17th annual ranking

Is the bundle leading to a tighter provider market?

Key acquisition, merger mark activity in 2010-2011

By Mark E. Neumann

What a different a year makes.

When we talked about growth among U.S. renal providers in the pages of this issue last year, it was anticipated that the final version of the new payment bundle for the end-stage renal disease program would be released. We said it was the most significant change in reimbursement for Medicare-funded dialysis services in 30 years.

It was, and it is here now. The newly minted Prospective Payment System took effect on Jan. 1, as planned, and after six months under their belt, most dialysis providers are finding ways to work with its case mix adjusters and payment schedules.

The concept of bundling all dialysis charges is not foreign to the two largest providers in the U.S., who remain atop the standings in our 17th annual ranking (see the data below). Both have been involved in working with integrated payment models. But the bundle is posing more challenges to smaller providers. This year, DaVita bought DSI Renal (completion of the sale is expected shortly) and Liberty Dialysis and Renal Advantage Inc. agreed to merge

Ten largest U.S. renal providers in 2011

Dialysis Provider	# Patients	In-Ctr. Conv. HD	In-Ctr. Noc HD	Home HD	PD	Units	Patient growth 5/11 vs (5/10)	% growth 5/10 to 5/11
1. Fresenius Medical Care N.A.	137,325	124,945	1,568	698	10,114	1,863	4,944 (9.018)	3.7%
2. DaVita Inc.	129,000	114,100	1,200	2,200	11,500	1,619	8,600 (5,721)	7.1%
3. Liberty Dialysis Holdings LLC*	19,450	16,980	20	510	1,940	262	13,350 (900)	218%
4. Dialysis Clinic Inc.	13,487	12,224	11	88	1,164	211	137 (303)	1.0%
5. DSI Renal Inc.	8,029	7,308	129	96	496	108	163 (176)	2.0%
6. American Renal Associates	7,025	6,460	---	25	540	100	1,225 (1,160)	21.1%
7. U.S. Renal Care	5,884	5,484	10	104	286	127	376 (2,312)	6.8%
8. Satellite Healthcare	4,647	3,540	74	183	850	50	330 (308)	7.6%
9. Innovative Dialysis Systems	3,876	3,484	---	17	375	40	335 (715)	9.0%
10. Centers for Dialysis Care	1,718**	1,718	---	N/A	N/A	14	N/A	N/A
*merged with Renal Advantage Inc. ** Excludes 126 in-center and home patients (25 @ PD, 44 @ HHD) in three clinics where CDC owns ≤ 51%								
2011 totals [growth: 6.0%]	**330,441**	296,243	3,012	3,921	27,265	4,394		
2010 totals	**311,633**	284,905	N/A	3,569	23,159	4,185		

Dialysis Provider	Reuse?	% (change from 2010)
1. Fresenius Medical Care N.A.	no	n/a
2. DaVita Inc.	yes	50% (-10%)
3. Liberty Dialysis Holdings.	yes	50% (-25%)
4. Dialysis Clinic Inc.	yes	not avail.
5. DSI Renal Inc.	no	n/a

Dialysis Provider	Reuse?	% (change from 2010)
6. American Renal Associates	no	0% (-5%)
7. U.S. Renal Care Inc.	no	n/a
8. Satellite Healthcare Inc.	yes	75% (n/c)
9. Innovative Dialysis Systems	yes	65% (-10%)
10. Centers for Dialysis Care	yes	100% (n/a)

their operations. Mergers can help companies stay autonomous but still get the benefit of buying power.

This year, *NN&I* also tracked patients who are in in-center nocturnal programs. Providers are starting to see the value of this alternative modality: efficient use of their facilities, favorable reimbursement rates (at three treatments per week), and improved outcomes for patients (see our cover story elsewhere in this issue).

Alternative modalities may also be a source for helping clinics deal with the bundle. The percentage of patients going home for dialysis has not changed significantly over last year in our survey (see Fig. 2), but the payment structure in the bundle offers providers incentives to send patients home. It would seem likely that we will see changes in the number of patients opting for home dialysis in next year's ranking.

Some in the renal industry have also speculated that more clinics might turn back to dialyzer reprocessing, but most of the providers in our survey have actually cut back on reuse (see table, page 32).

Growth in patient numbers

In 2011, growth among providers was steady. American Renal Associates, in opening its 100th clinic, lead the way with a 21% increase in the number of patients. Satellite Healthcare, DaVita, and U.S. Renal Care showed growth in the 6%-7% range. Last year's survey shows double-figured growth among some of the major for-profit providers, partly due to acquisitions. Overall, the 10 largest dialysis providers increased their patient census by 6% in 2010-2011, slightly higher than the 5.7% in 2009-2010. They provide care to 330,443 patients at 4,394 clinics.

As providers grew in patient numbers this year, the bulk of those patients went in-center. Several providers continue to show their strong interest in home therapies, notably Satellite Healthcare (22.2% of total patients, down slightly from 2010). Liberty Dialysis, with its merger with Renal Advantage Inc., is second highest at 12.6%.

Will *NN&I*'s survey show major changes a year from now with the payment bundle in full force? It remains unclear how accountable care organizations, the new Quality Incentive Program (starting in January), and other factors could influence the provider market. *NN&I* will continue to follow changes throughout the year. ***NN&I***

Figure 1. The changing face of the 10 largest renal providers: 1995-2011

	1995	2011
Number of patients (total)	75,678	330,441
PD patients	11,954	27,265
HD patients	66,424	303,176
Number of dialysis clinics	1,053	4,394

Figure 2. Home dialysis patients, 2010 vs.2011

	2010 HD patients	% of total patients	2011 HD patients	% of total patients
Fresenius Medical Care N.A.	9,262	7.5%	10,812	7.9%
DaVita Inc.	11,700	10.2%	13,700	10.6%
Liberty Dialysis Holdings LLC	728	14.7%	2,450	12.6%
Dialysis Clinic Inc.	1,156	8.9%	1,252	9.3%
DSI Renal	523	6.8%	592	7.4%
American Renal Associates	450	9.0%	565	8.0%
U.S. Renal Care	334	10.5%	390	6.6%
Satellite Healthcare	921	23.0%	1,033	22.2%
Innovative Dialysis Systems	388	11.5%	392	10.1%
Centers for Dialysis Care	n/a	n/a	69	3.7%