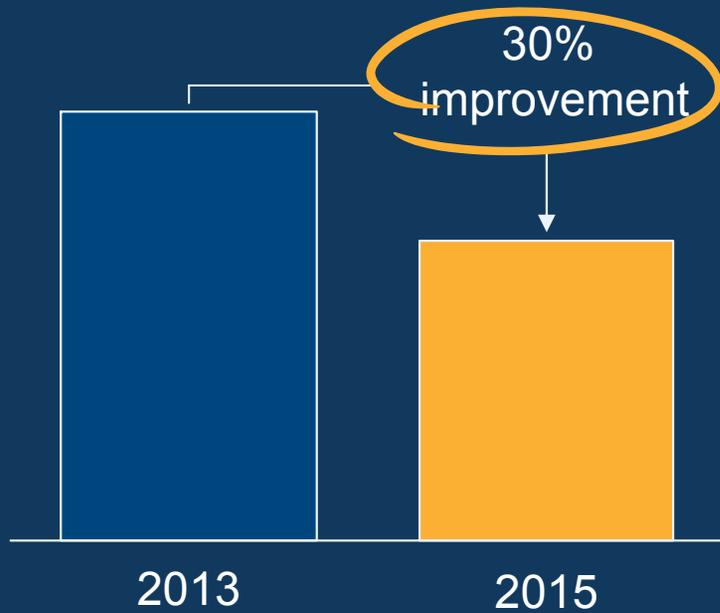
“Macro knee exam left”



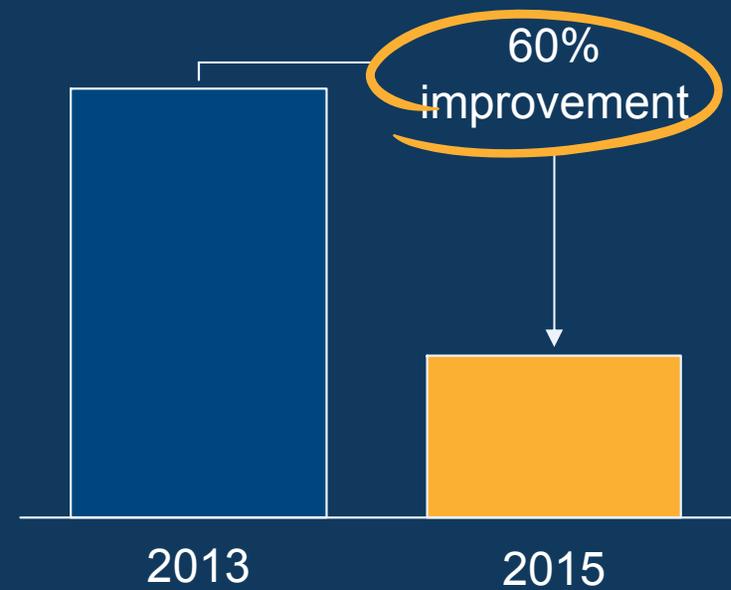
*“Left knee full range of motion,  
ballottement normal,  
grind test normal,  
anterior drawer negative  
posterior drawer negative,  
MCL intact, LCL intact”*

# Improving patient experience

## Patient referral processing time

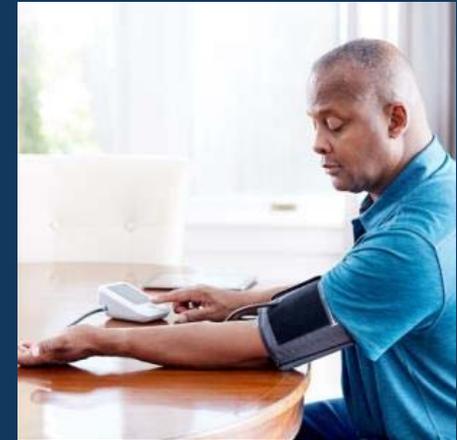


## Phone call abandonment rate



# ★ Remote monitoring and action

- Bluetooth scales, BP cuffs
- Direct link to data warehouse

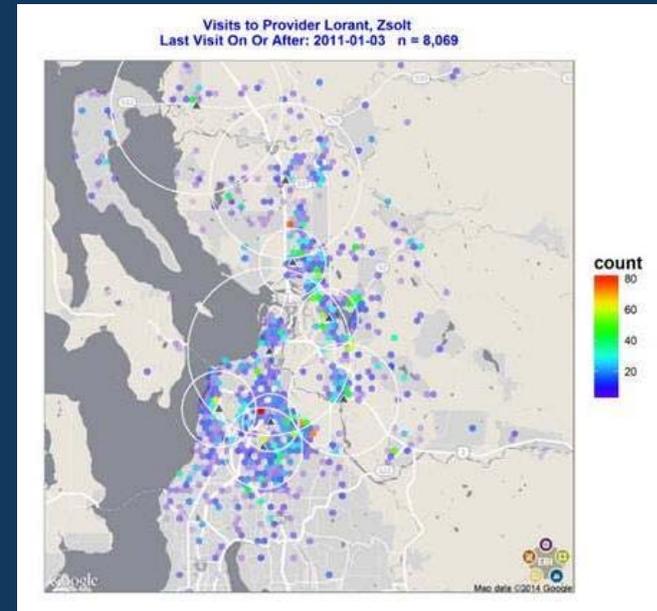


# Telepsychiatry

## Video setup



## Map of patient teleconsults



# Hospital alignment example

## Patients

- ✓ Access highest quality hospital in region
- ✓ Improved care coordination

## DMG

- ✓ \$5-15M / year savings

## Hospital

- ✓ Average daily census: from 48 to 76

# Improving utilization

For continuity, only legacy geographies shown

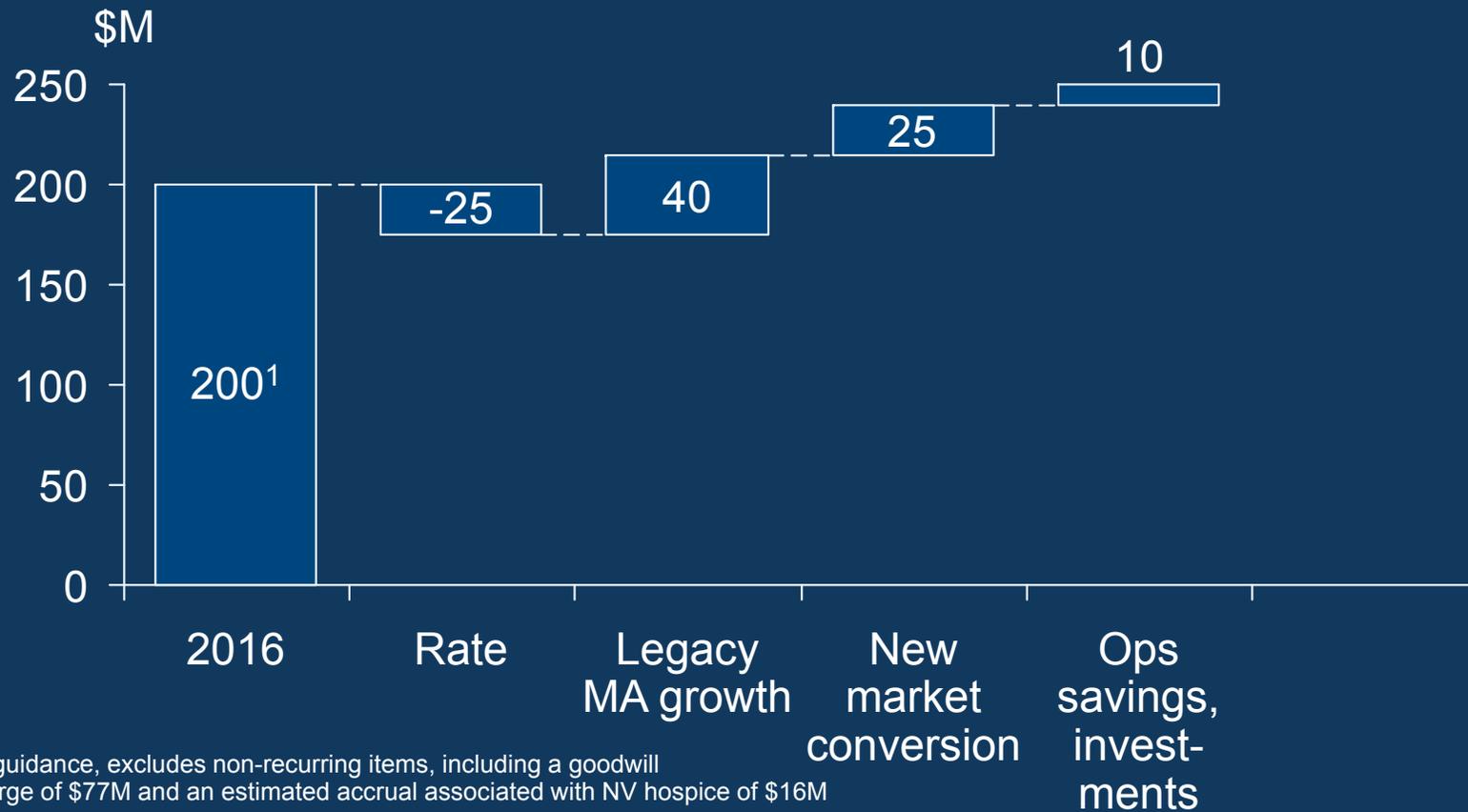
Senior acute admits  
per 1000



# Costs

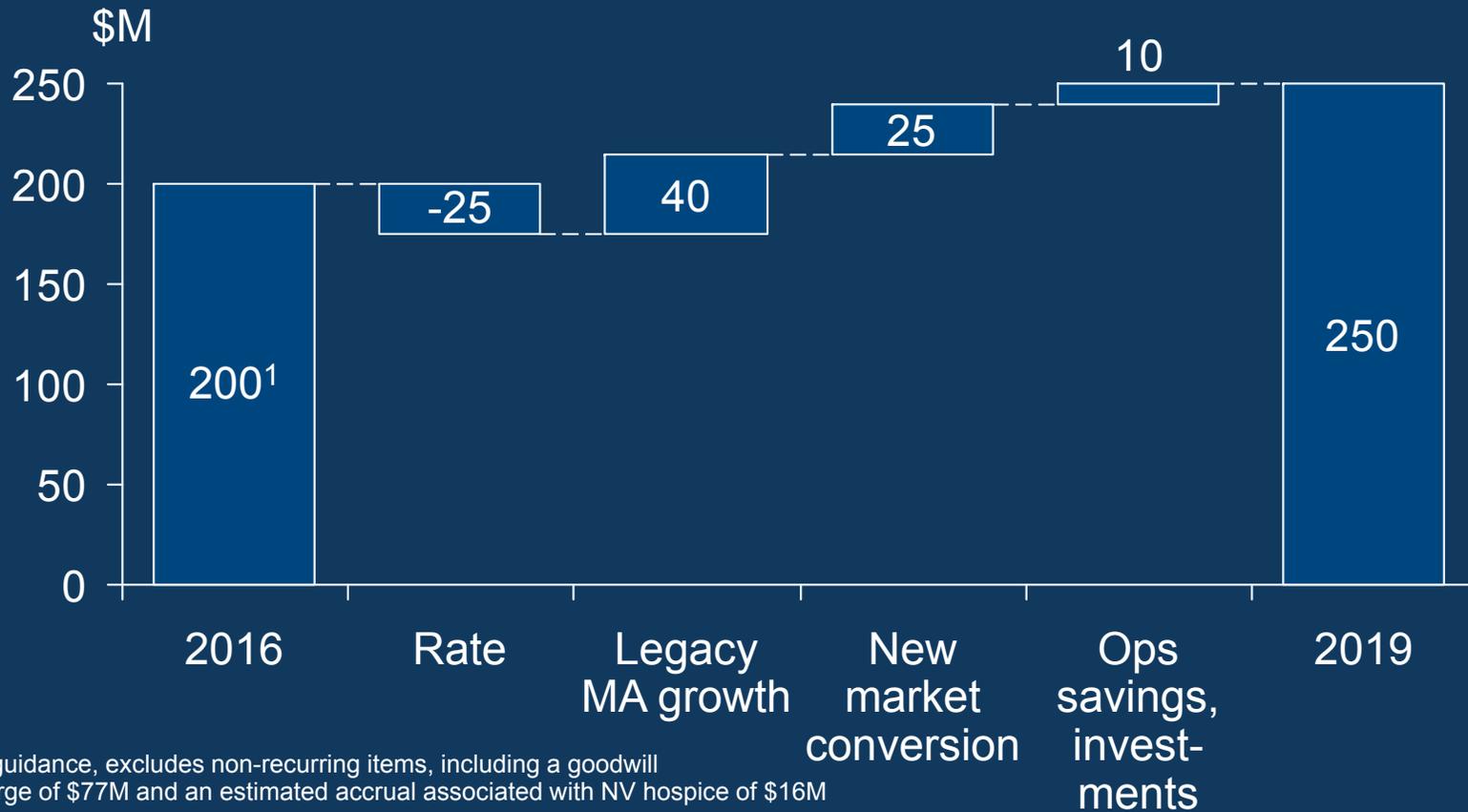


# 2016-2019



1. Mid-point of guidance, excludes non-recurring items, including a goodwill impairment charge of \$77M and an estimated accrual associated with NV hospice of \$16M

# ★ 2016-2019: 5-9% OI CAGR



1. Mid-point of guidance, excludes non-recurring items, including a goodwill impairment charge of \$77M and an estimated accrual associated with NV hospice of \$16M

## Other opportunities

- Commercial (included branded product)
- Medicaid / Dual-Eligibles
- Specialty drug management
- Post-acute management



## DaVita Medical Group

- What is our outlook?
- How reasonable is the outlook?
- Why do we like this business?

# Why do we like this business?

- Strong fundamentals
- Cash flow dynamics
- Optionality

# DaVita Medical Group

- Attractive segment
- Strong platform/asset
- Steady progress despite headwinds
  - Rate cuts
  - Capabilities
  - Relationships
- 2016-2019 Operating Income: 5-9% CAGR<sup>1</sup>
  - \$1.0B cumulative net cash flow<sup>2</sup>
- Leading Independent Medical Group in America

1. 2016 guidance excludes non-recurring items, including a goodwill impairment charge and an estimated accrual associated with NV hospice

2. OCF excluding interest expense less maintenance capex & acquisitions other than the Everett Clinic.



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## Strategic premise

- Large and growing market
- Increasing pressure on governments
- Transferable competence and brand
- Potential platform for other services

# Footprint



**124 clinics, 11 countries outside the U.S.  
Caring for 10,000+ patients**

# International growth

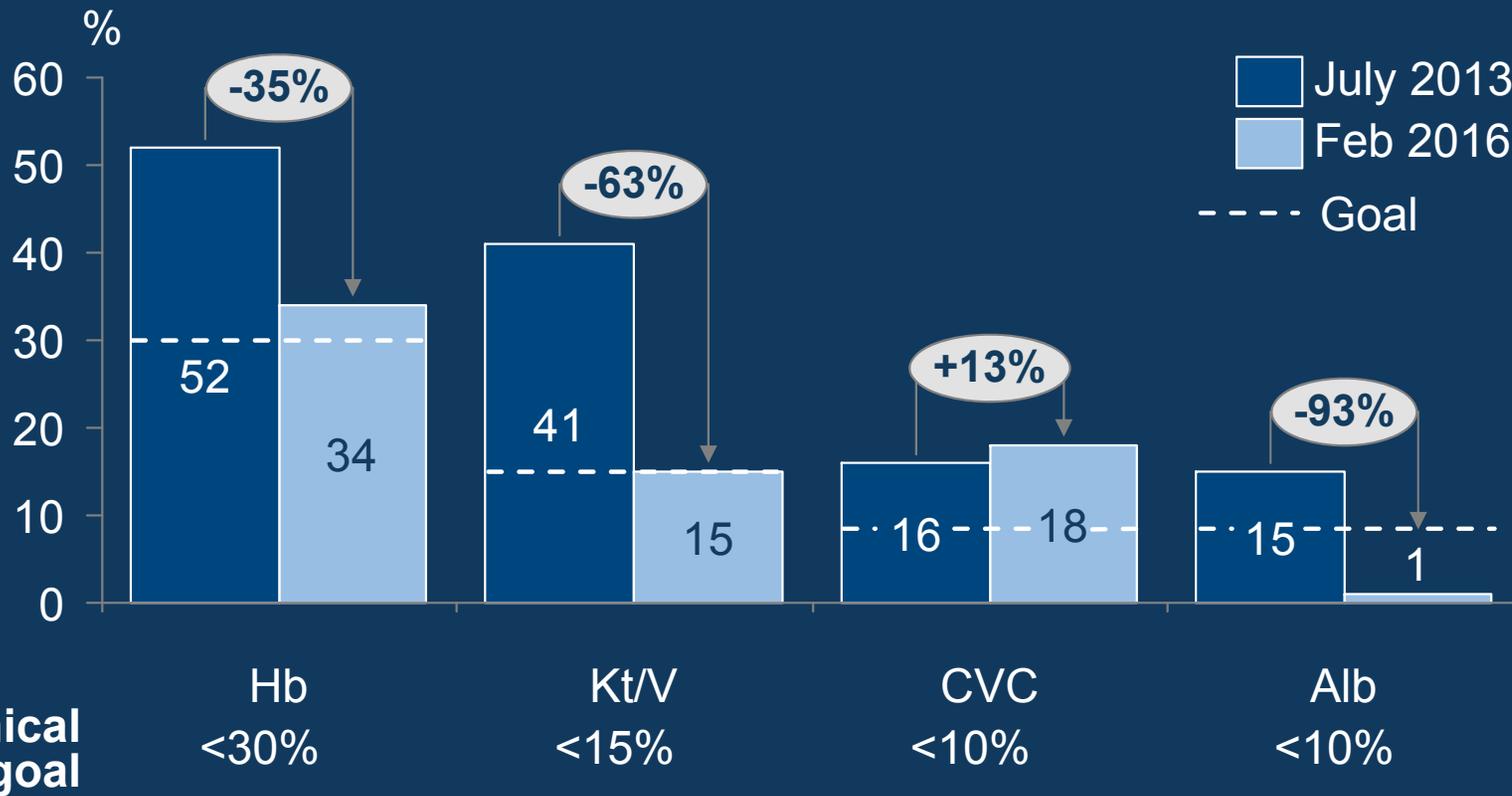


# Achieving scale

(\$ in Millions)

<u>Year</u>	<u>Total revenue</u>	<u>Revenue / country</u>
2012	\$15	\$2
2013	67	7
2014	109	11
2015	140	13
2016E	~275	25

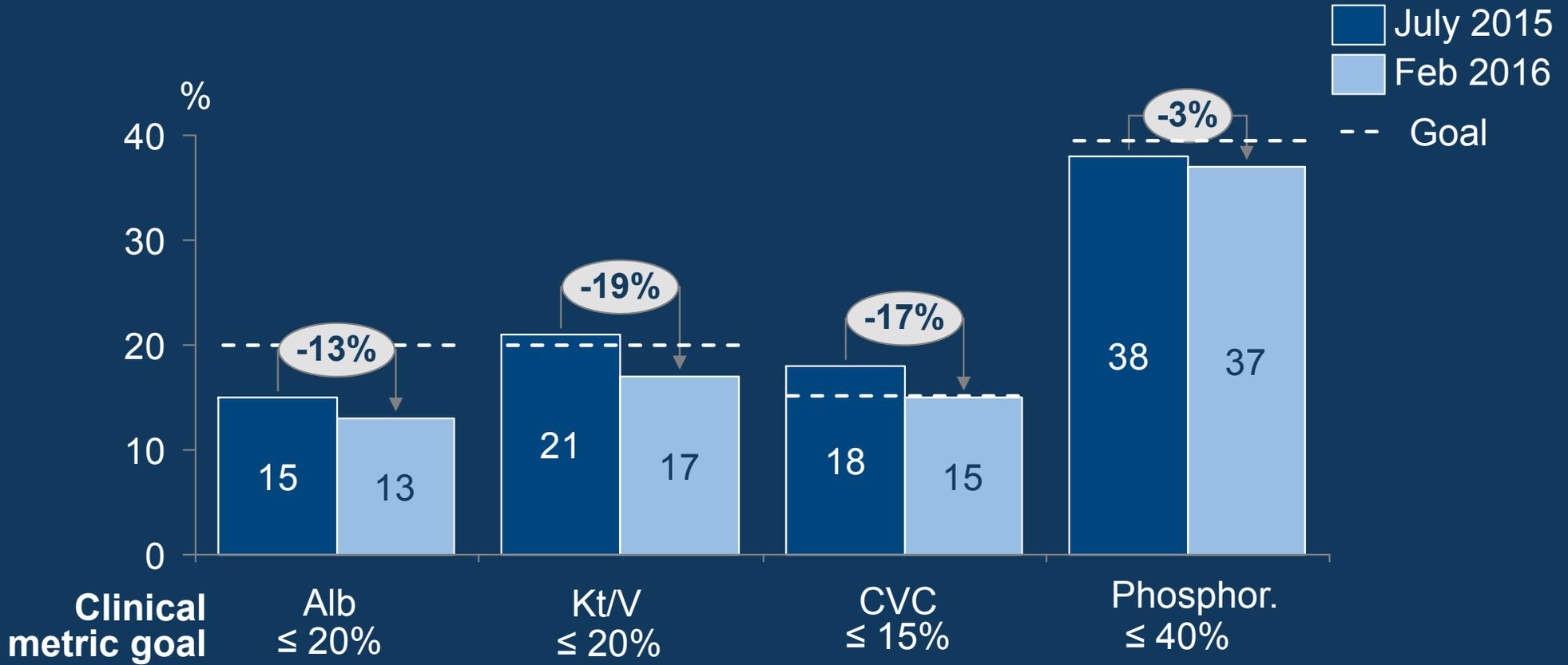
# ★ Clinical progress in Malaysia



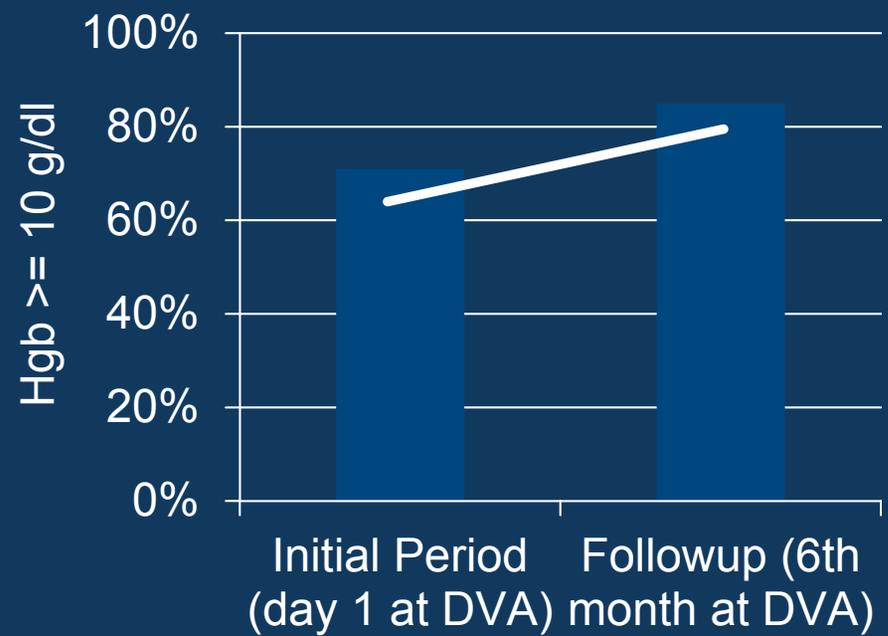
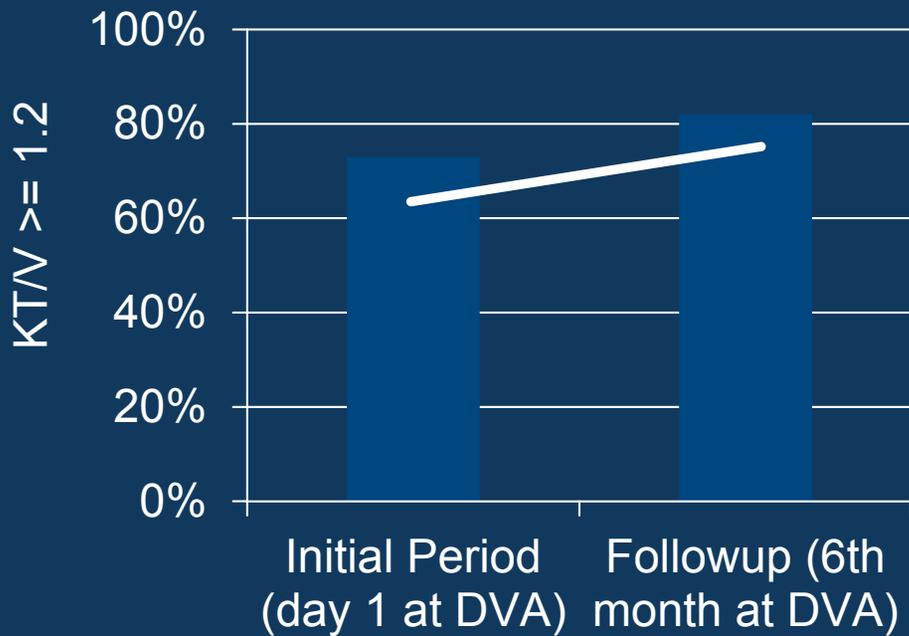
Note: Restricted to patients >90 days on dialysis; n = 24 centers

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# ★ Clinical progress in Germany



# ★ Clinical progress in Saudi Arabia



# One Company

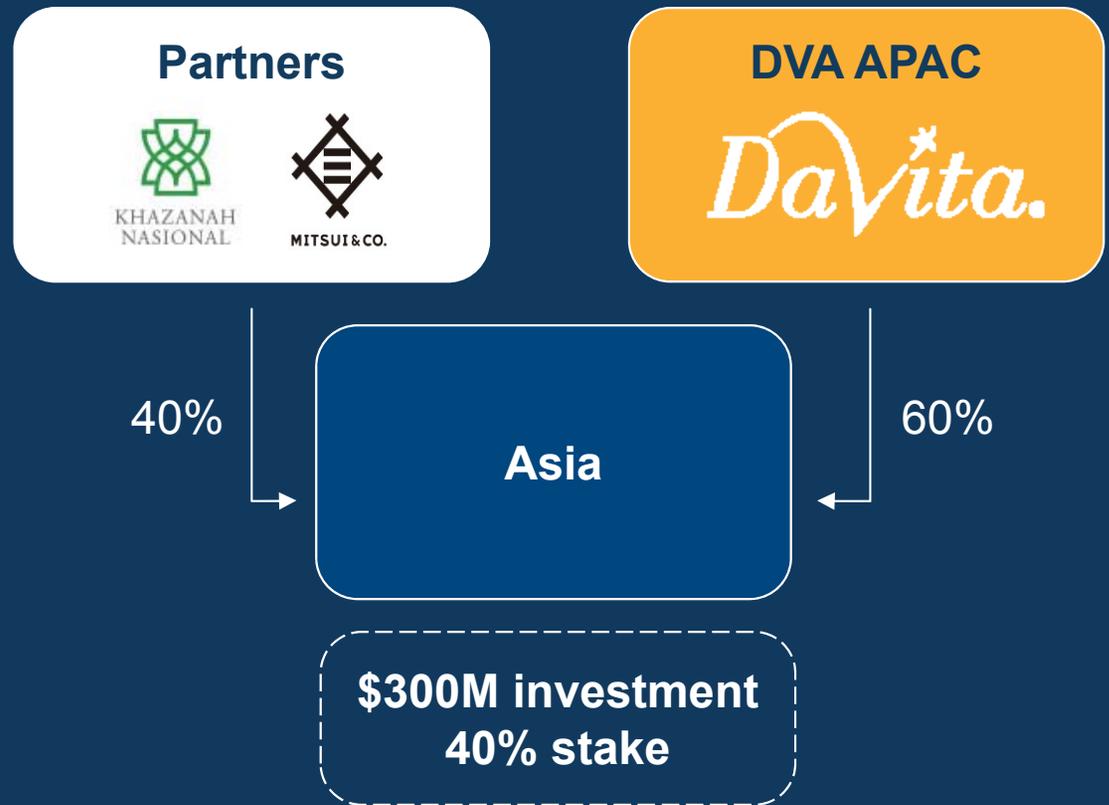


# Financial outlook

	OI Guidance
2016	~(\$40M)
2018	Breakeven

# ★ Asia Kidney Care joint venture

- Strong partners
- Shared vision





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# Javier Rodriguez

Chief Executive Officer, DaVita Kidney Care



## DaVita Kidney Care

- Industry Overview
- Company Overview
- Outlook

# ★ Typical dialysis center

- 80 patients
- 17 teammates
  - 5 nurses
  - 8 techs
  - 4 other
- Medical Director
- 18 machines and chairs
- \$4M revenue



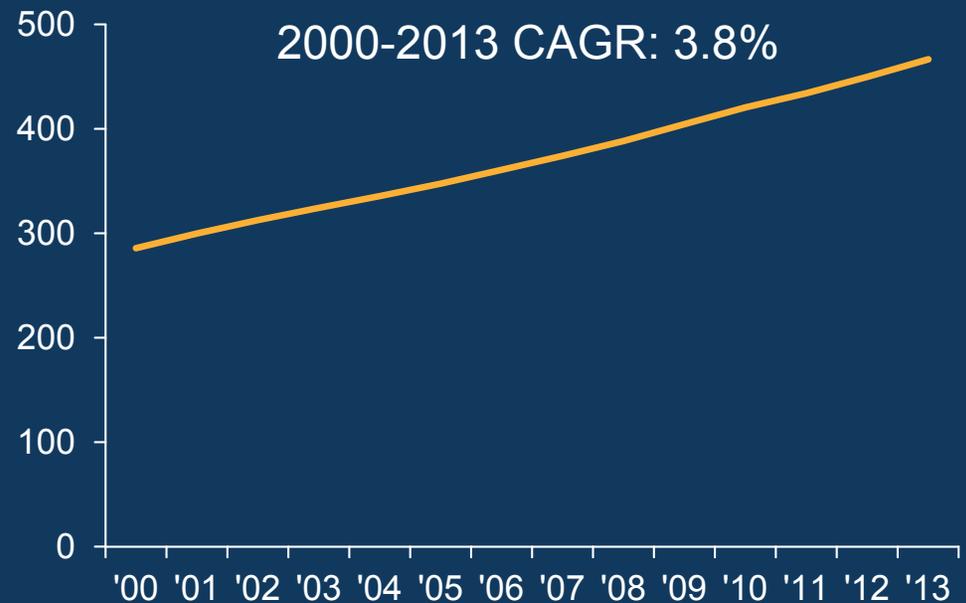
# Industry overview

- Stable demand growth
- Strong cash flow generation
- Significant government engagement
- Private payors subsidize government
- Dynamic payor landscape and ESA marketplace

# ★ Stable demand growth

- Steady industry demand
  - Life-sustaining care
  - Limited therapeutic alternatives
  - Not cyclical or seasonal
  - Strong center loyalty

## U.S. dialysis patients (000s)



Source: USRDS 2015 Annual Data Report

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# ESRD population growth profile

**Impact on  
ESRD growth**

**Industry dynamic**



65+ age population growing



Growing Hispanic population at higher risk



Historical improvement in mortality slowing

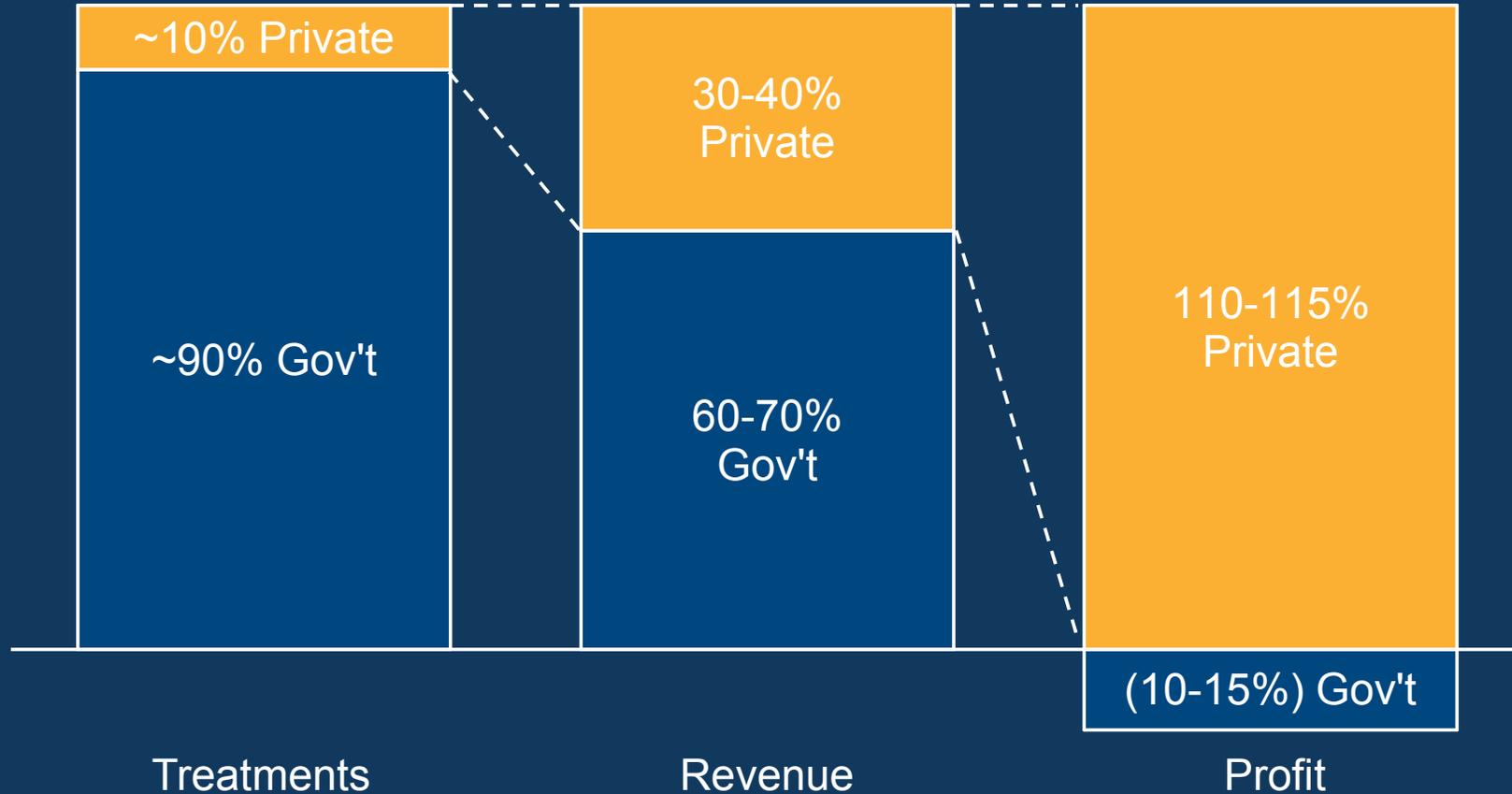


Management of diabetes and hypertension

# Significant government engagement

- Dialysis represents ~1% of Medicare patients, but ~7% of total Medicare budget
  - Fragile patient population
- ~90% of DaVita's patients funded by government payors
  - Transparent economics

# ★ Private payors subsidize government



# Dynamic payor landscape

- Constant rate pressure
  - Seeking comprehensive solutions
  - Narrow networks
- Payor consolidation
- Healthcare exchanges (double-edged sword)



## DaVita Kidney Care

- Industry Overview
- Company Overview
  - Clinical Outcomes
  - Integrated Kidney Care
  - Financial Trilogy
- Outlook

# Kidney Care at a glance

• U.S. Facilities <sup>1</sup>	2,278
• U.S. Patients <sup>1</sup>	182k
• Kidney Care Teammates <sup>1</sup>	52k
• LTM Treatments (U.S.) <sup>2</sup>	26.4M
• Kidney Care LTM Revenue <sup>2</sup>	\$10.2B
• Kidney Care LTM Adjusted OI <sup>2,3</sup>	\$1.7B

1. As of March 31, 2016

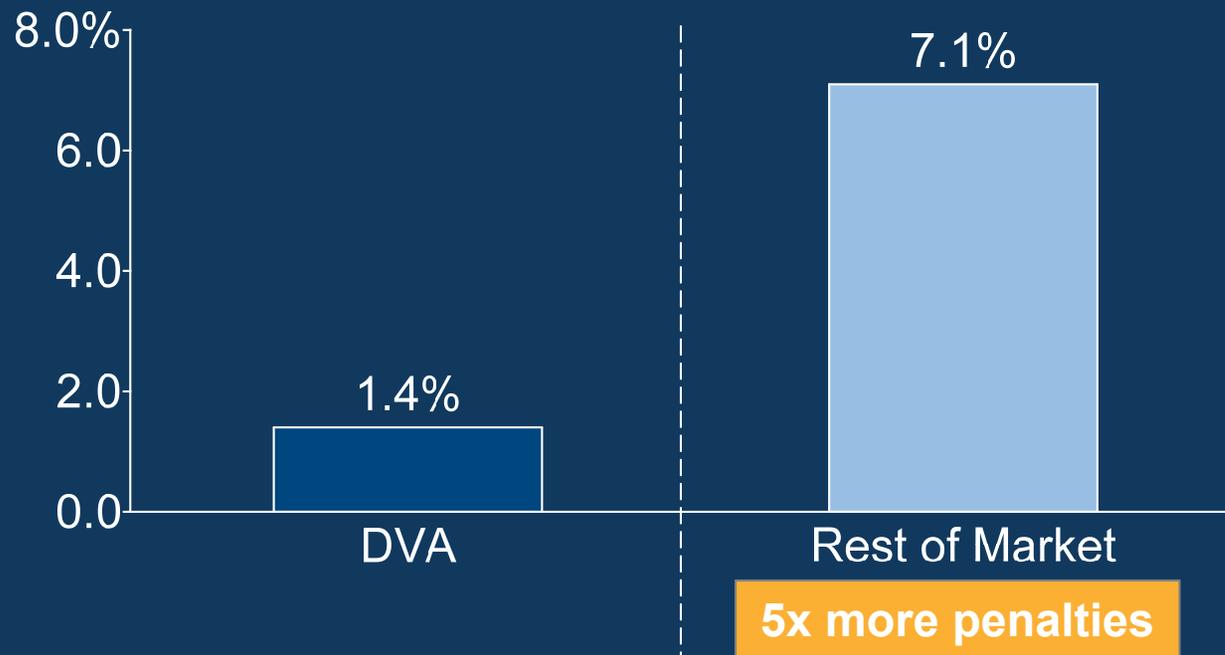
2. LTM as of March 31, 2016

3. Non-GAAP measure, excludes certain one-time items

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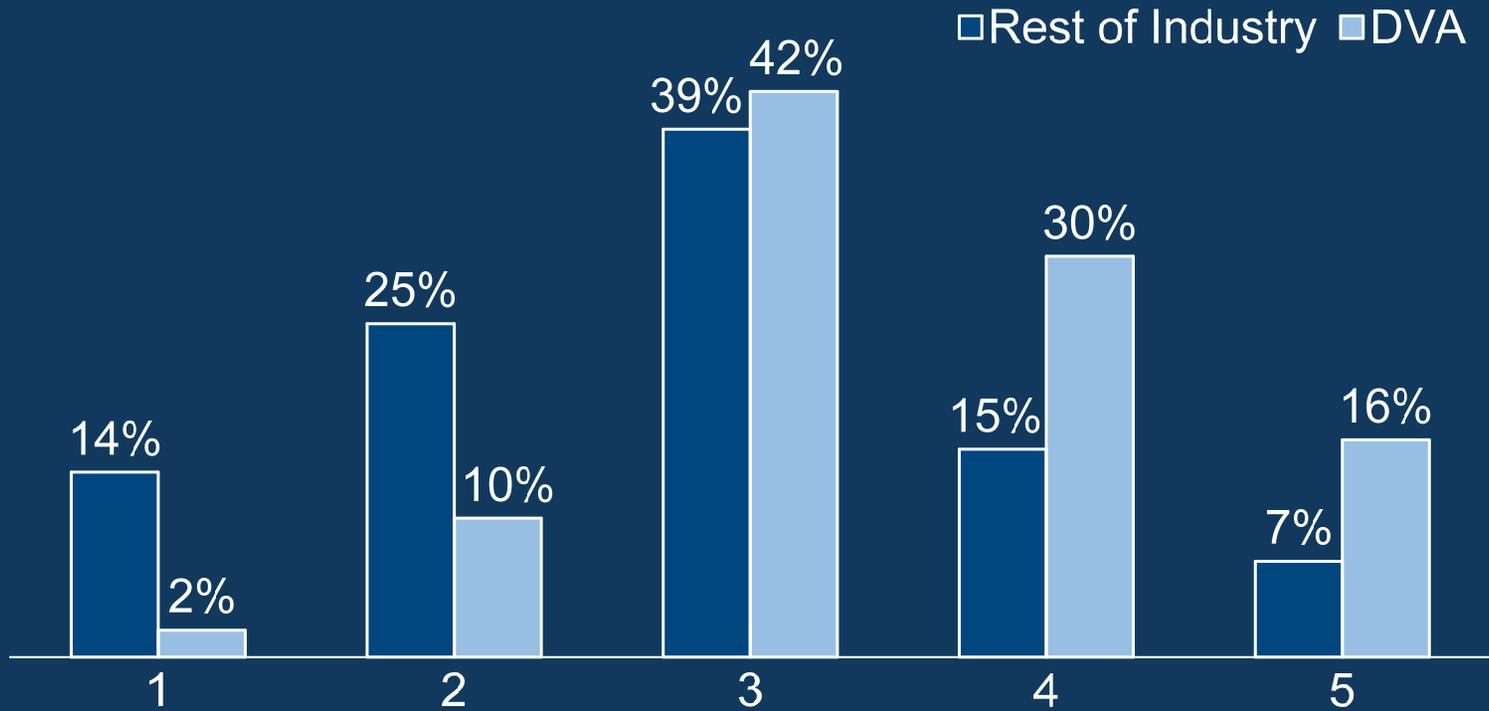
# Continued outperformance in QIP

## 2016 QIP Penalty Facilities



Note: Figures reflect performance in calendar year 2014 and CMS' account of facility ownership as of December 2014  
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# DVA continues to lead in Five-Star



7x fewer 1 Star facilities

2x more 5-Star facilities

Note: 2016 star ratings  
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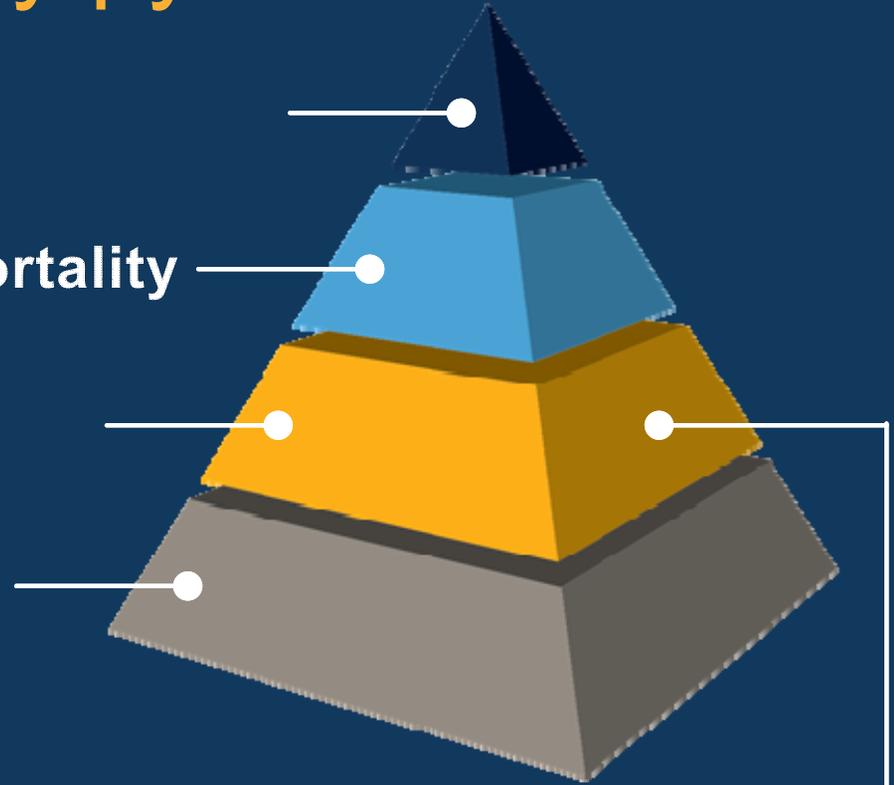
# ★ Patient-focused quality pyramid

Quality of life

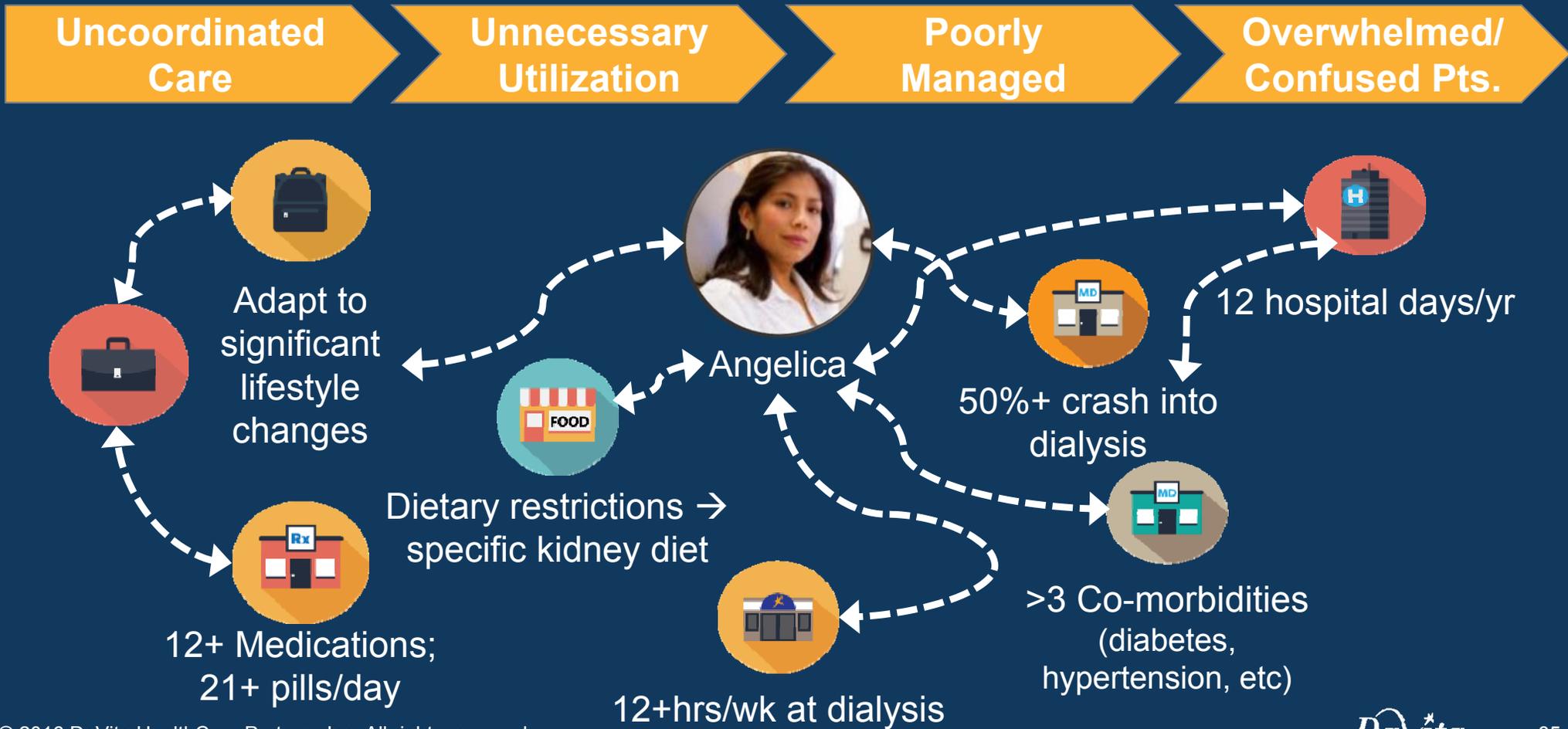
Hospitalizations / Experience / Mortality

→ Complex Programs

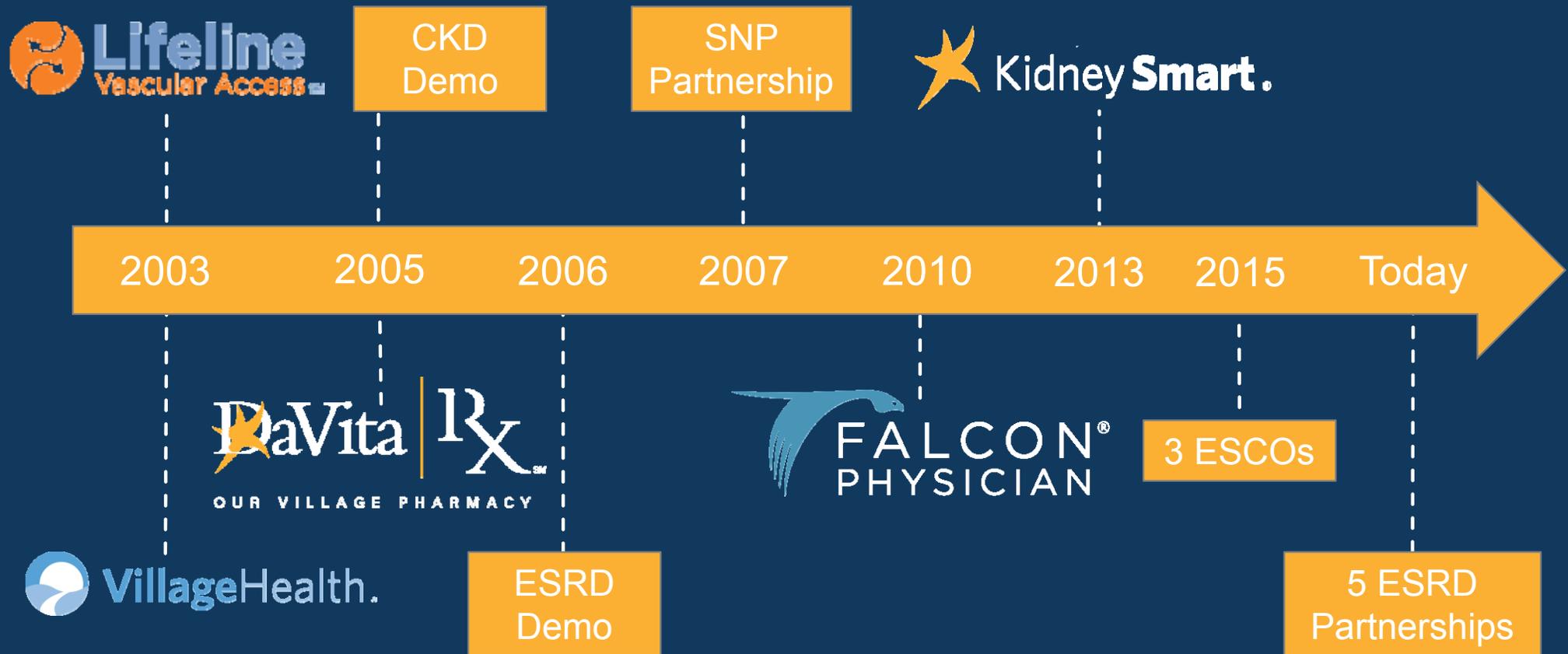
The Fundamentals



# ★ Need for care coordination

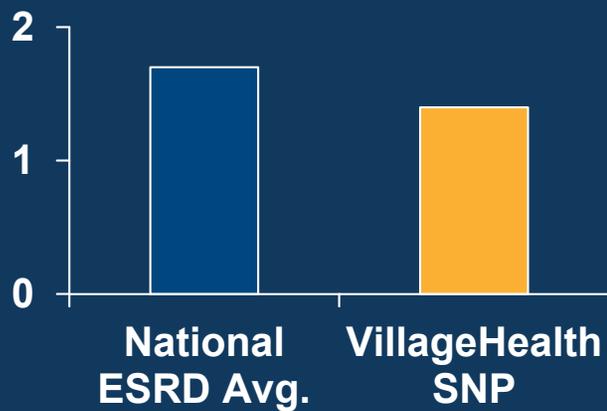


# ★ Building coordinated care since 2003



# ★ Success with coordinated care

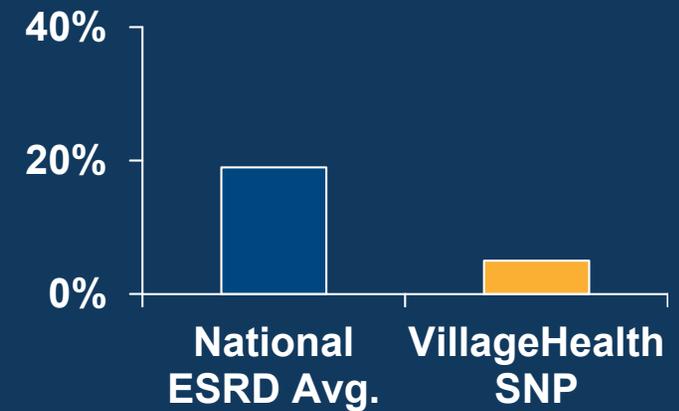
## Hospitalization



**20%  
Better**



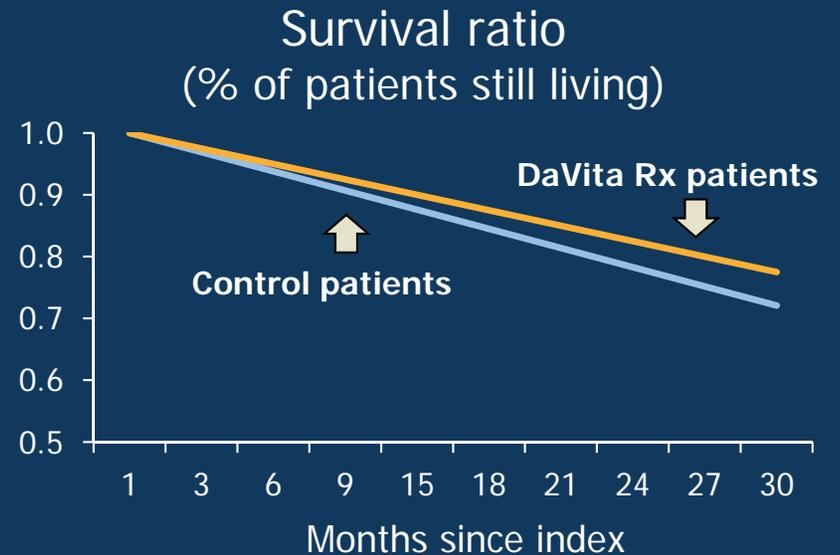
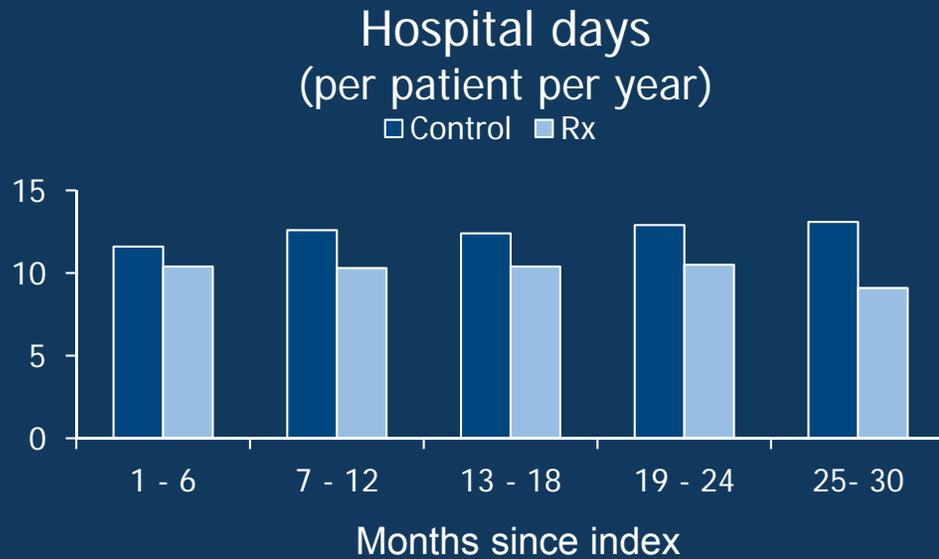
## Catheter



**75%  
Better**

Sources: 2015 USRDS Annual Report, ESRD National Coordinating Center ("Fistula First Catheter Last" Dashboard data)  
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# Clinical differentiation from Rx



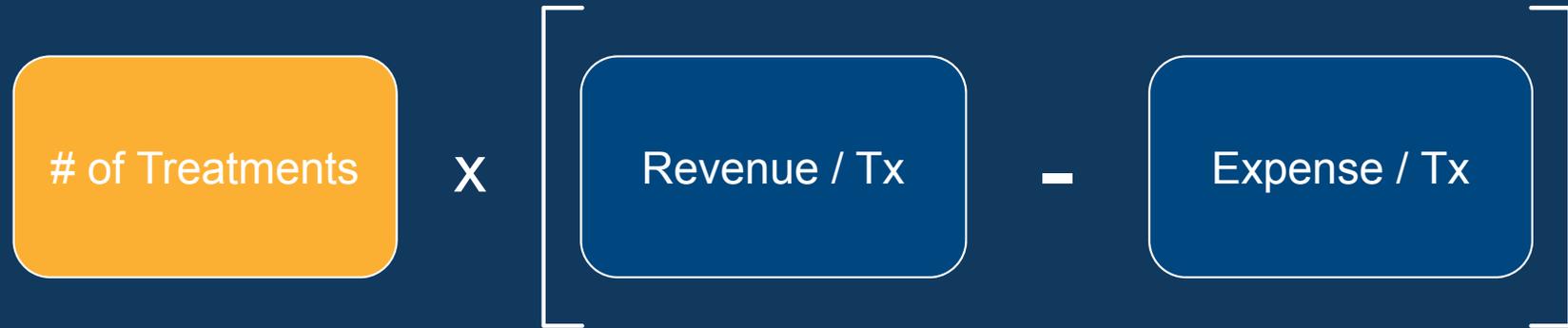
15% fewer days spent in the hospital  
21% risk reduction in mortality

Source: Chronic Disease Research Group (CDRG); over 50,000 DVA patients analyzed in “as treated” study  
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# Policy swing factors

- Integrated care legislation
- Protecting commercial coverage

# Financial trilogy



- 4.5% - 6.0% growth

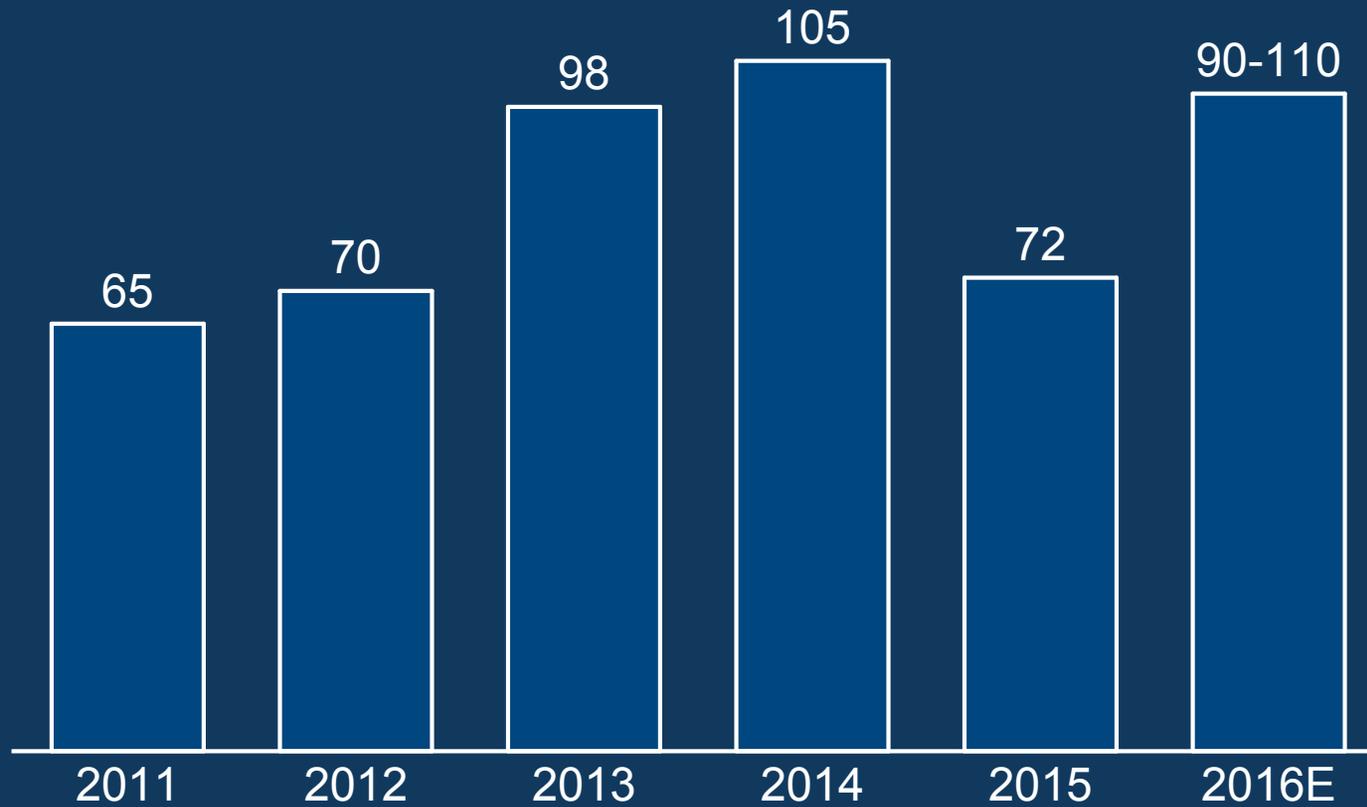


Steady Growth

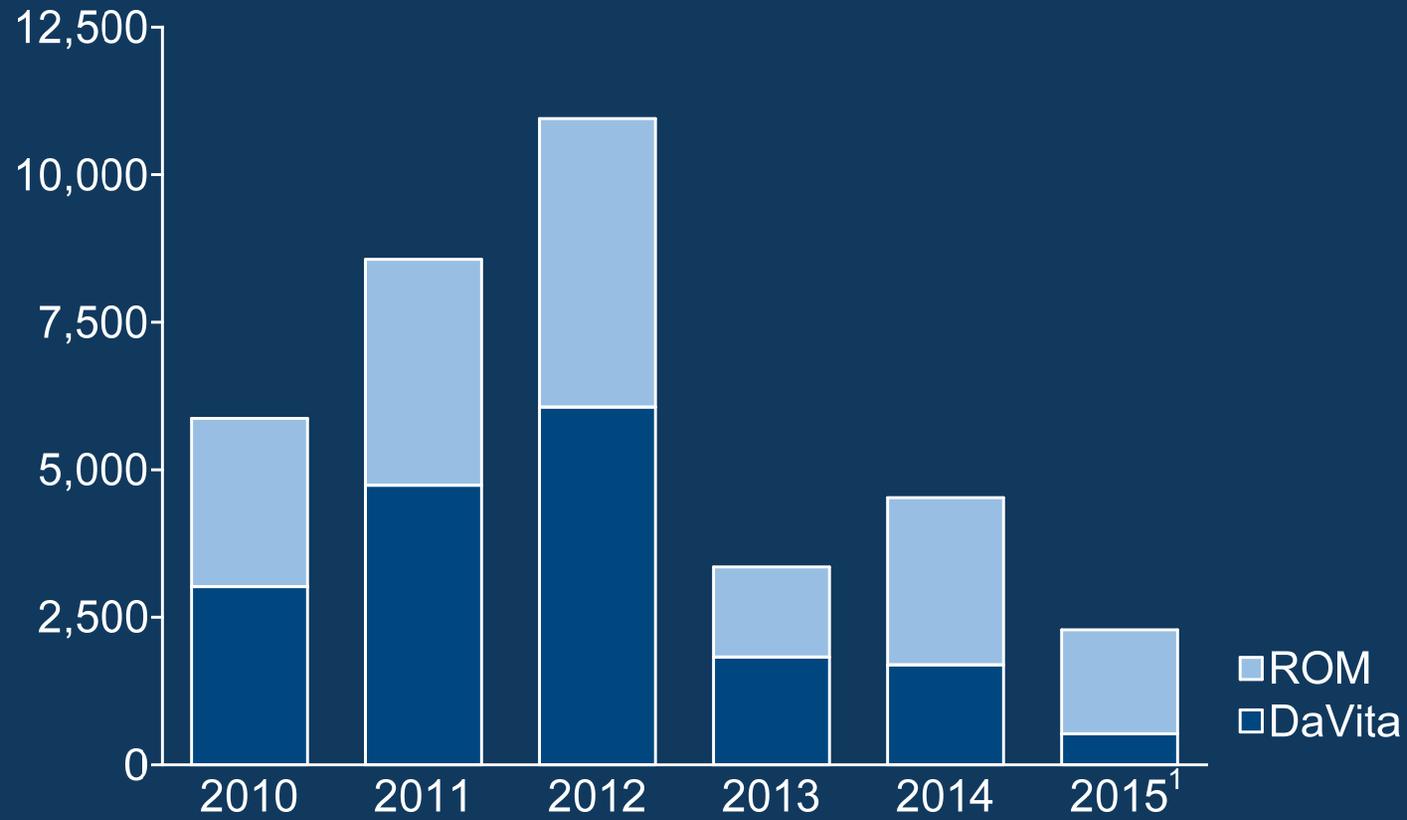
# Normalized non-acquired growth (NAG)



# Continuing DeNovo focus

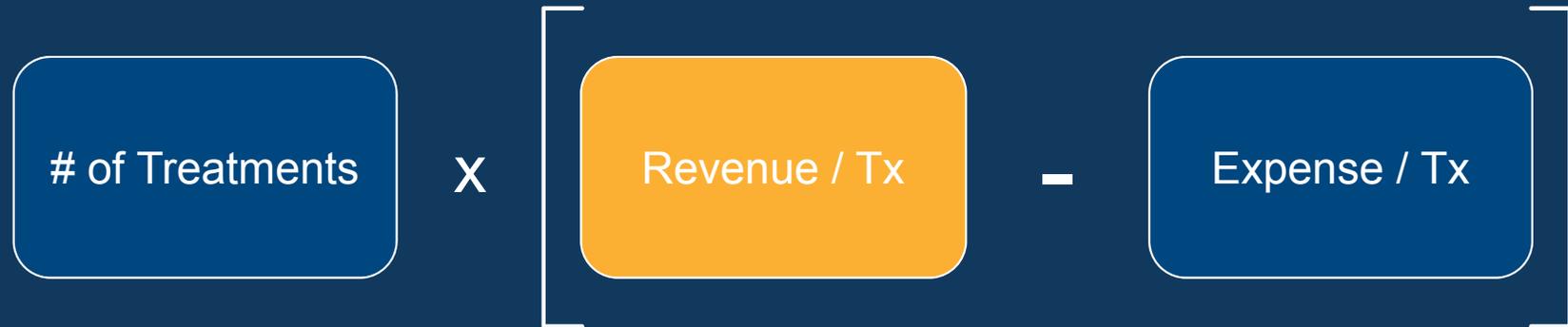


# Census of acquired centers



1. Calculated using 2014 census data for acquisitions completed in 2015  
Note: excludes mergers in excess of 1,000 patients

# Financial trilogy



- 0.0% - 1.5% growth



Normal Dynamics  
(other than  
Exchanges)

# Medicare reimbursement outlook

- 2017: Market basket minus 1.25%
- 2018: Market basket minus 1.00%
- 2019+: Market basket

# Drivers of commercial volume

**Impact on  
payor mix**

**Industry dynamic**



Improving employment rate

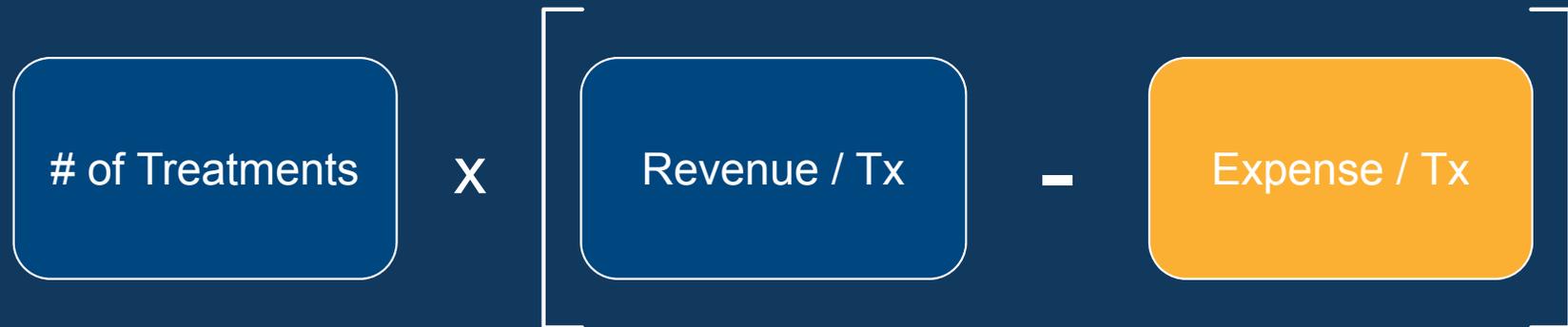


Affordable Care Act / Exchanges



Incidence rate of ESRD

# Financial trilogy

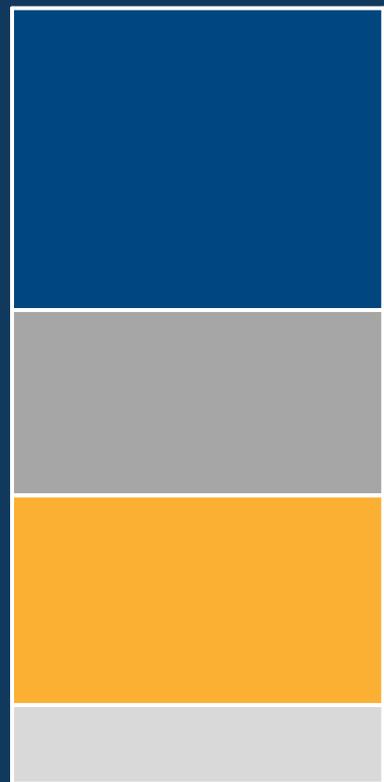


- 0.5% - 2.0% growth



Normal Dynamics  
(other than ESAs)

# Cost per treatment

	<u>Component</u>	<u>Historical</u>
	• Teammate costs	• ~2%/yr
	• Pharma and supplies	• Dynamic
	• Other center-level costs	• ~2%/yr
	• G&A and other corporate	• ~in-line with tx

# Dynamic ESA marketplace





## DaVita Kidney Care

- Industry Overview
- Company Overview
- Outlook

# Outlook



**2% – 7% OI Growth**

# U.S. Kidney Care summary

## What is the same?

- Clinical excellence
- Capital-efficient treatment growth
- Commercial mix/rate dynamic
- Few acquisition opportunities

## What is more dynamic?

- ESAs
- Exchanges
- Payor evolution
- Population health



Introduction

DaVita Medical  
Group

DaVita  
International

DaVita Kidney  
Care

Enterprise  
Summary



**Jim Hilger**

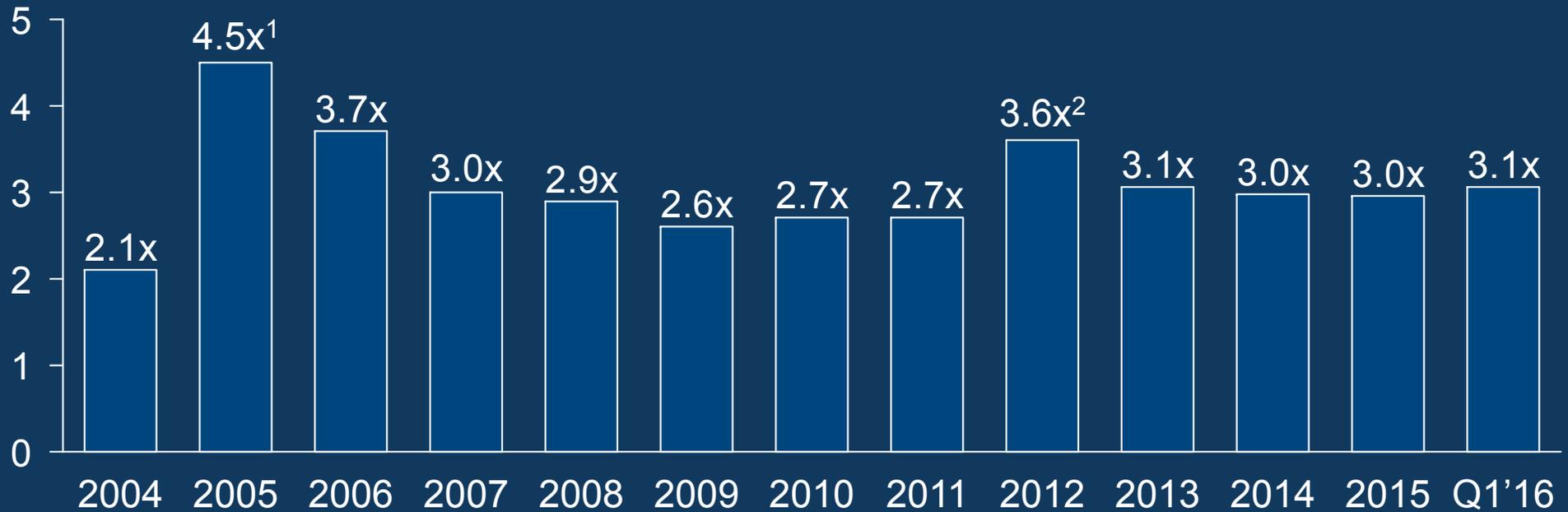
Interim Chief Financial Officer & Chief Accounting  
Officer



## Enterprise Summary

- Capital Structure
- Capital Deployment
- Summary

# Leverage ratio



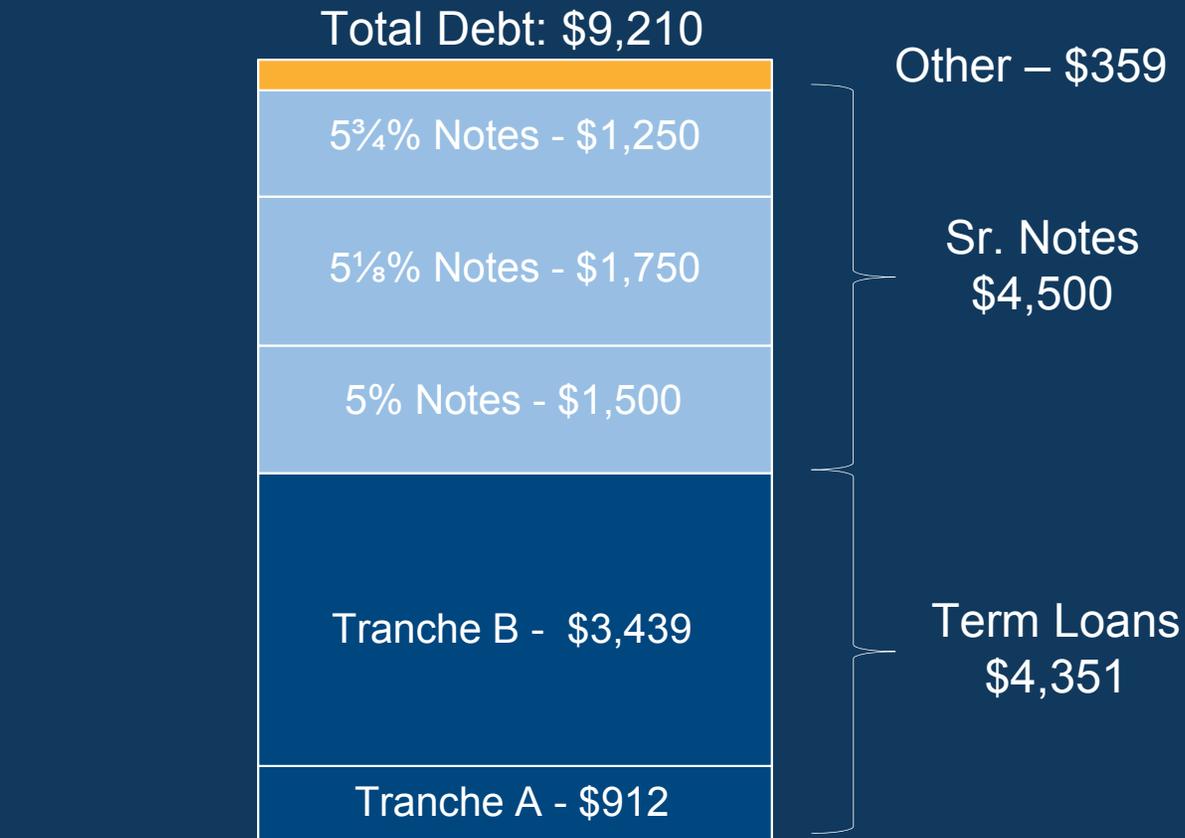
Note: Leverage ratio as defined in Credit Agreement 1. Gambro Healthcare acquisition – October 2005; 5.2x leverage pro forma for transaction and 4.5x leverage at end of year after FTC-mandated divestitures 2. HCP acquisition – November 2012

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# Debt structure

As of 3/31/2016

\$ millions



Note: Excludes the debt discount associated with the company's Term Loan B and other deferred financing costs.

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# Debt maturities

\$ millions

■ Term Loan A ■ Term Loan B ■ 5.125% Sr. Notes ■ 5.75% Sr. Notes ■ 5.00% Sr. Notes



1. Excludes adjustments for certain items that are contained in the definition per the credit agreement.

2. \$1,000 revolver expires in 2019

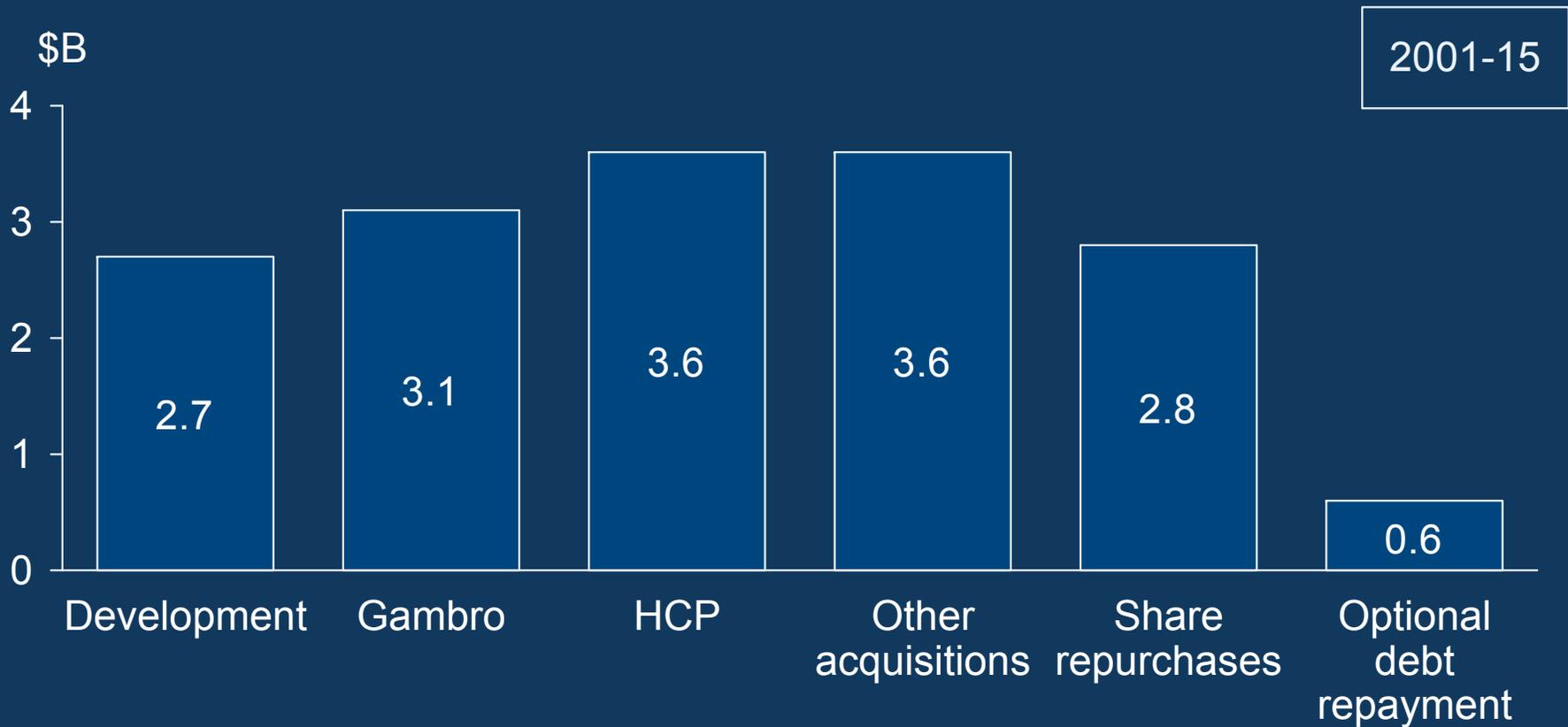
Note: Does not include maturities of other debt of \$359M



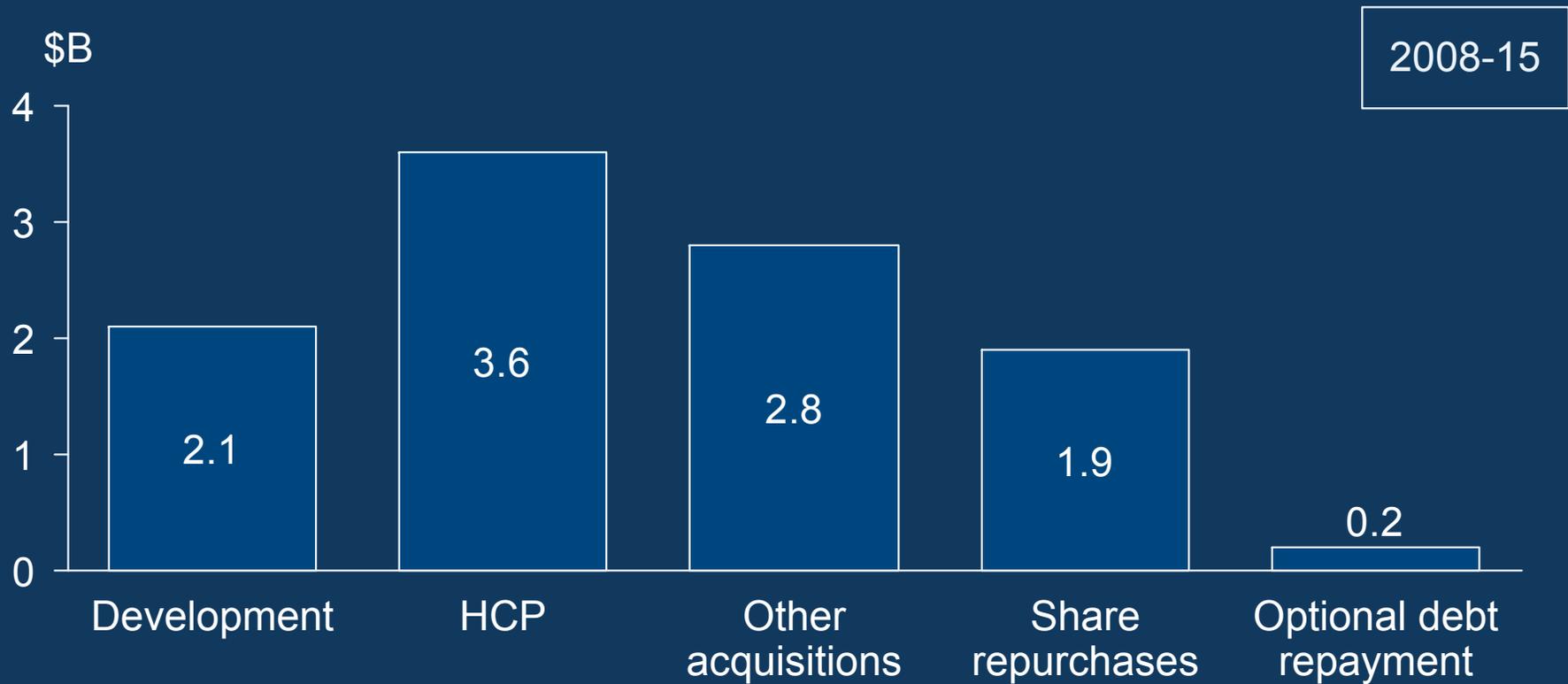
## Enterprise Summary

- Capital Structure
- Capital Deployment
- Summary

# Balanced cash deployment



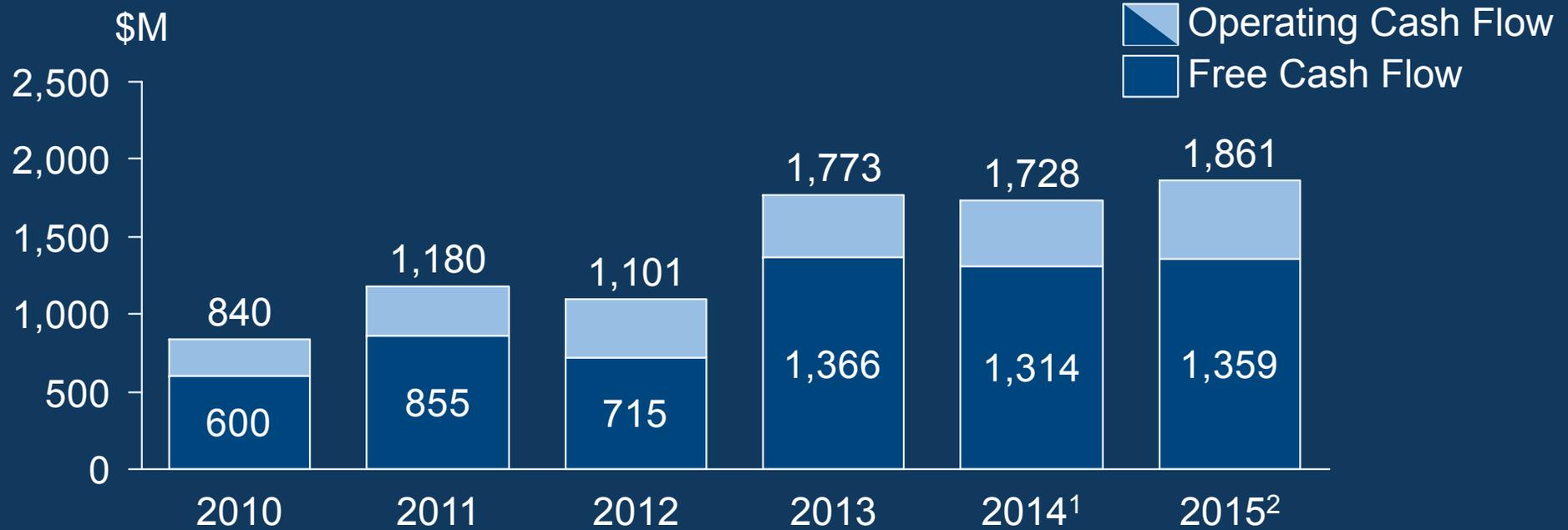
# Balanced cash deployment



# Net share count reduction



# Strong cash flows



**Diluted share count (M)**

206      193      196      215      217      216

1. Excludes the ~\$269M after-tax impact of 2010 and 2011 US Attorney Physician Relationship Investigations payment

2. Excludes the ~\$304M after-tax impact of private civil suit

Note: Free Cash Flow is a Non-GAAP measure. Free cash flow is defined as cash flow from operations less income distributions to non-controlling interests and capital expenditures for routine maintenance and information technology

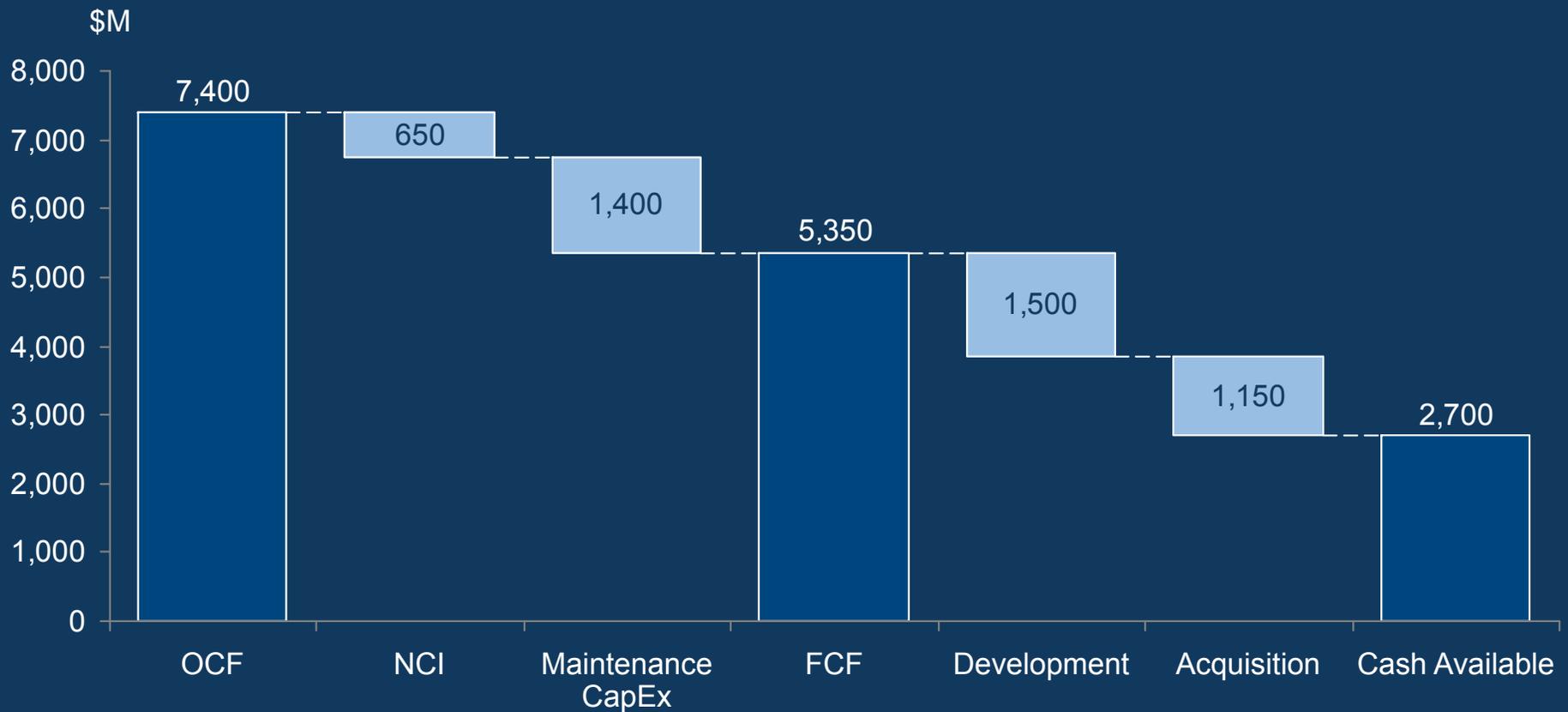
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## Enterprise Summary

- Capital Structure
- Capital Deployment
- Summary

# Cash generation and uses 2016-2019



# EPS scenario

- Consolidated OI Growth + Financial Leverage 3% - 8%
  - Net Income/EPS Growth + Share Repurchase/Acq's 4% - 10%
- EPS Growth 5% - 12%**

# Bad news / good news

## Bad news

- Rate risk
- DMG is WIP
- Compliance risk

## Good news

- Clinical excellence
- Stable demand & cash flow
- Market leadership
- Population health capability
- Distinctive platform



Capital Markets Day  
May 18, 2016



# Reconciliations for Non-GAAP measures

## Kidney Care Division: Schedule of rolling last twelve months total net revenue (in millions)

	Three months ended				Rolling 12- Months ended
	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016	March 31, 2016
Total net revenue	<u>\$ 2,477</u>	<u>\$ 2,536</u>	<u>\$ 2,602</u>	<u>\$ 2,607</u>	<u>\$ 10,222</u>

## DMG (formerly HCP): Rolling last twelve months total net revenue (in millions)

	Three months ended				Rolling 12- Months ended
	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016	March 31, 2016
Total net revenue	<u>\$ 966</u>	<u>\$ 1,001</u>	<u>\$ 942</u>	<u>\$ 989</u>	<u>\$ 3,898</u>

# Reconciliations for Non-GAAP measures

## Kidney Care division -- Adjusted Operating Income (in millions)

Adjusted operating income is defined as operating income before unusual charges, including goodwill impairment charge with respect to our international business and estimated accrual for damages and liabilities associated with our pharmacy business. We believe that adjusted operating income for the rolling twelve months ended March 31, 2016, enhance a user's understanding of the normal operating income of our Kidney Care division for this period by providing a measure that is meaningful because it excludes these unusual amounts and accordingly, is comparable to prior periods and indicative of consistent operating income. This measure is not a measure of financial performance under GAAP and should not be considered as an alternative to operating income.

	Three months ended				Rolling 12- Months ended
	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016	March 31, 2016
<b><u>Kidney Care division:</u></b>					
Operating income	\$ 408	\$ 427	\$ 426	\$ 422	\$ 1,683
Add:					
Goodwill impairment charge	4	-	-	-	4
Pharmacy accrual	-	-	22	-	22
<b>Adjusted operating income</b>	<b>\$ 412</b>	<b>\$ 427</b>	<b>\$ 448</b>	<b>\$ 422</b>	<b>\$ 1,709</b>



# Reconciliations for Non-GAAP measures

## Free Cash Flow and Adjusted Cash Flow from Operations (in millions, except per share)

Free cash flow represents net cash provided by operating activities less distributions to noncontrolling interests and capital expenditures for routine maintenance and information technology. We believe free cash flow is a useful adjunct to cash flow from operating activities and other measurements under GAAP, since free cash flow is a meaningful measure of our ability to fund acquisition and development activities and meet our debt service requirements. In addition, free cash flow excluding distributions to noncontrolling interests provides an investor with an understanding of free cash flows that are attributable to DaVita HealthCare Partners Inc. We have also presented adjusted cash flow from operating activities and adjusted free cash flow excluding the payments made in the second quarter of 2015 related to the settlement of a private civil suit and in the fourth quarter of 2014 related to the settlement of the 2010 and 2011 U.S. Attorney physician relationship investigations, net of tax, in each case. We believe this measure is meaningful to investors to understand our adjusted cash flows and free cash flows that were generated excluding these unusual payments that were part of the settlements. Free cash flow and adjusted cash flow from operating activities are not measures of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing or financing activities, as an indicator of cash flows or as a measure of liquidity.

	Year ended December 31,					
	2010	2011	2012	2013	2014	2015
Cash provided by operating activities	\$ 840	\$ 1,180	\$ 1,101	\$ 1,773	\$ 1,459	\$ 1,557
Less: Distributions to noncontrolling interests	(84)	(101)	(114)	(139)	(149)	(175)
Cash provided by operating activities attributable to DaVita HealthCare Partners Inc.	756	1,079	987	1,634	1,310	1,382
Less: Expenditures for routine maintenance and information technology	(156)	(224)	(272)	(268)	(265)	(327)
Free cash flow	600	855	715	1,366	1,045	1,055
Add:						
Payment in connection with the settlement of a private civil suit, net of tax	-	-	-	-	-	304
Payment in connection with the settlement of the 2010 and 2011 U.S. Attorney physician relationship investigations, net of tax	-	-	-	-	269	-
Adjusted free cash flow	\$ 600	\$ 855	\$ 715	\$ 1,366	\$ 1,045	\$ 1,359
Cash provided by operating activities	\$ 840	\$ 1,180	\$ 1,101	\$ 1,773	\$ 1,459	\$ 1,557
Add:						
Payment in connection with the settlement of a private civil suit, net of tax	-	-	-	-	-	304
Payment in connection with the settlement of the 2010 and 2011 U.S. Attorney physician relationship investigations, net of tax	-	-	-	-	269	-
Adjusted cash provided by operations activities	\$ 840	\$ 1,180	\$ 1,101	\$ 1,773	\$ 1,728	\$ 1,861
Cash flow from investing activities	\$ (437)	\$ (1,399)	\$ (4,832)	\$ (877)	\$ (1,278)	\$ (882)
Cash flow from financing activities	\$ (82)	\$ (247)	\$ 3,872	\$ (483)	\$ (165)	\$ (139)



# Reconciliations for Non-GAAP measures

**DMG (formerly HCP): Schedule of rolling last twelve months total care dollars under management**  
(in millions)

In California, as a result of our managed care administrative services agreements with hospitals and health plans, DMG does not assume the direct financial risk for institutional (hospital) services in most cases, but is responsible for managing the care dollars associated with both the professional (physician) and institutional services being provided for the Per Member Per Month (PMPM) fee attributable to both professional and institutional services. In cases where DMG does not assume the direct financial risk, DMG recognizes the surplus of institutional revenue less institutional expense as DMG net revenue. In addition to revenues recognized for financial reporting purposes, DMG measures its total care dollars under management, which includes the PMPM fee payable to third parties for institutional services where DMG manages the care provided to its members by the hospitals and other institutions, which are not included in GAAP revenues. DMG uses total care dollars under management as a supplement to GAAP revenues as it allows DMG to measure profit margins on a comparable basis across both the global capitation model (where DMG assumes the full financial risk for all services, including institutional services) and the risk sharing models (where DMG operates under managed care administrative services agreements where DMG does not assume the full risk). DMG believes that presenting amounts in this manner is useful because it presents its operations on a unified basis without the complication caused by models that DMG has adopted in its California market as a result of various regulations related to the assumption of institutional risk. Total care dollars under management is not a measure of financial performance computed in accordance with GAAP and should not be considered in isolation or as a substitute for revenues calculated in accordance with GAAP. Total care dollars under management includes PMPM payments received from third parties that are recorded net of expenses in our accounting records. The following table reconciles total care dollars under management to medical revenues for the periods indicated.

	Three months ended				Rolling 12- Months ended
	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016	March 31, 2016
	Medical revenues	\$ 931	\$ 985	\$ 926	\$ 974
less: Risk share revenue, net	(18)	(71)	(44)	(28)	(161)
Add: Institutional capitation amounts	332	346	331	322	1,331
Total care dollars under management	\$ 1,245	\$ 1,260	\$ 1,213	\$ 1,268	\$ 4,986