

DaVita Provides Additional Information Regarding Patients Receiving Charitable Premium Assistance

DENVER, Oct. 16, 2017 /PRNewswire/ -- [DaVita Kidney Care](#), a division of DaVita Inc. (NYSE: DVA), a leading provider of kidney care services, today provides additional information on charitable premium assistance, including its expectations about the impact on these patients and DaVita in the unlikely event that charitable assistance were no longer available.

Background and History

In assessing the likelihood of dialysis patients losing access to charitable premium assistance, it is important to keep in mind several factors:

- The ability to obtain and maintain optimal insurance coverage is of tremendous importance to dialysis patients, given their multiple comorbidities and associated high utilization of health care services. For some patients Medicare is the best insurance, while for others commercial coverage is much better than Medicare.
- Paying for coverage is a significant financial burden for many patients, as ESRD disproportionately affects the low-income population. Charitable assistance plays an important role for these patients by alleviating at least some of their financial burden.
- Eligibility for charitable assistance is based on financial need, independent of whether the patient chooses a commercial or government plan. In fact, nearly 80% of patients receiving charitable premium assistance have Medicare as primary coverage.
- Charitable assistance has long been a part of the government-designed dialysis ecosystem, with explicit recognition not only of the benefit of such assistance to dialysis patients, but also acceptance of provider funding for such assistance in an advisory opinion from the Centers for Medicare and Medicaid Services (CMS) Office of Inspector General (OIG).
- Commercial health insurers are not disadvantaged by the unique rules of the ESRD ecosystem. They receive two unique, large government subsidies, namely the ESRD Medicare entitlement for patients under 65 and the 30-month limitation of the Medicare Secondary Payer statute.

For these reasons, DaVita believes that charitable premium assistance will continue to be available to dialysis patients.

Risk Mitigation

In the unlikely scenario that charitable assistance were no longer available to any of its patients, DaVita estimates that the total negative impact to its annual operating income – after related cost offsets – would be in the range of \$100 million to \$250 million.

DaVita bases this estimate on the expectation that most commercially insured patients would either retain their current coverage or obtain another commercial plan. The specifics by patient segment are as follows:

- In the individual market segment, which represents approximately 1,800 DaVita patients with charitable assistance, most recipients maintain coverage they paid for without assistance before the onset of ESRD. DaVita believes that a majority of these patients would have access to premium tax credits and be able to continue to afford their premium even without charitable assistance. As previously disclosed, DaVita estimates that the loss of charitable assistance in this segment would reduce its annual operating income by \$45-90M, which is included in the range provided above.
- The commercial group segment, which represents approximately 4,000 DaVita patients receiving charitable assistance, is comprised of two sub-segments:
 - Approximately 55% of patients in this segment are currently on employer group plans. Patients in this segment paid for coverage on their own prior to the onset of ESRD. These patients use charitable assistance to alleviate the financial burden of paying the employee portion of their coverage, estimated to be typically \$200-300 per month. Patients in this segment, and/or their spouses, remain employed, and DaVita believes most would continue to maintain their current coverage even without access to charitable assistance.
 - The remaining 45% of patients in this segment are currently on COBRA plans. For patients that could no longer afford the COBRA premium without assistance, DaVita believes that many would qualify for, and migrate to, individual plans with premium tax credits, because the total cost to the patient of an alternative government option would often be greater than the individual commercial option. DaVita expects that a substantial portion of patients in this segment would still maintain coverage on a commercial plan even without charitable assistance.
- In the government segment, which represents approximately 19,000 patients, or nearly 80% of patients receiving

charitable support, DaVita believes that most patients would continue to retain their primary Medicare coverage but would be at significant risk of losing their secondary (Medigap) coverage. They would likely be forced to spend down their savings to qualify for Medicaid as their only option to obtain secondary coverage. While this migration of government patients would have limited, if any, negative impact on DaVita's operating income, it would result in significant negative consequences for many thousands of patients.

DaVita believes that elimination of charitable assistance entirely is unlikely due to the tremendous negative impact on tens of thousands of patients and the fact that it has been part of a stable dialysis ecosystem for decades. In addition, DaVita believes that the fact that most commercial patients would likely retain commercial coverage even without charitable assistance reduces not only the downside to its operating income but also the likelihood of such a scenario materializing in the first place.

DaVita looks forward to responding to any further questions on its forthcoming Q3 earnings call.

About DaVita Kidney Care

DaVita Kidney Care is a division of DaVita Inc., a Fortune 500® company, that through its operating divisions provides a variety of health care services to patient populations throughout the United States and abroad. A leading provider of dialysis services in the United States, DaVita Kidney Care treats patients with chronic kidney failure and end stage renal disease. DaVita Kidney Care strives to improve patients' quality of life by innovating clinical care, and by offering integrated treatment plans, personalized care teams and convenient health-management services. As of June 30, 2017, DaVita Kidney Care operated or provided administrative services at 2,445 outpatient dialysis centers located in the United States serving approximately 194,600 patients. The company also operated 217 outpatient dialysis centers located in 11 countries outside the United States. DaVita Kidney Care supports numerous programs dedicated to creating positive, sustainable change in communities around the world. The company's leadership development initiatives and social responsibility efforts have been recognized by Fortune, Modern Healthcare, Newsweek and WorldBlu. For more information, please visit DaVita.com.

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Forward Looking Statements

This release contains or may contain statements that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. We intend these forward-looking statements to be covered by the safe harbor provisions for such statements. 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 anticipated government and commercial payment rates, the percentage of patients who receive charitable premium assistance for various forms of healthcare insurance coverage, the potential impact on the continued use of such charitable premium assistance of various pending proceedings and possible legislation or rule making, on our operations, financial condition and prospects, the likelihood that charitable assistance will be limited or eliminated and the response of patients in such circumstances, including their ability to retain and fund insurance, expectations for treatment growth rates, revenue per treatment, operating income, cash flow, and operating cash flow. These statements can sometimes be identified by the use of forward looking words such as "may," "believe," "will," "should," "could," "would," "expect," "project," "estimate," "anticipate," "plan," "continue," "seek," "forecast," or "intend" or other similar words or expressions of the negative thereof. 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 the risk factors set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, and subsequent quarterly reports on Form 10-Q. These forward-looking statements should be considered in light of these risks and uncertainties. All forward-looking statements in this release are based on information available to us on the date of this release. We undertake no obligation to publicly update or revise any of these forward-looking statements, whether as a result of changed circumstances, new information, future events or otherwise.

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