10-034

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JUN 14 2010

HEALTH FACILITIES & SERVICES REVIEW BOARD

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD APPLICATION FOR PERMIT

Original

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: RCG Central Illinois--Rockford
Street Address: 1302 East State Street
City and Zip Code: Rockford, IL 61104
County: Winnebago Health Service Area 1 Health Planning Area:

Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: Total Renal Care, Inc.
Address: 601 Hawaii Street, El Segundo, California 90245
Name of Registered Agent:
Name of Chief Executive Officer: Kent Thiry
CEO Address: 601 Hawaii Street, El Segundo, California 90245
Telephone Number: (310) 536-2500

APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Type of Ownership

- ☐ Non-profit Corporation
- ☒ For-profit Corporation
- ☐ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

- o Corporations and limited liability companies must provide an Illinois certificate of good standing.
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

Primary Contact

[Person to receive all correspondence or inquiries during the review period]

Name: Ellie Suhl
Title: President
Company Name: Suhl Healthcare Consulting, Inc.
Address: c/o DaVita, 932 N. Rutledge, Springfield, IL 62702
Telephone Number: 217-788-0061
E-mail Address: elliesuhl@aol.com
Fax Number: 1-866-620-0333

Additional Contact

[Person who is also authorized to discuss the application for permit]

Name: Cheryl Cody
Title: Divisional Vice President
Company Name: DaVita, Inc.
Address: 3021 E. 98th St., Indianapolis, IN 46280
Telephone Number: (317) 317 691 3275
E-mail Address: cheryl.cody@davita.com
Fax Number: (317) 582-0203

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance]

Name: Ellie Suhl
Title: President
Company Name: Suhl Healthcare Consulting, Inc.
Address: c/o DaVita, 932 N. Rutledge, Springfield, IL 62702
Telephone Number: 217-788-0061
E-mail Address: elliesuhl@aol.com
Fax Number: 1-866-620-0333

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Rockford 1302 East State, LLC, a subsidiary of William Charles Investments, Inc.
Address of Site Owner: 1401 N. Second Street, Rockford, IL 61107
Street Address or Legal Description of Site: 1320 E. State Street, Rockford, IL 61104

Exact Legal Name of Site Owner: Rockford 1302 East State, LLC, a subsidiary of William Charles Investments, Inc.

Operating Identity/Licensee

[Provide this information for each applicable facility, and insert after this page.]

Exact Legal Name: Total Renal Care, Inc.

Address: 601 Hawaii Street, El Segundo, California 90245

☐	Non-profit Corporation	☐	Partnership		
☒	For-profit Corporation	☐	Governmental		
☐	Limited Liability Company	☐	Sole Proprietorship	☐	Other

- Corporations and limited liability companies must provide an Illinois certificate of good standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

Organizational Relationships

Provide (for each co-applicant) an organizational chart containing the name and relationship of any person who is related (as defined in Part 1130.140). If the related person is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at **www.FEMA.gov** or **www.illinoisfloodmaps.org**. **This map must be in a readable format**. In addition please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2005-5 **(http://www.idph.state.il.us/about/hfpb.htm)**.

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT-5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:	Part 1120 Applicability or Classification: [Check one only.]
☐ Substantive	☐ Part 1120 Not Applicable
☒ Non-substantive	☐ Category A Project
	☐ Category B Project
	☐ DHS or DVA Project

2. Project Outline

In the chart below, indicate the proposed action(s) for each clinical service area involved by writing the number of beds, stations or key rooms involved:

Clinical Service Areas	Establish	Expand	Modernize	Discontinue	No. of Beds, Stations or Key Rooms
Medical/Surgical, Obstetric, Pediatric and Intensive Care					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
Open Heart Surgery					
Cardiac Catheterization					
In-Center Hemodialysis	CHOW				
Non-Hospital Based Ambulatory Surgery					
General Long Term Care					
Specialized Long Term Care					
Selected Organ Transplantation					
Kidney Transplantation					
Subacute Care Hospital Model					
Post Surgical Recovery Care Center					
Children's Community-Based Health Care Center					
Community-Based Residential Rehabilitation Center					
Long Term Acute Care Hospital Bed Projects					
Clinical Service Areas Other Than Categories of Service:					
• Surgery					
• Ambulatory Care Services (organized as a service)					
• Diagnostic & Interventional Radiology/Imaging					
• Therapeutic Radiology					
• Laboratory					
• Pharmacy					
• Occupational Therapy					
• Physical Therapy					
• Major Medical Equipment					
Freestanding Emergency Center Medical Services					
Master Design and Related Projects					
Mergers, Consolidations and Acquisitions					10

APPEND DOCUMENTATION AS ATTACHMENT-6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

3. Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms, NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

Total Renal Care, Inc., a wholly owned subsidiary of DaVita, Inc. proposes to acquire substantially all of the assets of the dialysis center know as RCG Central Illinois--Rockford, located at 1302 East State Street, Rockford, IL 61104 in H.S.A. 1. The center is currently owned by Dialysis Centers of America – Illinois, Inc., an affiliate of Fresenius Medical Care North America,

RCG Central Illinois--Rockford comprises the asset included in the I proposed purchase agreement between Dialysis Centers of America – Illinois, Inc and Total Renal Care, Inc for the respective sale and purchase of all of the dialysis assets of RCG Central Illinois--Rockford. The proposed purchase price for the assets of RCG Central Illinois--Rockford will not exceed $2,500,000

Subsequent to the change of ownership, RCG Central Illinois--Rockford will be re-named Stonecrest Dialysis.

77 Illinois Administrative Code 1110, Subchapter a, Section 1110.40 indicates change of ownership transactions as "Facility Conversions," under the non- sustentative Review Classification.

The project will be completed within 18 months of receipt of Illinois Health Facilities Planning Board approval. The anticipated completion date is 3/15/2012.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-clinical components that are not related to the provision of health care, complete the second column of the table below. See 20 ILCS 3960 for definition of non-clinical. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NON-CLINICAL**	**TOTAL**
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts			
Contingencies	$ 75,000		$ 75,000
Architectural/Engineering Fees			
Consulting and Other Fees	$ 72,500		$ 72,500
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	$ 1,492,460		$ 1,492,460
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)	$ 2,000,000		$ 2,000,000
TOTAL USES OF FUNDS	$ 3,619,960		$ 3,619,960
SOURCE OF FUNDS	**CLINICAL**	**NON-CLINICAL**	**TOTAL**
Cash and Securities	$ 2,127,500		**$ 2,127,500**
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources	$ 1,492,460		**$ 1,492,460**
TOTAL SOURCES OF FUNDS	**$3,619,960**		**$ 3,619,960**

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be

or has been acquired during the last two calendar years:

Land acquisition is related to project ☐ Yes ☒ No
Purchase Price: $_____
Fair Market Value: $_____

The project involves the establishment of a new facility or a new category of service
☐ Yes ☒ No

If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is $ n/a.

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

☒ None or not applicable ☐ Preliminary
☐ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): 3/15/2012

Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☒ Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON contingencies.
☐ Project obligation will occur after permit issuance.

State Agency Submittals

Are the following submittals up to date as applicable:
☐ Cancer Registry
☐ APORS
☐ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
☒ All reports regarding outstanding permits

Cost Space Requirements

Provide in the following format, the department/area GSF and cost. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
CLINICAL	n/a						
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON CLINICAL	n/a						
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL	n/a						

APPEND DOCUMENTATION AS ATTACHMENT-8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are available**. Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME:	**CITY:**
REPORTING PERIOD DATES:	**From:** **to:**

Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	n/a				
Obstetrics	n/a				
Pediatrics	n/a				
Intensive Care	n/a				
Comprehensive Physical Rehabilitation	n/a				
Acute/Chronic Mental Illness	n/a				
Neonatal Intensive Care	n/a				
General Long Term Care	n/a				
Specialized Long Term Care	n/a				
Long Term Acute Care	n/a				
Other ((identify)	n/a				
TOTALS:	n/a				

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Total Renal Care, Inc. * **in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.**

SIGNATURE

David Roger Finn
PRINTED NAME

Vice President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 4th day of June 2010

Signature of Notary

Seal

MICHELE D. TUNSTALL-THOMPSON
NOTARY PUBLIC
PRINCE GEORGE'S COUNTY
MARYLAND
My Commission Expires Jan. 19, 2011

SIGNATURE

Cheryl Cody
PRINTED NAME

DVP
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 9th day of June, 2010

Signature of Notary

Seal

OFFICIAL SEAL
STEPHANIE SKINNER
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:03/10/12

*Insert EXACT legal name of the applicant

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of DaVita, Inc.* **in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.**

SIGNATURE

David Roger Finn
PRINTED NAME

Vice President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 4th day of June 2010

Signature of Notary

Seal

MICHELE D. TUNSTALL-THOMPSON
NOTARY PUBLIC
PRINCE GEORGE'S COUNTY
MARYLAND
My Commission Expires Jan. 19, 2011

SIGNATURE

Cheryl Cody
PRINTED NAME

DVP
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 4th day of June, 2010

Signature of Notary

Seal

OFFICIAL SEAL
STEPHANIE SKINNER
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:03/10/12

*Insert EXACT legal name of the applicant

10

SECTION III. - PROJECT PURPOSE, BACKGROUND AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

Criterion 1110.230 - Project Purpose, Background and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, certification and accreditation identification numbers, if applicable.

2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.

3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**

4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT-10, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.

2. Define the planning area or market area, or other, per the applicant's definition.

3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]

4. Cite the sources of the information provided as documentation.

5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.

6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals.

For projects involving modernization, describe the conditions being upgraded. For facility projects, include statements of age and condition and regulatory citations. For equipment being replaced, include repair and maintenance records.

NOTE: The description of the "Purpose of the Project" should not exceed one page in length. Information regarding the "Purpose of the Project" will be included in the State Agency Report.

APPEND DOCUMENTATION AS ATTACHMENT-11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ALTERNATIVES

Document **ALL** of the alternatives to the proposed project:

Examples of alternative options include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.

3) The applicant shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT-12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VI. MERGERS, CONSOLIDATIONS AND ACQUISITIONS/CHANGES OF OWNERSHIP

This Section is applicable to projects involving merger, consolidation or acquisition/change of ownership.

A. Criterion 1110.240(b), Impact Statement

Read the criterion and provide an impact statement that contains the following information:

1. Any change in the number of beds or services currently offered.
2. Who the operating entity will be.
3. The reason for the transaction.
4. Any anticipated additions or reductions in employees now and for the two years following completion of the transaction.
5. A cost-benefit analysis for the proposed transaction.

B. Criterion 1110.240(c), Access

Read the criterion and provide the following:

1. The current admission policies for the facilities involved in the proposed transaction.
2. The proposed admission policies for the facilities.
3. A letter from the CEO certifying that the admission policies of the facilities involved will not become more restrictive.

C. Criterion 1110.240(d), Health Care System

Read the criterion and address the following:

1. Explain what the impact of the proposed transaction will be on the other area providers.
2. List all of the facilities within the applicant's health care system and provide the following for each facility.
   a. the location (town and street address);
   b. the number of beds;
   c. a list of services; and
   d. the utilization figures for each of those services for the last 12 month period.
3. Provide copies of all present and proposed referral agreements for the facilities involved in this transaction.
4. Provide time and distance information for the proposed referrals within the system.
5. Explain the organization policy regarding the use of the care system providers over area providers.
6. Explain how duplication of services within the care system will be resolved.
7. Indicate what services the proposed project will make available to the community that are not now available.

APPEND DOCUMENTATION AS ATTACHMENT-18, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

T. Financial Feasibility

This section is applicable to all projects subject to Part 1120.

REVIEW CRITERIA RELATING TO FINANCIAL FEASIBILITY (FIN)

Does the applicant (or the entity that is responsible for financing the project or is responsible for assuming applicant's debt obligations in case of default) have a bond rating of "A" or better?
Yes □ No □.

If yes is indicated, submit proof of the bond rating of "A" or better (that is less than two years old) from Fitch's, Moody's or Standard and Poor's rating agencies and go to Section XXVI. **If no is indicated, submit the most recent three years' audited financial statements including the following:**

1. **Balance sheet**
2. **Income statement**
3. **Change in fund balance**
4. **Change in financial position**

A. Criterion 1120.210(a), Financial Viability

1. Viability Ratios

If proof of an "A" or better bond rating has not been provided, read the criterion and complete the following table providing the viability ratios for the most recent three years for which audited financial statements are available. Category B projects must also provide the viability ratios for the first full fiscal year after project completion or for the first full fiscal year when the project achieves or exceeds target utilization (per Part 1100), whichever is later.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (Projected)
Enter Historical and/or Projected Years:	2007	2008	2009	2012
Current Ratio	1.82	1.83	2.20	2.20
Net Margin Percentage	7.25%	6.61%	6.92%	7.17%
Percent Debt to Total Capitalization	38.05%	41.81%	37.50%	34.64%
Projected Debt Service Coverage	3.07	2.80	3.00	4.94
Days Cash on Hand	34.80	29.59	36.08	71.05
Cushion Ratio	1.68	1.43	1.95	6.40

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each. Insert the worksheets after this page.

2. Variance

Compare the viability ratios provided to the Part 1120 Appendix A review standards. If any of the standards for the applicant or for any co-applicant are not met, provide documentation that a person or organization will assume the legal responsibility to meet the debt obligations should the applicant default. The person or organization must demonstrate compliance with the ratios in Appendix A when proof of a bond rating of "A" or better has not been provided.

Audited financial statements are not prepared at the subsidiary level. Therefore, the information below is refletive of the financial performance of both Total Renal Care and the parent Company, DaVita, Inc.

For Illinois CON Reporting

12/31/2009

DaVita Inc.	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E	Illinois Standard
Current Ratio	1.97	1.67	1.54	1.82	1.83	2.20	2.20	2.20	2.20	>1.5
Net Margin Percentage	10.21%	7.69%	5.94%	7.25%	6.81%	6.92%	7.17%	7.17%	7.17%	>3.5%
Percent Debt to Total Capitalization	26.08%	44.62%	38.67%	38.05%	41.81%	37.50%	35.06%	34.64%	34.64%	<80%
Projected Debt Service Coverage	3.43	2.33	2.56	3.07	2.60	3.00	3.31	3.61	4.94	>1.75
Days Cash on Hand	49.13	59.96	25.63	34.80	29.59	36.08	46.11	58.58	71.05	>45
Cushion Ratio	2.43	2.09	1.09	1.68	1.43	1.95	2.78	3.85	6.40	>5.00

SUPPORTING CALCULATIONS:

Current Ratio:									
Current Assets	868,720	1,654,408	1,709,496	1,976,250	2,128,304	2,302,521	2,302,521	2,302,521	2,302,521
Current Liabilities	441,735	989,733	1,112,172	1,086,496	1,163,063	1,046,941	1,046,941	1,046,941	1,046,941
Current Ratio	1.97	1.67	1.54	1.82	1.83	2.20	2.20	2.20	2.20
Net Margin Percentage:									
Net Income	222,254	228,643	289,691	381,778	374,160	422,684	470,227	470,227	470,227
Net Revenues	2,177,330	2,973,918	4,880,682	5,264,151	5,660,173	6,108,800	6,554,805	6,554,805	6,554,805
Net Margin Percentage	10.21%	7.69%	5.94%	7.25%	6.61%	6.92%	7.17%	7.17%	7.17%
Percent Debt to Total Capitalization:									
Total Long Term Debt	1,375,832	4,157,202	3,751,251	3,707,318	3,695,146	3,632,224	3,544,724	3,479,099	3,479,099
Equity*	3,900,000	5,160,000	5,950,000	6,036,776	5,142,888	6,053,903	6,564,648	6,564,648	6,564,648
Percent Debt to Total Capitalization	26.08%	44.62%	38.67%	38.05%	41.81%	37.50%	35.06%	34.64%	34.64%
Projected Debt Service Coverage:									
Net Income	222,254	228,643	289,691	381,778	374,160	422,684	470,227	470,227	470,227
Depreciation/Amortization	82,912	116,836	173,295	193,470	216,917	228,986	230,740	230,740	230,740
Interest Expense	50,324	134,429	262,967	242,720	214,944	176,100	178,107	178,107	178,107
Available Funds	355,490	479,908	725,953	817,968	806,021	827,770	879,075	879,075	879,075
Interest Expense and principal payments	103,688	206,196	283,838	266,151	287,669	276,107	265,607	243,732	178,107
Projected Debt Service Coverage	3.43	2.33	2.56	3.07	2.60	3.00	3.31	3.61	4.94
Days Cash on Hand:									
Cash and Investments	251,979	431,811	310,202	447,046	410,881	539,459	739,459	939,459	1,139,459
Net Revenue	2,177,330	2,973,918	4,880,662	5,264,151	5,660,173	6,108,800	6,554,805	6,554,805	6,554,805
Net Income	222,254	228,643	289,691	381,778	374,160	422,684	470,227	470,227	470,227
Operating Expense	1,955,076	2,745,275	4,590,971	4,882,373	5,286,013	5,686,116	6,084,578	6,084,578	6,084,578
Less Dep/Amort	82,912	116,836	173,295	193,470	216,917	228,986	230,740	230,740	230,740
Operating Expense Net of Dep/Amort	1,872,164	2,628,439	4,417,676	4,688,903	5,069,096	5,457,130	5,853,837	5,853,837	5,853,837
Days Cash on Hand	49.13	59.96	25.63	34.80	29.59	36.08	46.11	58.58	71.05
Cushion Ratio:									
Total Cash	251,979	431,811	310,202	447,046	410,881	539,459	739,459	939,459	1,139,459
Interest Expense and Principal payments	103,688	206,196	283,838	266,151	287,669	276,107	265,607	243,732	178,107
Cushion Ratio	2.43	2.09	1.09	1.68	1.43	1.95	2.78	3.85	6.40

**Equity as defined by market equity. Market equity = shares outstanding * closing price at last trading day of calendar year.*

For forecasting: Assume constant market capitalization, based on the closing share price as of 3/3/10.

APPEND DOCUMENTATION AS ATTACHMENT 75, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

REVIEW CRITERIA RELATING TO FINANCIAL FEASIBILITY (FIN) (continued)

B. Criterion 1120.210(b), Availability of Funds

If proof of an "A" or better bond rating has not been provided, read the criterion and document that sufficient resources are available to fund the project and related costs including operating start-up costs and operating deficits. Indicate the dollar amount to be provided from the following sources:

$2,127,500 Cash & Securities
Provide statements as to the amount of cash/securities available for the project. Identify any security, its value and availability of such funds. Interest to be earned or depreciation account funds to be earned on any asset from the date of application submission through project completion are also considered cash.

_____ Pledges
For anticipated pledges, provide a letter or report as to the dollar amount feasible showing the discounted value and any conditions or action the applicant would have to take to accomplish goal. The time period, historical fund raising experience and major contributors also must be specified.

_____ Gifts and Bequests
Provide verification of the dollar amount and identify any conditions of the source and timing of its use.

_____ Debt Financing (indicate type(s) _____)
For general obligation bonds, provide amount, terms and conditions, including any anticipated discounting or shrinkage) and proof of passage of the required referendum or evidence of governmental authority to issue such bonds;
For revenue bonds, provide amount, terms and conditions and proof of securing the specified amount;
For mortgages, provide a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated;
For leases, provide a copy of the lease including all terms and conditions of the lease including any purchase options.

_____ Governmental Appropriations
Provide a copy of the appropriation act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, provide a resolution or other action of the governmental unit attesting to such future funding.

_____ Grants
Provide a letter from the granting agency as to the availability of funds in terms of the amount, conditions, and time or receipt.

$1,492,460 Other Funds and Sources **FMV of the lease**
Provide verification of the amount, terms and conditions, and type of any other funds that will be used for the project.

$ 3,544,960 TOTAL FUNDS AVAILABLE

C. Criterion 1120.210(c), Operating Start-up Costs

If proof of an "A" or better bond rating has not been provided, indicate if the project is classified as a Category B project that involves establishing a new facility or a new category of service? Yes ☐ No ☐. If yes is indicated, read the criterion and provide in the space below the amount of operating start-up costs (the same as reported in Section I of this application) and provide a description of the items or components that comprise the costs. Indicate the source and amount of the financial resources available to fund the operating start-up costs (including any initial operating deficit) and reference the documentation that verifies sufficient resources are available.

U. Economic Feasibility

This section is applicable to all projects subject to Part 1120.

SECTION XXVI. REVIEW CRITERIA RELATING TO ECONOMIC FEASIBILITY (ECON)

A. Criterion 1120.310(a), Reasonableness of Financing Arrangements

Is the project classified as a Category B project? Yes x No ☐. If no is indicated this criterion is not applicable. If yes is indicated, has proof of a bond rating of "A" or better been provided? Yes ☐ No ☐. If yes is indicated this criterion is not applicable, go to item B. If no is indicated, read the criterion and address the following:

Are all available cash and equivalents being used for project funding prior to borrowing? x Yes ☐ No

If no is checked, provide a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to the following:

1. a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order that the current ratio does not fall below 2.0 times; or
2. borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Criterion 1120.310(b), Conditions of Debt Financing

Read the criterion and provide a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to the following as applicable:

1. The selected form of debt financing the project will be at the lowest net cost available or if a more costly form of financing is selected, that form is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional debt, term (years) financing costs, and other factors;
2. All or part of the project involves the leasing of equipment or facilities and the expenses incurred with such leasing are less costly than constructing a new facility or purchasing new equipment.

B. Criterion 1120.310(c), Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Cost/Square Foot Mod.	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
	n/a	Acquisition							
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

2. For each piece of major medical equipment included in the proposed project, the applicant must certify one of the following:

REVIEW CRITERIA RELATING TO ECONOMIC FEASIBILITY (ECON) (continued)

a. that the lowest net cost available has been selected; or

b. that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.

3. List the items and costs included in preplanning, site survey, site preparation, off-site work, consulting, and other costs to be capitalized. If any project line item component includes costs attributable to extraordinary or unusual circumstances, explain the circumstances and provide the associated dollar amount. When fair market value has been provided for any component of project costs, submit documentation of the value in accordance with the requirements of Part 1190.40.

D. Criterion 1120.310(d), Projected Operating Costs

Read the criterion and provide in the space below the facility's projected direct annual operating costs (in current dollars per equivalent patient day or unit of service, as applicable) for the first full fiscal year of operation after project completion or for the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. If the project involves a new category of service, also provide the annual operating costs for the service. Direct costs are the fully allocated costs of salaries, benefits, and supplies. Indicate the year for which the projected operating costs are provided.

E. Criterion 1120.310(e), Total Effect of the Project on Capital Costs

Is the project classified as a category B project? Yes ☐ No ☐. If no is indicated, go to item F. If yes is indicated, provide in the space below the facility's total projected annual capital costs as defined in Part 1120.130(f) (in current dollars per equivalent patient day) for the first full fiscal year of operation after project completion or for the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. Indicate the year for which the projected capital costs are provided.

F. Criterion 1120.310(f), Non-patient Related Services

Is the project classified as a category B project and involve non-patient related services? Yes ☐ No ☐. If no is indicated, this criterion is not applicable. If yes is indicated, read the criterion and document that the project will be self-supporting and not result in increased charges to patients/residents or that increased charges are justified based upon such factors as, but not limited to, a cost benefit or other analysis that demonstrates the project will improve the applicant's financial viability.

APPEND DOCUMENTATION AS ATTACHMENT -76, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SAFETY NET IMPACT STATEMENT that describes all of the following:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.

2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service

APPEND DOCUMENTATION AS ATTACHMENT-77, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Not applicable to non-substantiative acquisitions.

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

INDEX OF ATTACHMENTS

ATTACHMENT NO.		PAGES
1	Applicant Identification	1-2 + 21-22
2	Site Ownership	N/A
3	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	23-25
4	Flood Plain Requirements	N/A
5	Historic Preservation Act Requirements	N/A
6	Description of Project	4
7	Project and Sources of Funds Itemization	5 + 26
8	Cost Space Requirements	N/A
9	Discontinuation	N/A
10	Background of the Applicant	34-79
11	Purpose of the Project	80
12	Alternatives to the Project	81
13	Size of the Project	NA
14	Project Service Utilization	
15	Unfinished or Shell Space	
16	Assurances for Unfinished/Shell Space	
17	Master Design Project	
18	Mergers, Consolidations and Acquisitions	82-107
	Categories of Service:	
19	Planning Area Need	N/A
20	Service Demand – Establishment of Category of Service	
21	Service Demand – Expansion of Existing Category of Service	
22	Service Accessibility – Service Restrictions	
23	Unnecessary Duplication/Maldistribution	
24	Category of Service Modernization	
25	Staffing Availability	
26	Assurances	
	Service Specific:	
27	Comprehensive Physical Rehabilitation	
28	Neonatal Intensive Care	
29	Open Heart Surgery	
30	Cardiac Catheterization	
31	In-Center Hemodialysis	
32	Non-Hospital Based Ambulatory Surgery	
	General Long Term Care:	
33	Planning Area Need	
34	Service to Planning Area Residents	
35	Service Demand-Establishment of Category of Service	
36	Service Demand-Expansion of Existing Category of Service	
37	Service Accessibility	
38	Description of Continuum of Care	
39	Components	
40	Documentation	
41	Description of Defined Population to be Served	

INDEX OF ATTACHMENTS

ILLINOIS HEALTH FACILITIES PLANNING BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: RCG Central Illinois--Rockford
1302 East State Street
City and Zip Code: Rockford, IL 61104
County: Winnebago Health Service Area 1 Health Planning Area:

Applicant Identification
[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: DaVita, Inc.
Address: 601 Hawaii Street, El Segundo, California 90245
Name of Registered Agent:
Name of Chief Executive Officer: Kent Thiry
CEO Address: 601 Hawaii Street, El Segundo, California 90245
Telephone Number: (310) 536-2500

APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Type of Ownership

- ☐ Non-profit Corporation
- ☒ For-profit Corporation
- ☐ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

- Corporations and limited liability companies must provide an Illinois certificate of good standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

Primary Contact
[Person to receive all correspondence or inquiries during the review period]

Name: Ellie Suhl
Title: President
Company Name: Suhl Healthcare Consulting, Inc.
Address: c/o DaVita, 932 N. Rutledge, Springfield, IL 62702
Telephone Number: 217-788-0061
E-mail Address: elliesuhl@aol.com
Fax Number: 866-620-0333

Additional Contact
[Person who is also authorized to discuss the application for permit]

Name: Cheryl Cody
Title: Divisional Vice President
Company Name: DaVita, Inc.
Address: 3021 E. 98th St., Indianapolis, IN 46280
Telephone Number: (317) 317 691 3275
E-mail Address: cheryl.cody@davita.com
Fax Number: (317) 582-0203

Co-Applicant(Pg 1 of 2)
Attachment 1 & 2

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance]

Name: Ellie Suhl
Title: President
Company Name: Suhl Healthcare Consulting, Inc.
Address: c/o DaVita, 932 N. Rutledge, Springfield, IL 62702
Telephone Number: 217-788-0061
E-mail Address: elliesuhl@aol.com
Fax Number: 866-620-0333

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Rockford 1302 East State, LLC, a subsidiary of William Charles Investments, Inc.
Address of Site Owner: 1401 N. Second Street, Rockford, IL 61107
Street Address or Legal Description of Site: 1320 E. State Street, Rockford, IL 61104

APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility, and insert after this page.]

Exact Legal Name: Total Renal Care, Inc.

Address: 601 Hawaii Street, El Segundo, California 90245

☐	Non-profit Corporation	☐	Partnership		
☒	For-profit Corporation	☐	Governmental		
☐	Limited Liability Company	☐	Sole Proprietorship	☐	Other

- Corporations and limited liability companies must provide an Illinois certificate of good standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

Organizational Relationships

Provide (for each co-applicant) an organizational chart containing the name and relationship of any person who is related (as defined in Part 1130.140). If the related person is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

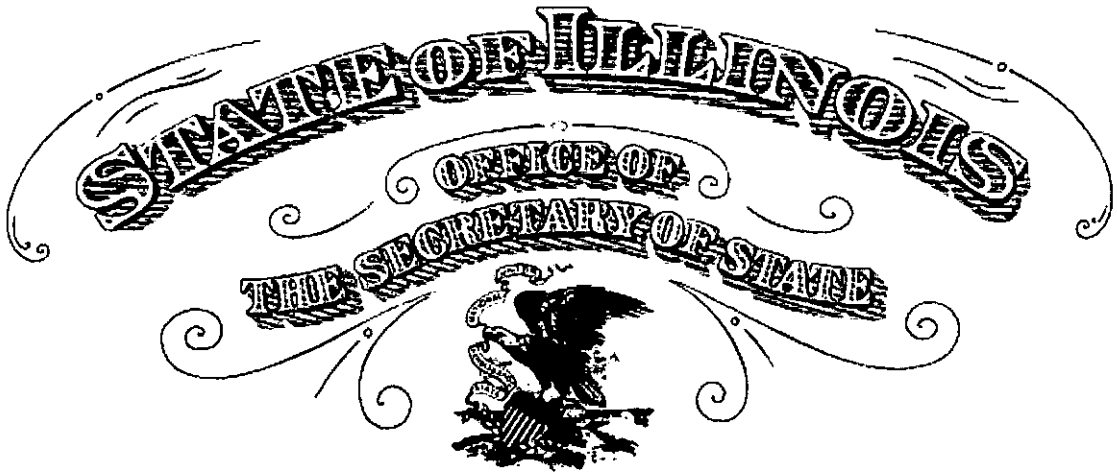
[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Flood Plain requirements of Executive Order #5, 2006.

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Co-Applicant (Pg 2 of 2)
Attachment 1 & 2

File Number 5823-002-2



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

TOTAL RENAL CARE, INC., INCORPORATED IN CALIFORNIA AND LICENSED TO TRANSACT BUSINESS IN THIS STATE ON MARCH 10, 1995. APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

Authentication #: 1004202498

Authenticate at: http://www.cyberdriveillinois.com

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 11TH *day of* FEBRUARY *A.D.* 2010 .

Jesse White

SECRETARY OF STATE

Primary Applicant

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "DAVITA INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE FIFTEENTH DAY OF FEBRUARY, A.D. 2010.

Jeffrey W. Bullock, Secretary of State

2391269 8300

100141076

You may verify this certificate online at corp.delaware.gov/authver.shtml

AUTHENTICATION: 7811432

DATE: 02-15-10

Co-Applicant

DaVita™

Organizational Structure
DaVita Inc.
&
Total Renal Care, Inc.

Davita Inc.
(a Delaware Corp.)
601 Hawaii Street
El Segundo, CA 90245
(EIN: 51-0354549)

←

T. Rowe Price Associates, Inc. 5.4%
(EIN: 52-0556948)
FMR Corp. 6.9% (EIN: 16-1144965)
Capital Group International, Inc. 8%
(EIN: 95-4154357)

100% Owned

↓

Total Renal Care, Inc.
(a California Corp.)
601 Hawaii Street
El Segundo, CA 90245
(EIN: 95-3372911)

Attachment 3

Itemization

Project Costs and Sources of Funds		
USE OF FUNDS	**CLINICAL**	**Itemization**
Preplanning Costs		
Site Survey and Soil Investigation		
Site Preparation		
Off Site Work		
New Construction Contracts		
Modernization Contracts		
Contingencies	$ 75,000	The contingency is proposed to absorb any legal or transaction fees over and above the amount proposed in the original application
Architectural/Engineering Fees		
Consulting and Other Fees	$ 72,500	Consulting fees include CON processing and submission fees and legal fees.
Movable or Other Equipment (not in construction contracts)		
Bond Issuance Expense (project related)		
Net Interest Expense During Construction (project related)		
Fair Market Value of Leased Space or Equipment	$ 1,492,460	FMV includes the FMV of rent of the buildings currently housing the dialysis clinic.
Other Costs To Be Capitalized		
Acquisition of Building or Other Property (excluding land)	$ 2,000,000	Cost of acquiring the facility assets.
TOTAL USES OF FUNDS	$ 3,619,960	

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Attachment 7

Fresenius Medical Care

November 4, 2009

DaVita Inc.
5200 Virginia Way
Brentwood, Tennessee 37027
Attention: Benjamin Jacobs

Dear Ben:

In furtherance of our conversations regarding the purchase and sale of certain dialysis centers by and between Fresenius Medical Care Holdings, Inc. ("**FMCNA**") and DaVita Inc. ("**DaVita**") and my term sheet dated January 13, 2009, this letter will serve to express our non-binding, mutual understanding with respect to a portion of such proposed transactions, pursuant to which Dialysis Centers of America – Illinois, Inc., an affiliate of Fresenius Medical Care North America (collectively, "**Seller**") would agree to sell to DaVita or its affiliate ("collectively, "**Buyer**"), and Buyer would agree to purchase from Seller, certain assets relating to the chronic renal dialysis programs located at the Center described in Section 1 below (the "**Proposed Transaction**").

The intended terms of the Proposed Transaction are as follows:

1. Center; Purchase Price; Relocation Expense Reimbursement.

(a) The following dialysis center ("**Center**") and purchase price ("**Purchase Price**") are applicable to this letter:

Center Name	Center Address	Purchase Price
Rockford (Facility # 4330)	1302 East State Street Rockford, IL 61104	$842,160

(b) In addition to the Purchase Price, Buyer shall pay Seller the actual cost of any inventory and pre-paid expenses in existence as of the Effective Date (as defined in Paragraph 7, below).

2. Purchase Agreement. Buyer and Seller shall execute an asset purchase agreement (collectively, the "**Purchase Agreement**") which shall provide for the purchase and sale of the Assets and assumption of the Liabilities as specified in Paragraphs 3 and 4, below, and shall contain such representations, warranties and other terms as are customary for a transaction of this nature.

Attachment 8

3. Assets.

(a) Included Assets. The assets ("**Assets**") to be acquired by Buyer on the Effective Date will include substantially all of the tangible and intangible assets which comprise or are used or are held for use in connection with or are necessary to the operation of the business at the Center (the "**Dialysis Business**"), unless otherwise agreed to by the parties, including, without limitation, all real property leasehold rights, improvements, furniture, fixtures, equipment, supplies, inventory, prepaid expenses, claims and rights under contracts and leases to be assigned to Buyer as set forth below, the trade name of the Center (if agreed by the parties), patient lists, copies of patient files and records, telephone numbers, Medicare and Medicaid provider numbers and agreements and National Provider Identifier (if Buyer shall elect, in its sole discretion, to accept them), and, to the extent permitted by law, all permits, licenses and other rights held by Seller with respect to the ownership or operation of any or all of the Dialysis Business, and all of Seller's books and records to the extent relating solely to the foregoing, unless specifically agreed to by the parties, in each case, regardless of whether they are on Seller's or a related party's books. All of the Assets shall be transferred to Buyer free and clear of all liens, claims and encumbrances.

(b) Excluded Assets. The Assets will not include cash, accounts receivable, inter-company receivables, contracts and leases that are not to be assigned to Buyer as set forth below, and inventory and supplies disposed of from the date hereof until the Effective Date in the ordinary course of business consistent with past practice.

(c) Contracts. Prior to the execution of the Purchase Agreement, Seller shall provide Buyer with copies of all real property leases and any other contract of Seller relating to the Dialysis Business that Buyer agrees to assume on the Effective Date. The parties acknowledge that it shall be a condition to closing that Buyer shall have (i) entered into medical director agreements with the Center's existing medical director(s) or other physicians reasonably acceptable to Buyer with terms (or remaining terms) of at least three (3) years, and (ii) assumed the leases for the Center's premises on terms reasonably acceptable to Buyer and the applicable landlord. Seller shall be responsible for obtaining any necessary consents for the assignment of such designated contracts and leases to Buyer.

4. No Liabilities. Except for obligations arising on or after the Effective Date under contracts assigned to Buyer, Buyer will not assume any of Seller's Liabilities (as defined below), including, without limitation, any Liabilities arising out of the operation of the Dialysis Business (or any part thereof) or the ownership or use of any of the Assets prior to the Effective Date. "**Liability**" means any claim, lawsuit, liability, obligation or debt of any kind or nature whatsoever, including without limitation, (a) any malpractice, tort or breach of contract claim asserted by any patient, former patient, employee or any other party that is based on acts or omissions or events occurring before the Effective Date; (b) any amount (including, if applicable, any penalty or interest) due or that may become due to Medicare or Medicaid or Blue Cross/Blue Shield or any other health care reimbursement or payment intermediary or other person or entity on account of any overpayment or duplicate payment or otherwise attributable to

any period prior to the Effective Date ("**Reimbursement Liabilities**"); (c) any obligation or liability attributable to any period prior to the Effective Date that arises out of any contract, whether or not such contract is assigned to Buyer; and (d) any account payable of Seller.

5. **Employees.** On or before the Effective Date, Buyer may offer to hire, on such terms and conditions as Buyer generally offers to its employees, substantially all of Seller's employees (other than physicians) who are employed principally in direct patient care roles at the Center as of the Effective Date (the "**Dialysis Employees**"); provided, however, that Buyer may elect not to offer employment to Dialysis Employees who do not have the unrestricted ability to provide federally reimbursed services, who do not release their personnel files to Buyer prior to the Effective Date, or who do not pass a pre-employment drug test, background check and physical exam, or do not otherwise meet Buyer's other standard hiring criteria. Buyer will treat service by the Dialysis Employees as service with Buyer for the same length of time solely for purposes of vesting in benefits offered by Buyer to its employees except with respect to Buyer's profit sharing plans, if applicable. On the Effective Date, Buyer will assume up to eighty (80) hours of vacation and other payable time off ("**PTO**") accrued as of the Effective Date by each Dialysis Employee who accepts employment with Buyer, and Seller shall pay to Buyer an amount equal to such accrued PTO (or, alternatively, shall apply a credit to Buyer against the Purchase Price hereunder). Seller will be responsible for paying any accrued PTO in excess of eighty (80) hours to each Dialysis Employee in the next Seller disbursed payroll at or following the Effective Date. If Buyer is unable to process the transition of the Dialysis Employees who accept the offers from Buyer to Buyer's payroll and benefit plans by the Effective Date, then Seller will maintain such Dialysis Employees on its payroll and in its benefit plans until such transition is completed, in each case, solely at the cost and expense of Buyer, for a period not to exceed 21 days.

6. **Non-Competition and Non-Solicitation Covenant.** Pursuant to the Purchase Agreement, Seller, on its own behalf and on behalf of its affiliates, shall agree that they will not compete with the business of the Center, directly or indirectly, or otherwise take any action that may result in owning any interest in, leasing, operating or managing any outpatient chronic renal dialysis center anywhere within a mutually agreed upon geographic area (the "**Restricted Area**"), for a period of three (3) years following the Effective Date (the "**Period**"). Seller shall further agree that neither it nor any of its affiliates will, during the Period, directly or indirectly, take any action that may induce any patient, customer, employee or vendor of Buyer within the Restricted Area (either individually or in the aggregate) to discontinue his, her or its affiliation with Buyer; provided however, that neither Seller nor any of its affiliates shall be precluded from hiring a Buyer employee who approaches Seller (or its parent or affiliates) for employment without prior solicitation or who is hired as a result of a general solicitation through advertisements in newspapers or other media outlets. Ten percent (10%) of the Purchase Price will be allocated to the covenant not to compete for federal tax planning purposes only.

7. **Effective Date.** The parties intend to begin negotiation of the Definitive Agreements (as defined in Paragraph 8(b) below) immediately following full execution of this letter, and expect to execute such Definitive Agreements within thirty (30) days. If applicable, upon the execution of the Definitive Agreements (the "**Signing Date**"), the parties shall

immediately pursue in good faith all regulatory approvals required for the transfer of ownership that is contemplated in this letter (collectively, the "**Required Approvals**"). The Proposed Transaction shall be consummated effective at 12:01 a.m. on the first day of the month following fulfillment of all closing conditions set forth in the Definitive Agreements (including any Required Approvals, if applicable) (the "**Effective Date**").

8. Conditions to Closing. In addition to the conditions described in Paragraph 3(c) above concerning medical director agreements and leases, Buyer's (and Seller's, where noted) obligation to close the Proposed Transactions shall be subject to the satisfaction of the following conditions:

(a) Due Diligence. Buyer shall have completed to its satisfaction its due diligence review of the Dialysis Business, including, without limitation, the Assets and Liabilities relating thereto, and Seller shall have furnished to Buyer and its representatives such information and access to such books and records and personnel as Buyer may reasonably request for such purpose.

(b) Documentation. The negotiation, execution, and delivery of the Purchase Agreements and related documents (the "**Definitive Agreements**"), setting forth the terms and conditions of the Proposed Transactions and containing such customary provisions, representations, warranties, covenants, and indemnifications, and providing for the receipt by the parties of such ancillary documents, as shall be reasonably acceptable to the parties and their respective counsel.

(c) Required Approvals; Compliance. Buyer shall have received all Required Approvals for the transfer of the Assets contemplated herein. Furthermore, the purchase and sale of the Assets to Buyer shall be in compliance with all applicable federal and state laws. CON contingency

(d) Board and Lender Approvals. Buyer and Seller shall have received prior to the Effective Date all necessary approvals from their respective boards of directors, management boards and the like, and shall have received all required lender approvals.

(e) Material Adverse Change. There shall not have been any material adverse change in the condition (financial or otherwise) of the assets, properties or operations of the Dialysis Business or the Assets.

9. Maintenance of Assets. Between the date of this letter and the Effective Date or the termination of the exclusivity period referred to in Paragraph 13 below, whichever occurs first, Seller (a) shall continue to operate the Dialysis Business and maintain the Assets in the usual and customary manner consistent with past operations, (b) shall use its reasonable efforts to preserve the business operations of the Dialysis Business intact, to keep available the services of its current personnel, and to preserve the goodwill and relationships of its suppliers, patients and others having business relations with the Dialysis Business, (c) shall notify Buyer in writing of any event involving the Dialysis Business or Assets that has had or may be reasonably

expected to have a material adverse effect on the business or financial condition of the Dialysis Business or the Assets, and (d) shall not sell, encumber, or otherwise dispose of any assets without Buyer's consent, except in the ordinary course of business consistent with past practices.

10. **Transition Period.** From the date hereof, through the Effective Date and thereafter for a reasonable period of time, Buyer and Seller will work cooperatively with each other to develop specific transition and integration plans to assure continued quality of care and operating effectiveness following the Effective Date.

11. **Public Announcements.** Subject to requirements of law, any news releases or other announcements prior to the Effective Date by Buyer, Seller, or any of their respective affiliates or agents pertaining to this letter or the Proposed Transactions shall be approved in writing by all parties prior to release. Buyer and Seller agree that, prior to the Signing Date, they shall keep the existence of this letter and its contents confidential, except as may be necessary to comply with applicable law or regulation.

12. **Confidentiality.** Buyer and Seller hereby reaffirm their respective obligations under that certain Confidentiality Agreement, dated as of January 1, 2009, which agreement remains in full force and effect.

13. **Exclusivity.** Between the date this letter is fully executed and the earlier to occur of (a) ninety (90) days following such execution date, or (b) the date on which Buyer provides written notice to Seller that it has ended its active efforts to consummate the Proposed Transaction, neither Seller nor any of its affiliates or agents or representatives, shall, directly or indirectly, enter into any agreement, commitment or understanding with respect to, or engage in any discussions or negotiations with, or encourage or respond to any solicitations from, any other party with respect to the direct or indirect (including, without limitation by way of stock sale, merger, consolidation or otherwise) sale, lease or management of the Dialysis Business or any material portion of the Assets. Seller shall promptly advise Buyer of any unsolicited offer or inquiry received by it or any of its affiliates, agents or representatives, including the terms thereof.

14. **Procedure.** As soon as possible after execution and delivery of this letter, the parties will cooperate in the negotiation and preparation of the Purchase Agreements and other necessary documentation and will use all reasonable efforts to satisfy the conditions set forth in Paragraph 8 which are in their respective control.

15. **Expenses.** Each party shall bear its own expenses arising out of this letter and the Transaction, with no liability for such expenses to the other party, whether or not the Transaction or any part thereof shall close.

16. **Non-Binding Effect.** It is understood that this letter merely constitutes a statement of the mutual intentions of the parties with respect to the proposed Transaction, does not contain all matters upon which agreement must be reached in order for the proposed transactions to be consummated and, except in respect of Paragraphs 9, 11, 12, 13 and 15, above,

and this Paragraph 16, creates no binding rights in favor of any party. A binding commitment with respect to the Transaction will result only if Definitive Agreements are executed and delivered, and then, only subject to the terms and conditions contained therein. This letter may be executed in counterparts, each of which shall be deemed to be an original, and all of which, when taken together, shall constitute one and the same letter of intent. Signatures sent by facsimile transmission shall be deemed to be original signatures.

This letter will be void and the terms contained herein revoked unless accepted and returned by 5:00 p.m. (Eastern Standard Time) on November 6, 2009. If the foregoing is acceptable to you, please so indicate by signing a copy of this letter and returning it to the undersigned.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Dialysis Centers of America – Illinois, Inc.

Deborah G. Casey
Vice President,
Physician Contracting – Physician Strategies
Fresenius Medical Care North America

Acknowledged and agreed this 4th day of November, 2009

DAVITA INC.

By: _____
Name: Ben Jacobs
Title: Director, Mergers & Acquisitions

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Tuscaloosa University Dialysis	815 UNIVERSITY BLVD E		TUSCALOOSA	AL	35401-2093	01-2502
Greene County Dialysis	544 US HIGHWAY 43 SOUTH		EUTAW	AL	35462-4017	01-2550
Fayette Dialysis	2450 TEMPLE AVE N		FAYETTE	AL	35555-1160	01-2548
Bessemer Dialysis	901 W LAKE MALL	STE 101	BESSEMER	AL	35020-	01-2583
Physicians Choice Dialysis - Elmore County	515 HOSPITAL DR		WETUMPKA	AL	36092-1626	01-2553
Sylacauga Dialysis	331 JAMES PAYTON BLVD		SYLACAUGA	AL	35150	01-2588
Atmore Dialysis Center	807 E CRAIG ST		ATMORE	AL	36502-3017	01-2600
South Baldwin Dialysis Center	150 W PEACHTREE AVE		FOLEY	AL	36535-2244	01-2565
Boaz Dialysis	16 CENTRAL HENDERSON RD		BOAZ	AL	35957-5922	01-2594
Physicians Choice Dialysis - Prattville	1815 GLYNWOOD DR		PRATTVILLE	AL	36066-5584	01-2535
Birmingham Central Dialysis	728 RICHARD ARRINGTON JR BLVD S		BIRMINGHAM	AL	35233-2106	01-2592
Center Point Dialysis	2337 1ST ST NE		CENTER POINT	AL	35215-3619	01-2623
Birmingham Home Training Dialysis	2101 7TH AVE S		BIRMINGHAM	AL	35233-3105	01-2605
Athens Dialysis	15953 ATHENS LIMESTONE LN		ATHENS	AL	35613-2214	01-2517
Sheffield Dialysis	1120 S JACKSON HWY		SHEFFIELD	AL	35660-5777	01-2551
Florence Dialysis	422 E DR HICKS BLVD	STE B	FLORENCE	AL	35630-5763	01-2529
Renaissance Dialysis	1840 DARBY DR		FLORENCE	AL	35630-2623	01-2629
Ensley Dialysis	2630 AVENUE E		ENSLEY	AL	35218-2163	01-2585
Russellville Dialysis	14897 HIGHWAY 43		RUSSELLVILLE	AL	35653-1954	012602
Dothan Dialysis	216 GRACELAND DR		DOTHAN	AL	36305-7346	01-2506
Gulf Shores Dialysis Center	3947 GULF SHORES PKWY	UNIT 150	GULF SHORES	AL	36542-2737	
Ozark Dialysis	214 E HOSPITAL AVE		OZARK	AL	36360-2038	012544
Eufaula Dialysis	220 S ORANGE AVE		EUFAULA	AL	36027-1612	012609
Talladega Dialysis	726 BATTLE ST E	STE A	TALLADEGA	AL	35160-2583	01-2622
Tuscaloosa Dialysis	805 OLD MILL ST		TUSCALOOSA	AL	35401-7132	01-2545
Demopolis Dialysis	511 S CEDAR AVE		DEMOPOLIS	AL	36732-2235	01-2543
Northport Dialysis	2401 HOSPITAL DR		NORTHPORT	AL	35476-3392	01-2570
Home Dialysis Options of Baldwin County	27880 N MAIN ST	STE A	DAPHNE	AL	36526-7080	01-2627
Birmingham East Dialysis	1105 E PARK DR		BIRMINGHAM	AL	35235-2560	01-2508
Birmingham North Dialysis	1917 32ND AVE N		BIRMINGHAM	AL	35207-3333	01-2589
Rainbow City Dialysis	2800 RAINBOW DR		RAINBOW CITY	AL	35906-5811	012542
Physicians Choice Dialysis - East Montgomery	6890 WINTON BLOUNT BLVD		MONTGOMERY	AL	36117-3516	01-2557
Opelika Dialysis Center	2340 PEPPERELL PKWY		OPELIKA	AL	36801-6240	01-2628
Wiregrass Kidney Center	1450 ROSS CLARK CIR		DOTHAN	AL	36301-4765	01-2630

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Phenix City Dialysis Center	1900 OPELIKA RD		PHENIX CITY	AL	36867-3640	01-2523
Physicians Choice Dialysis - Montgomery	1001 FOREST AVE		MONTGOMERY	AL	36106-1181	01-2505
Gadsden Dialysis	409 S 1ST ST		GADSDEN	AL	35901-5358	01-2501
North Little Rock Dialysis Center	4505 E MCCAIN BLVD		NORTH LITTLE ROCK	AR	72117-2902	04-2548
Jacksonville Central Dialysis Center	400 T P WHITE DR		JACKSONVILLE	AR	72076-3287	04-2553
Mena Dialysis Center	1200 CRESTWOOD CIRCLE		MENA	AR	71953-5516	04-2582
Bentonville Dialysis	1104 SE 30TH ST		BENTONVILLE	AR	72712-4290	04-2540
Siloam Springs Dialysis	500 S MOUNT OLIVE ST	STE 107	SILOAM SPRINGS	AR	72761-3602	04-2549
Fayetteville Dialysis	509 E MILLSAP RD	STE 111	FAYETTEVILLE	AR	72703-4862	04-2539
Springdale Dialysis	708 QUANDT AVE		SPRINGDALE	AR	72764-5309	04-2568
Central Little Rock Dialysis	5800 W 10TH ST	STE 510	LITTLE ROCK	AR	72204-1760	04-2571
Kayenta Dialysis	PO BOX 217	US HWY 163 N	KAYENTA	AZ	86033-0217	03-2559
Tuba City Dialysis	500 EDGEWATER DR	PO BOX 2910	TUBA CITY	AZ	86045-2905	03-2506
Hopi Dialysis Center	PO BOX 964	HWY 264	POLACCA	AZ	86042	03-2592
Chinle Dialysis	US HWY 191	PO BOX 879	CHINLE	AZ	86503-0879	03-2518
Grand Home Dialysis	14674 W MOUNTAIN VIEW BLVD	STE 204	SURPRISE	AZ	85374-2708	03-2620
Westbrook Dialysis	13907 W CAMINO DEL SOL	STE 103	SUN CITY WEST	AZ	85375-4405	03-2621
Palm Brook Dialysis Center	14664 N DEL WEBB BLVD		SUN CITY	AZ	85351-2137	03-2601
Phoenix Dialysis Center	337 E CORONADO RD	STE 101	PHOENIX	AZ	85004-1582	03-2611
Central Mesa Dialysis Center	1134 E UNIVERSITY DR	STE 101	MESA	AZ	85203-8048	03-2624
Arrowhead Lakes Dialysis Center	20325 N 51ST AVE	STE 186 BLDG 11	GLENDALE	AZ	85308-4625	03-2604
Northwest Tucson Dialysis	2945 W INA RD	STE 105	TUCSON	AZ	85741-2366	03-2618
Gilbert Dialysis Center	5222 E BASELINE RD	STE 104	GILBERT	AZ	85234-2963	03-2605
Estrella Dialysis Center	8410 W THOMAS RD	STE 100 BLDG 1	PHOENIX	AZ	85037-3356	03-2612
Tempe Dialysis Center	2149 E WARNER RD	STE 110	TEMPE	AZ	85284-3496	03-2609
Raven Dialysis Center	3540 E BASELINE RD	STE 110	PHOENIX	AZ	85042-9628	03-2625

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Desert Mountain Dialysis Center	9220 E MOUNTAIN VIEW RD	STE 105	SCOTTSDALE	AZ	85258-5134	03-2525
South Yuma Dialysis	3010 S 4TH AVE		YUMA	AZ	85364-8103	03-2556
Rim Country Dialysis	809 W LONGHORN RD		PAYSON	AZ	85541-4280	03-2615
Sells Dialysis	PO BOX 3030	HWY 86 MILEPOST 113	SELLS	AZ	85634-3030	03-2513
Camelback Dialysis Center	7321 E OSBORN DR		SCOTTSDALE	AZ	85251-6418	03-2504
Scottsdale Dialysis Center	4725 N SCOTTSDALE RD	STE 100	SCOTTSDALE	AZ	85251-7621	03-2600
Pascua Yaqui Tribe Dialysis	7490 S CAMINO DE OESTE		TUCSON	AZ	85746-9308	03-2573
Tucson South Dialysis	3662 S 16TH AVE		TUCSON	AZ	85713-6001	03-2557
Papago Dialysis Center	1401 N 24TH ST	STE 2	PHOENIX	AZ	85008-4638	03-2553
Tucson South Central Dialysis	2024 E IRVINGTON RD	STE 7	TUCSON	AZ	85714-1825	03-2589
Tucson West Dialysis	1780 W ANKLAM RD		TUCSON	AZ	85745-2632	03-2500
Nogales Dialysis	1231 W TARGET RANGE RD		NOGALES	AZ	85621-2417	03-2543
Yuma Dialysis	2130 W 24TH ST		YUMA	AZ	85364-6122	03-2502
Sierra Vista Dialysis	629 N HIGHWAY 90	STE 6	SIERRA VISTA	AZ	85635-2257	03-2520
Tucson East Dialysis	6420 E BROADWAY BLVD	STE C300	TUCSON	AZ	85710-3512	03-2501
Desert Ridge Dialysis	8573 E PRINCESS DR	STE 111	SCOTTSDALE	AZ	85255-7823	03-2606
Sunset Dialysis Center	3071 GOLD CANAL DR		RANCHO CORDOVA	CA	95670	55-2612
Elk Grove Dialysis	9281 OFFICE PARK CIR	STE 105	ELK GROVE	CA	95758-8069	55-2529
West Sacramento Dialysis Center	3450 INDUSTRIAL BLVD	STE 100	WEST SACRAMENTO	CA	95691-5003	55-2591
TRC/USC Kidney Center	2310 ALCAZAR ST		LOS ANGELES	CA	90033-5327	05-2794
Yucaipa Dialysis Center	33487 YUCAIPA BLVD		YUCAIPA	CA	92399-2064	55-2578
Norco Dialysis	1901 TOWN AND COUNTRY DR	STE 100	NORCO	CA	92860-3611	55-2571
Hemet Dialysis Center	1330 S STATE ST	STE B	SAN JACINTO	CA	92583-4916	05-2620
Doctors Dialysis of East Los Angeles	950 S EASTERN AVE		LOS ANGELES	CA	90022-4801	05-2725
North Highlands Dialysis Center	4986 WATT AVE	STE F	NORTH HIGHLANDS	CA	95660-5182	05-2826
Orangevale Dialysis Center	9267 GREENBACK LN	STE A2	ORANGEVALE	CA	95662-4864	05-2850
University Park Dialysis Center	3986 S FIGUEROA ST		LOS ANGELES	CA	90037-1222	05-2713
Lake Elsinore Dialysis	32291 MISSION TRAIL RD	BLDG S	LAKE ELSINORE	CA	92530-4424	05-2895
Murrieta Dialysis	25100 HANCOCK AVE	STE 101	MURRIETA	CA	92562-5973	05-2730
Natomas Dialysis	30 GOLDEN LAND CT	BLDG G	SACRAMENTO	CA	95834-2420	55-2569
Crossroads Dialysis	3214 YORBA LINDA BLVD		FULLERTON	CA	92831-1707	55-2544
Marysville Dialysis Center	1015 8TH ST		MARYSVILLE	CA	95901-5271	55-2533
Antelope Dialysis Center	6406 TUPELO DR	STE A	CITRUS HEIGHTS	CA	95621-1741	05-2663
Mainplace Dialysis Center	972 W TOWN AND COUNTRY RD		ORANGE	CA	92868-4714	05-2503
Bixby Knolls Dialysis	3744 LONG BEACH BLVD		LONG BEACH	CA	90807-3310	55-2614

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Magnolia West Dialysis	11161 MAGNOLIA AVE		RIVERSIDE	CA	92505-3605	55-2553
Wilshire Dialysis Center	1212 WILSHIRE BLVD		LOS ANGELES	CA	90017-1902	05-2631
Los Angeles Dialysis Center	2250 S WESTERN AVE	STE 300	LOS ANGELES	CA	90018-1301	05-2695
Tustin Dialysis	2090 N TUSTIN AVE	STE 100	SANTA ANA	CA	92705-7869	05-2897
University Dialysis Center	777 CAMPUS COMMONS RD	STE 100	SACRAMENTO	CA	95825-8344	55-2549
West Elk Grove Dialysis	2208 KAUSEN DR	STE 100	ELK GROVE	CA	95758-7115	55-2604
Diamond Valley Dialysis	1030 E FLORIDA AVE		HEMET	CA	92543-4511	05-2768
San Marcos Dialysis Center	2135 MONTIEL RD	BLDG B	SAN MARCOS	CA	92069-3511	
Doctors Dialysis Center of Montebello	1721 W WHITTIER BLVD		MONTEBELLO	CA	90640-4004	05-2785
Hollywood Dialysis Center	5108 W SUNSET BLVD		LOS ANGELES	CA	90027-5708	05-2801
Antelope Valley Dialysis	1759 W AVENUE J	STE 102	LANCASTER	CA	93534-2703	05-2521
Tokay Dialysis Center	312 S FAIRMONT AVE	STE A	LODI	CA	95240-3840	55-2504
Sunrise Dialysis Center	13039 HAWTHORNE BLVD		HAWTHORNE	CA	90250-4415	05-2746
Imperial Dialysis	2738 W IMPERIAL HWY		INGLEWOOD	CA	90303-3111	05-2670
Yosemite Street Dialysis Center	1650 W YOSEMITE AVE		MANTECA	CA	95337-5193	55-2606
South Sacramento Dialysis Center	7000 FRANKLIN BLVD	STE 880	SACRAMENTO	CA	95823-1838	05-2569
Tokay Home Dialysis Center	777 S HAM LN	STE L	LODI	CA	95242-3593	55-2576
Norwalk Dialysis Center	12375 E IMPERIAL HWY	STE D3	NORWALK	CA	90650-3129	05-2718
Auburn Dialysis	3126 PROFESSIONAL DR	STE 100	AUBURN	CA	95603-2411	05-2614
Walnut Creek Dialysis Center	404 N WIGET LN		WALNUT CREEK	CA	94598-2408	05-2689
Pleasanton Dialysis Center	5720 STONERIDGE MALL RD	STE 160	PLEASANTON	CA	94588-2882	05-2568
Walnut Creek At Home	404 N WIGET LN		WALNUT CREEK	CA	94598-2408	55-2611
Vacaville Dialysis Center	941 MERCHANT ST		VACAVILLE	CA	95688-5315	05-2709
Fullerton Dialysis	238 ORANGEFAIR MALL		FULLERTON	CA	92832-3037	05-2505
Washington Plaza Dialysis Center	516 E WASHINGTON BLVD	# 522	LOS ANGELES	CA	90015-3723	05-2856
Glendale Dialysis	1000 E PALMER AVE		GLENDALE	CA	91205-3532	05-2632
Ceres Dialysis Center	1768 MITCHELL RD	STE 308	CERES	CA	95307-2156	55-2581
Premier Dialysis Center	7612 ATLANTIC AVE		CUDAHY	CA	90201-5020	05-2761
Beverly Hills Dialysis Center	50 N LA CIENEGA BLVD	3RD FLOOR, STE 300	BEVERLY HILLS	CA	90211-2205	05-2599
Mar Vista Dialysis Center	2020 SANTA MONICA BLVD	STE 100	SANTA MONICA	CA	90404-2139	55-2580
Ontario Dialysis	1950 S GROVE AVE	STE 101-105	ONTARIO	CA	91761-5693	55-2548
Burbank Dialysis	1211 N SAN FERNANDO BLVD		BURBANK	CA	91504-4234	05-2637
South Valley Dialysis	17815 VENTURA BLVD	STE 100	ENCINO	CA	91316-3600	05-2744
Ash Tree PD	2666 N GROVE INDUSTRIAL DR		FRESNO	CA	93727-1552	05-2767

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Ash Tree Dialysis	2666 N GROVE INDUSTRIAL DR		FRESNO	CA	93727-1552	55-2563
Mission Viejo Dialysis	27640 MARGUERITE PKWY		MISSION VIEJO	CA	92692-3604	05-2597
UCLA Dialysis Center	200 UCLA MEDICAL PLZ	STE 565	LOS ANGELES	CA	90095-8344	05-2865
White Lane Dialysis	7701 WHITE LN	STE D	BAKERSFIELD	CA	93309-0201	55-2521
Northeast Dialysis	3761 MALL VIEW RD		BAKERSFIELD	CA	93306-3048	05-2839
Temecula Dialysis Center	40945 COUNTY CENTER DR	STE G	TEMECULA	CA	92591-6006	05-2735
Valley Dialysis	16149 HART ST		VAN NUYS	CA	91406-3906	05-2554
Whittier Dialysis	10055 WHITTWOOD DR		WHITTIER	CA	90603-2313	55-2509
Inglewood Dialysis	125 E ARBOR VITAE ST		INGLEWOOD	CA	90301-3839	05-2538
Airport Dialysis	4632 W CENTURY BLVD		INGLEWOOD	CA	90304-1456	05-2754
Chino Dialysis	4445 RIVERSIDE DR		CHINO	CA	91710-3961	05-2739
Upland Dialysis	600 N 13TH AVE		UPLAND	CA	91786-4957	05-2552
San Diego East Dialysis	292 EUCLID AVE	STE 100	SAN DIEGO	CA	92114-3629	05-2883
Encinitas Dialysis	332 SANTA FE DR	STE 100	ENCINITAS	CA	92024-5143	05-2756
Mountain Vista Dialysis Center	401 E HIGHLAND AVE	STE B	SAN BERNARDINO	CA	92404-3800	05-2743
Pomona Dialysis	2475 N GAREY AVE		POMONA	CA	91767-2139	05-2591
Lodi Dialysis Center	1610 W KETTLEMAN LN	STE D	LODI	CA	95242-4210	05-2753
Tracy Dialysis	425 W BEVERLY PL	STE A	TRACY	CA	95376-3086	05-2814
United Dialysis Center	3111 LONG BEACH BLVD		LONG BEACH	CA	90807-5015	05-2671
Tri Counties Home Dialysis	433 S BRIDGE ST		VISALIA	CA	93277-2801	05-2667
Hanford Dialysis	402 W 8TH ST		HANFORD	CA	93230-4536	05-2628
Indian Wells Valley	212 S RICHMOND RD		RIDGECREST	CA	93555-4434	05-2789
Delano Dialysis	905 MAIN ST		DELANO	CA	93215-1729	05-2674
Palm Springs Dialysis	1061 N INDIAN CANYON DR		PALM SPRINGS	CA	92262-4854	05-2541
Hi-Desert Dialysis	58457 29 PALMS HWY	STE 102	YUCCA VALLEY	CA	92284-5879	05-2776
Santa Fe Springs Dialysis	11147 WASHINGTON BLVD		WHITTIER	CA	90606-3007	55-2597
Canyon Springs Dialysis	22555 ALESSANDRO BLVD		MORENO VALLEY	CA	92553-8533	
Bellflower Dialysis Center	15736 WOODRUFF AVE		BELLFLOWER	CA	90706-4018	55-2588
College Dialysis	6535 UNIVERSITY AVE		SAN DIEGO	CA	92115-5810	55-2513
Fresno Palm Bluffs Dialysis	770 W PINEDALE AVE		FRESNO	CA	93711-5744	55-2505
Clearlake Dialysis	14400 OLYMPIC DR		CLEARLAKE	CA	95422-8809	55-2586
Lakeport Dialysis Center	804 11TH ST	STE 2	LAKEPORT	CA	95453-4102	05-2601
San Diego South Dialysis	995 GATEWAY CENTER WAY	STE 101	SAN DIEGO	CA	92102-4550	05-2799
Escondido Home Training Dialysis	635 E GRAND AVE		ESCONDIDO	CA	92025-4402	55-2531
Northgate Dialysis Center	650 LAS GALLINAS AVE		SAN RAFAEL	CA	94903-3620	55-2607
Carmel Mountain Dialysis	9850 CARMEL MOUNTAIN RD		SAN DIEGO	CA	92129-2892	55-2515
Kenneth Hahn Plaza Dialysis Center	11854 S WILMINGTON AVE		LOS ANGELES	CA	90059-3016	05-2858
Florin Dialysis Center	7000 STOCKTON BLVD		SACRAMENTO	CA	95823-2312	05-2857

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Visalia Dialysis	1031 N DEMAREE ST		VISALIA	CA	93291-4117	05-2696
Santa Ana Dialysis Center	1820 E DEERE AVE		SANTA ANA	CA	92705-5721	05-2716
Montclair Dialysis Center	5050 PALO VERDE ST	STE 100	MONTCLAIR	CA	91763-2329	05-2804
Chico Dialysis Center	530 COHASSET RD		CHICO	CA	95926-2212	05-2553
Hayward Dialysis Center	21615 HESPERIAN BLVD	STE F	HAYWARD	CA	94541-7026	05-2685
Saddleback Dialysis	23141 PLAZA POINTE DR		LAGUNA HILLS	CA	92653-1425	05-2808
Eaton Canyon Dialysis	2551 E WASHINGTON BLVD		PASADENA	CA	91107-1446	05-2613
Yuba City Dialysis Center	1525 PLUMAS CT	STE A	YUBA CITY	CA	95991-2971	05-2563
Fresno Dialysis	1111 E WARNER AVE		FRESNO	CA	93710-4030	05-2608
Almond-Wood Dialysis	501 E ALMOND AVE		MADERA	CA	93637-5661	55-2564
South Hayward Dialysis	254 JACKSON ST		HAYWARD	CA	94544-1907	05-2845
Victor Valley Dialysis	16049 KAMANA RD		APPLE VALLEY	CA	92307-1331	05-2561
Pear Tree Dialysis	126 N ORCHARD AVE		UKIAH	CA	95482-4502	05-2833
Downey Dialysis Center	8630 FLORENCE AVE	STE 100	DOWNEY	CA	90240-4017	05-2574
Oakland Peritoneal Dialysis Center	2633 TELEGRAPH AVE	STE 115	OAKLAND	CA	94612-1744	05-2822
East Bay Peritoneal Dialysis Center	13939 E 14TH ST	STE 110	SAN LEANDRO	CA	94578-2613	05-2675
Salinas Valley Dialysis Center	955 BLANCO CIR	STE C	SALINAS	CA	93901-4452	05-2602
Anaheim Dialysis	1107 W LA PALMA AVE		ANAHEIM	CA	92801-2804	05-2734
Soledad Dialysis Center	901 LOS COCHES DR		SOLEDAD	CA	93960-2995	05-2892
Greater El Monte Dialysis Center	1938 TYLER AVE	STE J-168	SOUTH EL MONTE	CA	91733-3623	05-2717
Westminster South Dialysis	14260 BEACH BLVD		WESTMINSTER	CA	92683-4562	05-2773
Atwater Dialysis	580 E BELLEVUE RD		ATWATER	CA	95301-2300	05-2706
Merced Dialysis	3150 G ST	STE A	MERCED	CA	95340-1346	05-2584
Costa Mesa Dialysis	1590 SCENIC AVE		COSTA MESA	CA	92626-1400	55-2518
Union City Dialysis Center	32930 ALVARADO NILES RD	STE 300	UNION CITY	CA	94587-8101	05-2571
Sunrise Community Dialysis Clinic	2951 SUNRISE BLVD	STE 145	RANCHO CORDOVA	CA	95742-7201	05-2774
El Cerrito Dialysis	10690 SAN PABLO AVE		EL CERRITO	CA	94530-2620	05-2786
Bakersfield Dialysis Center	5143 OFFICE PARK DR		BAKERSFIELD	CA	93309-0660	05-2673
Imperial Care Dialysis Center	4345 E IMPERIAL HWY		LYNWOOD	CA	90262-2318	05-2844
Citrus Valley Dialysis	894 HARDT STREET		SAN BERNARDINO	CA	92408-2854	55-2541
San Juan Capistrano South Dialysis	31736 RANCHO VIEJO RD	STE B	SAN JUAN CAPISTRANO	CA	92675-2783	052648
Bakersfield Brimhall Dialysis	8501 BRIMHALL RD	BLDG 500	BAKERSFIELD	CA	93311-2252	05-2635
San Francisco Dialysis	1499 WEBSTER ST		SAN FRANCISCO	CA	94115-3705	05-2719
Santa Monica Dialysis	1260 15TH ST	STE 102	SANTA MONICA	CA	90404-1136	05-2665
Antioch Dialysis Center	3100 DELTA FAIR BLVD		ANTIOCH	CA	94509-4001	05-2841
Berkeley Dialysis	2920 TELEGRAPH AVE		BERKELEY	CA	94705-2031	05-2587

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Monterey Park Dialysis Center	2560 CORPORATE PL	STE 100-101 BLDG D	MONTEREY PARK	CA	91754-7612	05-2700
Tower Dialysis	8635 W 3RD ST	STE 560W	LOS ANGELES	CA	90048-6110	05-2643
Palmdale Regional	1643 E PALMDALE BLVD		PALMDALE	CA	93550-4847	05-2869
Daly City Dialysis	1498 SOUTHGATE AVE	STE 101	DALY CITY	CA	94015-4015	05-2546
Redding Dialysis Center	1876 PARK MARINA DR		REDDING	CA	96001-0913	05-2528
Red Bluff Dialysis Center	2455 SISTER MARY COLUMBA DR		RED BLUFF	CA	96080-4364	55-2557
Kidney Dialysis Care Unit	3600 E MARTIN LUTHER KING JR BLVD		LYNWOOD	CA	90262-2607	05-2502
TRC/Harbor-UCLA MFI Total Renal Dialysis Center	21602 S VERMONT AVE		TORRANCE	CA	90502-1940	05-2802
South Chico Dialysis Center	2345 FOREST AVE		CHICO	CA	95928-7641	55-2530
Los Banos Dialysis	222 I ST		LOS BANOS	CA	93635-4132	05-2738
San Ysidro Dialysis	1445 30TH ST	STE A	SAN DIEGO	CA	92154-3496	05-2866
Banning Dialysis	6090 W RAMSEY ST		BANNING	CA	92220-3052	55-2520
Penn Valley Dialysis	11374 PLEASANT VALLEY RD		PENN VALLEY	CA	95946-9000	55-2500
Grass Valley Dialysis	776 FREEMAN LN	STE A-B	GRASS VALLEY	CA	95949-9618	05-2805
San Pablo Dialysis	14020 SAN PABLO AVE		SAN PABLO	CA	94806-3604	05-2560
Rosemead Springs Dialysis Center	3212 ROSEMEAD BLVD		EL MONTE	CA	91731-2807	55-2511
Crescent Heights Dialysis Center	8151 BEVERLY BLVD		LOS ANGELES	CA	90048-4514	05-2852
Huntington Beach Dialysis	16892 BOLSA CHICA ST		HUNTINGTON BEACH	CA	92649-3591	05-2641
East LA Plaza Dialysis	1700 E CESAR E CHAVEZ AVE	STE L 100	LOS ANGELES	CA	90033-2424	05-2622
Chula Vista Dialysis	630 BAY BLVD	STE 101	CHULA VISTA	CA	91910-5262	05-2731
Covina Dialysis Center	1547 W GARVEY AVE N		WEST COVINA	CA	91790-2139	05-2580
Paramount Dialysis Center	8319 ALONDRA BLVD		PARAMOUNT	CA	90723-4403	05-2652
Delta Sierra Dialysis Center	555 W BENJAMIN HOLT DR	STE 200	STOCKTON	CA	95207-3839	05-2784
Vallejo Dialysis	121 HOSPITAL DR		VALLEJO	CA	94589-2562	05-2567
Chinatown Dialysis	636 CLAY ST		SAN FRANCISCO	CA	94111-2502	05-2769
Lakewood Dialysis Center	4645 SILVA ST		LAKEWOOD	CA	90712-2512	05-2539
Alhambra Dialysis Center	1315 ALHAMBRA BLVD	STE 100	SACRAMENTO	CA	95816-5245	05-2707
Valley View Dialysis Center	26900 CACTUS AVE		MORENO VALLEY	CA	92555-3912	05-2807
Joy of Dixon Dialysis Center	1640 N LINCOLN ST		DIXON	CA	95620-9255	55-2603
Manzanita Dialysis Center	4005 MANZANITA AVE	STE 17	CARMICHAEL	CA	95608-1779	05-2604
Manteca Dialysis	1156 S MAIN ST		MANTECA	CA	95337-9505	05-2723
Riverside Dialysis Center	4361 LATHAM ST	STE 100	RIVERSIDE	CA	92501-1767	05-2532
Concord Dialysis Center	2300 STANWELL DR	STE C	CONCORD	CA	94520-4841	55-2535
Alameda County Dialysis	10700 MACARTHUR BLVD	STE 14	OAKLAND	CA	94605-5260	05-2787

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Stockton Home Training Dialysis	545 E CLEVELAND ST	STE A	STOCKTON	CA	95204-5535	55-2523
Creekside Dialysis Center	141 PARKER ST		VACAVILLE	CA	95688-3921	55-2510
Escondido Dialysis	203 E 2ND AVE		ESCONDIDO	CA	92025-4212	05-2525
Fairfield Dialysis Center	4660 CENTRAL WAY		FAIRFIELD	CA	94534-1803	05-2618
North Hollywood Dialysis	12126 VICTORY BLVD		NORTH HOLLYWOOD	CA	91606-3205	05-2781
Garfield Hemodialysis Center	118 HILLIARD AVE		MONTEREY PARK	CA	91754-1118	05-2564
Cornerhouse Dialysis Center	2005 NAGLEE AVE		SAN JOSE	CA	95128-4801	55-2608
Oakland Dialysis	5354 CLAREMONT AVE		OAKLAND	CA	94618-1035	05-2729
Tulare Dialysis	545 E TULARE AVE		TULARE	CA	93274-4220	05-2666
Selma Dialysis	2001 HIGH ST		SELMA	CA	93662-3512	05-2770
Corona Dialysis Center	1820 FULLERTON AVE	STE 180	CORONA	CA	92881-3147	05-2661
Los Angeles Downtown Dialysis	2021 S FLOWER ST		LOS ANGELES	CA	90007-1342	05-2828
Napa Dialysis Center	3900 BEL AIRE PLZ	STE C	NAPA	CA	94558-2823	05-2615
Fontana Dialysis	16655 FOOTHILL BLVD	STE 300	FONTANA	CA	92335-8416	05-2682
Placerville Dialysis Center	3964 MISSOURI FLAT RD	STE J	PLACERVILLE	CA	95667-5238	05-2691
Long Beach Harbor (UCLA)	1075 E PACIFIC COAST HWY		LONG BEACH	CA	90806-5089	55-2579
Turlock Dialysis Center	50 W SYRACUSE AVE		TURLOCK	CA	95380-3143	55-2528
San Jose at Home	4400 STEVENS CREEK BLVD	STE 50	SAN JOSE	CA	95129-1104	55-2602
Exeter Dialysis	1116 W VISALIA RD	STE 106	EXETER	CA	93221-1482	55-2594
Carquinez Dialysis	125 CORPORATE PL	STE C	VALLEJO	CA	94590-6968	55-2572
Benicia Dialysis	560 1ST ST	STE 103 BLDG D	BENICIA	CA	94510-3295	05-2810
Brea Dialysis Center	595 TAMARACK AVE	STE A	BREA	CA	92821-3125	05-2621
North Metro Dialysis Center	12365 HURON ST	STE 500	WESTMINSTER	CO	80234-3498	06-2559
Parker Dialysis Center	10371 S PARK GLENN WAY	STE 180	PARKER	CO	80138-3885	
Fountain Dialysis	6910 BANDLEY DR		FOUNTAIN	CO	80817-2617	06-2552
Cortez Dialysis Center	610 E MAIN ST	STE C	CORTEZ	CO	81321-3308	06-2528
Thornton Dialysis Center	8800 FOX DR		THORNTON	CO	80260-6880	06-2511
Longmont Dialysis Center	1715 IRON HORSE DR	STE 170	LONGMONT	CO	80501-9617	06-2534
Lakewood Dialysis Center	1750 PIERCE ST		LAKEWOOD	CO	80214-1434	06-2502
Arvada Dialysis Center	9950 W 80TH AVE	STE 25	ARVADA	CO	80005-3914	06-2521
Lakewood Crossing Dialysis	1057 S WADSWORTH BLVD	STE 100	LAKEWOOD	CO	80226-4361	06-2535
Mile High Home Dialysis PD	1750 PIERCE ST	STE A	LAKEWOOD	CO	80214-1434	06-2541
Durango Dialysis Center	72 SUTTLE STREET	SUITE D	DURANGO	CO	81303-6829	06-2547
Boulder Dialysis Center	2880 FOLSOM ST	STE 110	BOULDER	CO	80304-3769	06-2517
Brighton Dialysis	4700 E BROMLEY LN	STE 103	BRIGHTON	CO	80601-7821	06-2542
Littleton Dialysis Center	209 W COUNTY LINE RD		LITTLETON	CO	80129-1901	06-2519
South Denver Dialysis Center	850 E HARVARD AVE	STE 60	DENVER	CO	80210-5030	06-2518
Lowry Dialysis Center	7465 E 1ST AVE	STE A	DENVER	CO	80230-6877	06-2529

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Pikes Peak Dialysis Center	2002 LELARAY ST	STE 130	COLORADO SPRINGS	CO	80909-2804	06-2507
Printers Place Dialysis Center	2802 INTERNATIONAL CIR		COLORADO SPRINGS	CO	80910-3127	06-2524
North Colorado Springs Dialysis	6071 E WOODMEN RD	STE 100	COLORADO SPRINGS	CO	80923-2610	062561
Commerce City Dialysis	6320 HOLLY ST		COMMERCE CITY	CO	80022-3325	06-2533
Belcaro Dialysis Center	755 S COLORADO BLVD		DENVER	CO	80246-8005	06-2544
East Aurora Dialysis	482 S CHAMBERS RD		AURORA	CO	80017-2092	06-2540
Englewood Dialysis Center	3247 S LINCOLN ST		ENGLEWOOD	CO	80113-2505	06-2531
Interstate Dialysis Center	334 S 13TH ST		BURLINGTON	CO	80807-2414	06-2551
Westminster Dialysis Center	9053 HARLAN ST	STE 90	WESTMINSTER	CO	80031-2908	06-2516
Alamosa Dialysis	612 DEL SOL DR		ALAMOSA	CO	81101-8548	06-2550
Grand Junction Dialysis Center	710 WELLINGTON AVE	STE 20	GRAND JUNCTION	CO	81501-6100	06-2553
Lonetree Dialysis Center	9777 MOUNT PYRAMID CT	STE 140	ENGLEWOOD	CO	80112-6017	06-2543
Denver Dialysis Center	2900 DOWNING ST	STE C	DENVER	CO	80205-4699	06-2546
Aurora Dialysis Center	1411 S POTOMAC ST	AMC II STE 100	AURORA	CO	80012-4536	06-2514
Norwich Dialysis	113 SALEM TPKE		NORWICH	CT	06360-6484	07-2520
New London Dialysis	5 SHAW'S COVE	STE 100	NEW LONDON	CT	06320-4974	072515
Torrington Dialysis	780 LITCHFIELD ST	STE 100	TORRINGTON	CT	06790-6268	07-2523
Black Rock Dialysis	427 STILLSON RD		FAIRFIELD	CT	06824-3153	07-2535
Bridgeport Dialysis	900 MADISON AVE	STE 221	BRIDGEPORT	CT	06606-5534	072501
PDI - Rocky Hill	30 WATERCHASE DR		ROCKY HILL	CT	06067-2110	07-2518
Hartford Dialysis	675 TOWER AVE	RENAL UNIT 2ND FL	HARTFORD	CT	6112	07-2516
Bloomfield Dialysis	29 GRIFFIN RD S		BLOOMFIELD	CT	06002-1351	07-2528
Shelton Dialysis	750 BRIDGEPORT AVE		SHELTON	CT	06484-4734	07-2510
New Haven Dialysis	100 CHURCH ST S	STE C	NEW HAVEN	CT	06519-1703	072507
Vernon Dialysis Center	460 HARTFORD TPKE		VERNON	CT	6066	07-2529
Windham Dialysis Center	375 TUCKIE RD	STE C	NORTH WINDHAM	CT	06256-1345	07-2530
Middlesex Dialysis Center	100 RIVERVIEW CENTER	STE 11	MIDDLETOWN	CT	06457-3402	07-2524
Milford Dialysis	470 BRIDGEPORT AVE		MILFORD	CT	06460-4167	07-2514
Greater Waterbury Dialysis	209 HIGHLAND AVE		WATERBURY	CT	06708-3026	07-2511
Waterbury Dialysis Center	150 MATTATUCK HEIGHTS RD		WATERBURY	CT	06705-3893	07-2533
Branford Dialysis	249 W MAIN ST		BRANFORD	CT	06405-4048	07-2517
South Norwalk Dialysis	31 STEVENS ST		NORWALK	CT	06850-3805	07-2521
Stamford Dialysis	30 COMMERCE RD		STAMFORD	CT	06902-4550	07-2504
Georgetown on the Potomac Dialysis Center	3223 K ST NW	STE 110	WASHINGTON	DC	20007-4412	09-2516

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Union Plaza Dialysis Center	810 1ST ST NE	STE 100	WASHINGTON	DC	20002-4227	09-2520
K Street Dialysis	2131 K ST NW		WASHINGTON	DC	20037-1898	09-2518
Lee Street Dialysis	5155 LEE ST NE		WASHINGTON	DC	20019-4051	09-2510
Grant Park Dialysis	5000 NANNIE HELEN BURROUGHS AVE NE		WASHINGTON	DC	20019-5506	09-2522
GWU Southeast Dialysis	3857A PENNSYLVANIA AVE SE		WASHINGTON	DC	20020-	09-2517
Eighth Street Dialysis	300 8TH ST NE		WASHINGTON	DC	20002-6108	09-2513
Brentwood Dialysis	1231 BRENTWOOD RD NE		WASHINGTON	DC	20018-1019	09-2519
Wilmington Dialysis Center	700 W LEA BLVD	STE G2	WILMINGTON	DE	19802-2541	08-2505
Newport Dialysis	605 W NEWPORT PIKE		NEWPORT	DE	19804	08-2513
Kissimmee Dialysis	802 N JOHN YOUNG PKWY		KISSIMMEE	FL	34741-4912	10-2569
Weston Dialysis Center	2685 EXECUTIVE PARK DR	STE 1	WESTON	FL	33331-3651	10-2807
St Cloud Dialysis	4750 OLD CANOE CREEK RD		SAINT CLOUD	FL	34769-1430	10-2832
Orlando Dialysis	14050 TOWN LOOP BLVD	STE 104A	ORLANDO	FL	32837-6190	10-2740
Indian River Dialysis Center	2150 45TH ST	UNIT 102	VERO BEACH	FL	32967-6281	10-2851
Celebration Dialysis	1154 CELEBRATION BLVD		CELEBRATION	FL	34747-4605	10-2751
East Ft. Lauderdale Dialysis Center	1301 S ANDREWS AVE	STE 101	FT LAUDERDALE	FL	33316-1823	10-2805
Zephyrhills Dialysis	6610 STADIUM DR		ZEPHYRHILLS	FL	33542-7510	10-2593
Crystal River Dialysis	7435 W GULF TO LAKE HWY		CRYSTAL RIVER	FL	34429-7834	10-2720
West Tallahassee Dialysis	2645 W TENNESSEE ST		TALLAHASSEE	FL	32304-2547	102673
Orange City Dialysis	242 TREEMONT DR	BLDG II	ORANGE CITY	FL	32763-7945	10-2775
Venice Dialysis Center	816 PINEBROOK RD		VENICE	FL	34285-7103	10-2675
Winter Haven Dialysis	1625 MARTIN LUTHER KING DR		WINTER HAVEN	FL	33881-5226	102545
Plantation Dialysis	7061 CYPRESS RD	STE 103	PLANTATION	FL	33317-2243	102536
South Broward Artificial Kidney Center	4401 HOLLYWOOD BLVD		HOLLYWOOD	FL	33021-6609	10-2504
Bartow Dialysis	1190 E CHURCH ST		BARTOW	FL	33830-4117	10-2626
Coral Gables Kidney Center	3280 PONCE DE LEON BLVD		CORAL GABLES	FL	33134-7252	10-2578

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Miami Beach Kidney Center	400 ARTHUR GODFREY RD	STE 402	MIAMI BEACH	FL	33140-3500	10-2686
St. Petersburg South Dialysis	2850 34TH ST S		ST PETERSBURG	FL	33711-3817	10-2803
St. Petersburg Dialysis	1117 ARLINGTON AVE N		ST PETERSBURG	FL	33705-1521	102773
Hialeah Kidney Center	1401 E 4TH AVE	STE 105	HIALEAH	FL	33010-3504	10-2852
Fort Lauderdale Renal Associates	6264 N FEDERAL HWY		FORT LAUDERDALE	FL	33308-1904	10-2587
Flamingo Park Kidney Center	901 E 10TH AVE	BAY 17	HIALEAH	FL	33010-3762	10-2664
Lehigh Acres Dialysis	2719 4TH ST W		LEHIGH ACRES	FL	33971-1942	10-2618
Daytona South Dialysis	1801 S NOVA RD	STE 306	SOUTH DAYTONA	FL	32119-1775	10-2614
North Palm Beach Dialysis Center	3375 BURNS RD	STE 101	PALM BEACH GARDENS	FL	33410-4360	10-2634
Miami Gardens Dialysis	3363 NW 167TH ST		MIAMI GARDENS	FL	33056-4254	10-2839
Fort Myers North Dialysis	16101 N CLEVELAND AVE		N FT MYERS	FL	33903-2148	102788
Naples Dialysis	661 9TH ST N		NAPLES	FL	34102-8132	102760
North Okaloosa Dialysis	320 REDSTONE AVE W		CRESTVIEW	FL	32536-6433	10-2759
Greater Daytona Home Training Dialysis	575 N CLYDE MORRIS BLVD	STE A	DAYTONA BEACH	FL	32114-2323	10-2711
Broward Dialysis	1500 N FEDERAL HWY	STE 100	FT LAUDERDALE	FL	33304-5600	102555
New Smyrna Beach Dialysis	110 S ORANGE ST		NEW SMYRNA BEACH	FL	32168-7153	10-2696
Orlando Dialysis	116 STURTEVANT ST		ORLANDO	FL	32806-2021	10-2623
Tallahassee South Dialysis	2410 S ADAMS ST		TALLAHASSEE	FL	32301-6325	10-2765
South Beach Dialysis	4701 N MERIDIAN AVE		MIAMI BEACH	FL	33140-2910	102718
West Florida Dialysis	8333 N DAVIS HWY	1ST FLOOR ATTN DIALYSIS ROOM	PENSACOLA	FL	32514-6049	10-2518
Pine Island Kidney Center	1871 N PINE ISLAND RD		PLANTATION	FL	33322-5208	10-2708
Hialeah Artificial Kidney Center	2750 W 68TH ST	STE 207	HIALEAH	FL	33016-5450	10-2834
Lakeland South Dialysis	5050 S FLORIDA AVE		LAKELAND	FL	33813-2501	10-2764
Sanford Dialysis	1701 W 1ST ST		SANFORD	FL	32771-1605	10-2827
Tamarac Artificial Kidney Center	7140 W MCNAB RD		TAMARAC	FL	33321-5306	10-2632
Davenport Dialysis Center	45597 HIGHWAY 27	RIDGEVIEW PLAZA	DAVENPORT	FL	33897-4519	10-2819
Chipley Dialysis	877 3RD ST	STE 2	CHIPLEY	FL	32428-1855	10-2771
Daytona Beach Dialysis	575 N CLYDE MORRIS BLVD	STE B	DAYTONA BEACH	FL	32114-2323	10-2521
Temple Terrace Dialysis	11306 N 53RD ST		TEMPLE TERRACE	FL	33617-2214	102748
Hernando Kidney Center	2985 LANDOVER BLVD		SPRING HILL	FL	34608-7258	10-2602
West Beach Dialysis Center	16201 PANAMA CITY BEACH HWY	STE 102	PANAMA CITY BEACH	FL	32413-5301	10-2863
Amelia Island Dialysis	1525 LIME ST	STE 120	FERNANDINA BEACH	FL	32034-3015	10-2743
Bay Breeze Dialysis	11465 ULMERTON RD		LARGO	FL	33778-1602	10-2742
Leesburg Dialysis Center	801 E DIXIE AVE	STE 108A	LEESBURG	FL	34748-7699	10-2551

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Laurel Manor Dialysis Center at the Villages	1950 LAUREL MANOR DR	STE 190	LADY LAKE	FL	32162-5603	10-2838
Deland Dialysis	350 E NEW YORK AVE		DELAND	FL	32724-5510	10-2573
West Pensacola Dialysis Center	598 N FAIRFIELD DR	STE 100	PENSACOLA	FL	32506-4320	10-2845
Lake Griffin East Dialysis	401 E NORTH BLVD		LEESBURG	FL	34748-5256	10-2822
Perry Dialysis	118 W MAIN ST		PERRY	FL	32347-2656	10-2790
West Tampa Dialysis	4515 GEORGE RD	STE 300	TAMPA	FL	33634-7300	102679
Cape Coral South Dialysis	3046 DEL PRADO BLVD S	STE 4A	CAPE CORAL	FL	33904-7232	10-2847
Cape Coral Dialysis	1315 SE 8TH TER		CAPE CORAL	FL	33990-3213	102577
Pompano Beach Artificial Kidney Center	1311 E ATLANTIC BLVD		POMPANO BEACH	FL	33060-6744	10-2615
Boynton/North Delray Dialysis	2655 W ATLANTIC AVE		DELRAY BEACH	FL	33445-4400	10-2617
Gulf Coast Dialysis	3300 TAMIAMI TRL	STE 101A	PORT CHARLOTTE	FL	33952-8054	10-2628
Casselberry Dialysis	4970 S US HWY 17/92		CASSELBERRY	FL	32707-3888	10-2857
Winter Park Hemo Dialysis	4100 METRIC DR	STE 300	WINTER PARK	FL	32792-6832	10-2858
Brandon East Dialysis	114 E BRANDON BLVD		BRANDON	FL	33511-5219	10-2779
Lake Worth Dialysis	2459 S CONGRESS AVE	STE 100	PALM SPRINGS	FL	33406-7616	10-2637
Four Freedoms Dialysis	289 SW RANGE AVE	STE A	MADISON	FL	32340-2351	10-2737
Plant City Dialysis	1211 W REYNOLDS ST		PLANT CITY	FL	33563-4321	10-2554
Fort Myers Dialysis	2133 WINKLER AVE		FORT MYERS	FL	33901-9119	10-2513
Ocoee Dialysis	11140 W COLONIAL DR	STE 5	OCOEE	FL	34761-3300	10-2639
New Port Richey Kidney Center	7421 RIDGE RD		PORT RICHEY	FL	34668-6933	10-2590
Bayonet Point - Hudson Kidney Center	14144 NEPHRON LN		HUDSON	FL	34667-6504	10-2563
Coastal Kidney Center	510 N MACARTHUR AVE		PANAMA CITY	FL	32401-3636	10-2813
Embassy Lakes Artificial Kidney Center	11011 SHERIDAN ST	STE 380	HOLLYWOOD	FL	33026-1505	10-2817
Miami Campus Dialysis	1500 NW 12TH AVE	STE 106	MIAMI	FL	33136-1028	102656
Ormond Beach Dialysis	495 S NOVA RD	STE 109	ORMOND BEACH	FL	32174-8444	10-2638
Central Tampa Dialysis	4204 N MACDILL AVE	SOUTH BLDG	TAMPA	FL	33607-6342	102605
Jacksonville South Dialysis Center	14965 OLD SAINT AUGUSTINE RD	UNIT 114	JACKSONVILLE	FL	32258-9481	10-2873
Tallahassee Dialysis	1607 PHYSICIANS DR		TALLAHASSEE	FL	32308-4620	10-2624
Boca Raton Artificial Kidney Center	998 NW 9TH CT		BOCA RATON	FL	33486-2214	10-2520
Ocala Regional Kidney Center - North	2620 W HWY 316		CITRA	FL	32113-3555	10-2793
Fort Myers South Dialysis	8570 GRANITE CT		FORT MYERS	FL	33908-4102	10-2744
Bonita Springs Dialysis	9134 BONITA BEACH RD SE		BONITA SPRINGS	FL	34135-4281	10-2752
Palm Coast Dialysis	13 KINGSWOOD DR	STE A	PALM COAST	FL	32137-4614	10-2728
Sebastian Dialysis	1424 US HWY 1	STE C	SEBASTIAN	FL	32958-1619	10-2727
Ocala Regional Kidney Center - South	13940 N US HWY 441	BLDG 400	LADY LAKE	FL	32159-8908	10-2731
Deerfield Beach Artificial Kidney Center	1983 W HILLSBORO BLVD		DEERFIELD BEACH	FL	33442-1418	10-2670
Ocala Regional Kidney Center - West	9401 SW HWY 200	BLDG 600	OCALA	FL	34481-9612	10-2683

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Miami East Dialysis	1250 NW 7TH ST	STE 106	MIAMI	FL	33125-3744	10-2784
Lake Wales Dialysis	1125 BRYN MAWR AVE		LAKE WALES	FL	33853-4333	102712
Dialysis Associates of the Palm Beaches	2611 POINSETTIA AVE		WEST PALM BEACH	FL	33407-5919	10-2510
Orlando Southwest Dialysis	6925 LAKE ELLENOR DR	STE 650	ORLANDO	FL	32809-4670	10-2750
Miramar Kidney Center	2501 DYKES RD	STE 200	MIRAMAR	FL	33027-4217	10-2866
Miami Lakes Artificial Kidney Center	14600 NW 60TH AVE		MIAMI LAKES	FL	33014-2811	10-2648
Mt. Dora Dialysis	2735 W OLD US HIGHWAY 441		MOUNT DORA	FL	32757-3526	10-2635
Lake Dialysis	221 N 1ST ST		LEESBURG	FL	34748-5150	10-2699
Marianna Dialysis Center	4319 LAFAYETTE ST		MARIANNA	FL	32446-2982	10-2666
Orlando East Dialysis	1160 S SEMORAN BLVD	STE C	ORLANDO	FL	32807-1461	102660
Panama City Dialysis Center	615 HIGHWAY 231		PANAMA CITY	FL	32405-4704	10-2514
Center for Kidney Disease at North Shore	1190 NW 95TH ST	STE 208	MIAMI	FL	33150-2065	10-2583
Miami North Dialysis	860 NE 125TH ST		NORTH MIAMI	FL	33161-5743	10-2776
Florida Renal Center	3500 NW 7TH ST		MIAMI	FL	33125-4016	10-2840
Fort Pierce Artificial Kidney Center	1801 S 23RD ST	STE 1	FORT PIERCE	FL	34950-4830	10-2754
Arcadia Dialysis Center	1341 E OAK ST		ARCADIA	FL	34266-8902	10-2757
Port Charlotte Artificial Kidney Center	4300 KINGS HWY	STE 406	PORT CHARLOTTE	FL	33980	10-2549
Quincy Dialysis	878 STRONG RD		QUINCY	FL	32351-5243	10-2627
Melbourne Dialysis	2235 S BABCOCK ST		MELBOURNE	FL	32901-5305	10-2816
Ocala Regional Kidney Center - East	2870 SE 1ST AVE		OCALA	FL	34471-0406	10-2678
Santa Rosa Dialysis	5819 HIGHWAY 90		MILTON	FL	32583-1763	10-2726
Lakeland Dialysis	515 E BELLA VISTA ST		LAKELAND	FL	33805-3005	10-2524
Orlando North Dialysis	5135 ADANSON ST	STE 700	ORLANDO	FL	32804-1338	10-2707
Winter Park Dialysis	3727 N GOLDENROD RD	STE 101	WINTER PARK	FL	32792-8611	10-2859
Sun City Center Dialysis	775 CORTARO DR		RUSKIN	FL	33573-6812	102642
Winter Park Home PD Dialysis	4100 METRIC DR	STE 200	WINTER PARK	FL	32792-6832	10-2823
Orlando Home Training Dialysis	3885 OAKWATER CIR	STE C	ORLANDO	FL	32806-6257	10-2772
Complete Dialysis Care	7850 W SAMPLE RD		MARGATE	FL	33065-4710	10-2645
Pinnacle Dialysis of Boca Raton	2900 N MILITARY TRL	STE 195	BOCA RATON	FL	33431-6308	10-2658
Gulf Breeze Dialysis Center	1519 MAIN ST		DUNEDIN	FL	34698-4650	10-2693
Central Orlando Dialysis	2548 N ORANGE BLOSSOM TRL	STE 400	ORLANDO	FL	32804-4863	10-2837
Apopka Dialysis	640 EXECUTIVE PARK CT		APOPKA	FL	32703-6075	10-2829
InterAmerican Dialysis Center	7815 CORAL WAY	STE 115	MIAMI	FL	33155-6541	10-2532
Bradenton Dialysis	3501 CORTEZ RD W	STE 104	BRADENTON	FL	34210-3104	10-2646
Fort Walton Beach Dialysis	1110 HOSPITAL RD	STE A	FORT WALTON BEACH	FL	32547-6644	10-2799
Regency Dialysis Center	9535 REGENCY SQUARE BLVD N		JACKSONVILLE	FL	32225-8128	102850

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Ocala Regional Kidney Centers Home Dialysis Division	2860 SE 1ST AVE		OCALA	FL	34471-0406	10-2825
Aventura Kidney Center	22 SW 11TH ST	FLOOR 2	HALLANDALE BEACH	FL	33009-7038	
Center for Kidney Disease at Venture	16855 NE 2ND AVE	STE 205	N MIAMI BEACH	FL	33162-1744	10-2630
Greater Miami Dialysis	160 NW 176TH ST	STE 100	MIAMI	FL	33169-5023	10-2586
Kennestone Dialysis	200 COBB PKWY N	STE 318 BLDG 300	MARIETTA	GA	30062-3558	11-2810
Sugarloaf Dialysis	1705 BELLE MEADE CT	STE 110	LAWRENCEVILLE	GA	30043-5895	11-2758
Buford Dialysis	1550 BUFORD HWY	STE 1E	BUFORD	GA	30518-3666	11-2760
East Macon Dialysis Center	165 EMERY HWY	STE 101	MACON	GA	31217-3666	11-2602
Perry Dialysis Center	1027 KEITH DR		PERRY	GA	31069-2948	11-2683
DeRenne Dialysis	5303 MONTGOMERY ST		SAVANNAH	GA	31405-5138	11-2639
Nephrology Center of Statesboro	4B COLLEGE PLZ		STATESBORO	GA	30458-4928	11-2584
Nephrology Center of Vidalia	1806 EDWINA DR		VIDALIA	GA	30474-8927	11-2593
Vidalia First Street Dialysis	906 E 1ST ST		VIDALIA	GA	30474-4207	11-2723
East Atlanta Dialysis	1308 MORELAND AVE SE		ATLANTA	GA	30316-3224	11-2611
Candler County Dialysis	325 CEDAR ST		METTER	GA	30439-4043	112624
St. Mary's Dialysis	2714 OSBORNE RD		ST MARY'S	GA	31558-4049	11-2558
Wrightsville Dialysis	2240 W ELM ST		WRIGHTSVILLE	GA	31096-2016	11-2725
Americus Dialysis	227 N LEE ST		AMERICUS	GA	31709-3525	11-2528
Snapfinger Dialysis	5255 SNAPFINGER PARK DR	STE 115	DECATUR	GA	30035-4066	11-2646
Arbor Place Dialysis	9559 HIGHWAY 5	STE 1	DOUGLASVILLE	GA	30135-1573	11-2807
Paulding Dialysis	4019 JOHNS RD		DALLAS	GA	30132-3420	112594
Douglasville Dialysis	3899 LONGVIEW DR		DOUGLASVILLE	GA	30135-1373	11-2526
Homerville Dialysis	180 CARSWELL ST	STE 180	HOMERVILLE	GA	31634-2413	11-2686
Tifton Dialysis	624 LOVE AVE		TIFTON	GA	31794-4406	11-2794
Douglas Dialysis	190 WESTSIDE DR	STE A	DOUGLAS	GA	31533-3534	11-2535
Oak Street Dialysis	2704 N OAK ST	BLDG H	VALDOSTA	GA	31602-1723	11-2515
Southwest Atlanta Dialysis Center	3620 MARTIN LUTHER KING DR SW		ATLANTA	GA	30331-3711	11-2523
Effingham North Dialysis	301 N PINE ST		SPRINGFIELD	GA	31329-3076	11-2661
Brunswick Dialysis	53 SCRANTON CONNECTOR		BRUNSWICK	GA	31525-1862	11-2514
Fort Valley Dialysis Center	557 BLUEBIRD BLVD		FORT VALLEY	GA	31030-5083	11-2559
Abercorn Dialysis	11706 MERCY BLVD	STE 9	SAVANNAH	GA	31419-1751	11-2631
Thomaston Dialysis	113A E COUNTY RD		THOMASTON	GA	30286-2233	112557
Southern Crescent Dialysis Center	275 UPPER RIVERDALE RD SW	STE B	RIVERDALE	GA	30274-2556	11-2771
Atlanta Midtown Dialysis	489 PEACHTREE ST	STE 100	ATLANTA	GA	30308	11-2703

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Montezuma Dialysis	114 DEVAUGHN AVE		MONTEZUMA	GA	31063-1708	11-2724
Cobb Dialysis	3865 MEDICAL PARK DR		AUSTELL	GA	30106-1109	11-2581
Shamrock Dialysis	1016 CLAXTON DAIRY RD	STE 1A	DUBLIN	GA	31021-7971	
Laurens County Dialysis	2400 BELLEVUE RD	STE 8	DUBLIN	GA	31021-2856	112546
Dialysis of Lithonia	2485 PARK CENTRAL BLVD		DECATUR	GA	30035-3902	11-2746
Eastlake Dialysis	1757 CANDLER RD		DECATUR	GA	30032-3276	11-2553
Jonesboro Dialysis	129 KING ST		JONESBORO	GA	30236-3656	11-2517
Spivey Peritoneal and Home Dialysis Center	1423 STOCKBRIDGE RD	STE B	JONESBORO	GA	30236-3740	11-2774
Nephrology Center of South Augusta	1631 GORDON HWY	STE 1B	AUGUSTA	GA	30906-2221	11-2671
Atlanta West Dialysis	2538 MARTIN LUTHER KING JR DR SW		ATLANTA	GA	30311-1779	11-2643
Hinesville Dialysis	522 ELMA G MILES PKWY		HINESVILLE	GA	31313-4021	11-2555
Milledgeville Dialysis	400 S WAYNE ST		MILLEDGEVILLE	GA	31061-3446	11-2571
Atlanta South Dialysis	3158 SE MAIN ST		EAST POINT	GA	30344-4800	11-2678
Cumming Dialysis	911 MARKET PLACE BLVD	STE 3	CUMMING	GA	30041-7938	11-2681
West Georgia Dialysis	1216 STARK AVE		COLUMBUS	GA	31906-2500	11-2742
Columbus Dialysis	6228 BRADLEY PARK DR	STE B	COLUMBUS	GA	31904-3604	11-2573
Woodstock Dialysis	2001 PROFESSIONAL PKWY	STE 100	WOODSTOCK	GA	30188-6443	11-2700
Ellijay Dialysis	449 INDUSTRIAL BLVD	STE 240	ELLIJAY	GA	30540-6724	11-2709
Buckhead Dialysis	1575 NORTHSIDE DR NW	STE 365	ATLANTA	GA	30318-4210	11-2578
North Fulton Dialysis	1250 NORTHMEADOW PKWY	STE 120	ROSWELL	GA	30076-4914	11-2617
Mountain Park Dialysis	5235 MEMORIAL DR		STONE MOUNTAIN	GA	30083-3112	11-2777
McDonough Dialysis Center	114 DUNN ST		MCDONOUGH	GA	30253-2347	11-2651
Northlake Dialysis	1350 MONTREAL RD	STE 200	TUCKER	GA	30084-8144	11-2695
Fayetteville Dialysis	1279 HIGHWAY 54 W	STE 110	FAYETTEVILLE	GA	30214-4551	11-2657
Griffin Dialysis Center	731 S 8TH ST		GRIFFIN	GA	30224-4818	11-2529
Brunswick South Dialysis	4420 ALTAMA AVE	STE 19	BRUNSWICK	GA	31520-3037	11-2608
Southstar Adamsville Dialysis	3651 BAKERS FERRY RD SW		ATLANTA	GA	30331-3712	11-2790
East Point Dialysis Center	2669 CHURCH ST		EAST POINT	GA	30344-3115	11-2655
Ford Factory Square Dialysis	567 NORTH AVE NE	STE 100	ATLANTA	GA	30308-2719	11-2562

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Wylds Road Dialysis	1815 WYLDS RD		AUGUSTA	GA	30909-4430	11-2579
Lake Hearn Dialysis	1150 LAKE HEARN DR NE	STE 100	ATLANTA	GA	30342-1566	11-2745
Snellville Dialysis	2135 MAIN ST E	STE 130	SNELLVILLE	GA	30078-6424	11-2806
Elberton Dialysis Center	894 ELBERT ST		ELBERTON	GA	30635-2628	11-2545
South Fulton Dialysis	2685 METROPOLITAN PKWY SW	STE F	ATLANTA	GA	30315-7926	11-2568
Sweetwater Dialysis	7117 S SWEETWATER RD		LITHIA SPRINGS	GA	30122-2446	11-2706
Athens West Dialysis	2047 PRINCE AVE	STE A	ATHENS	GA	30606-6033	11-2513
Loring Heights Dialysis	1575 NORTHSIDE DR NW	STE 405	ATLANTA	GA	30318-4211	11-2727
Moultrie Dialysis Center	2419 S MAIN ST		MOULTRIE	GA	31768-6531	11-2603
Iris City Dialysis	521 N EXPRESSWAY	STE 1509	GRIFFIN	GA	30223-2073	11-2711
Linden Dialysis	121 LINDEN AVE NE		ATLANTA	GA	30308-2432	11-2566
Decatur Dialysis Center	1987 CANDLER RD		DECATUR	GA	30032-4212	11-2633
Cedartown Dialysis	325 WEST AVE		CEDARTOWN	GA	30125-3439	11-2670
Rome Dialysis	15 JOHN MADDOX DR NW		ROME	GA	30165-1413	11-2505
Piedmont Dialysis	105 COLLIER RD NW	STE B	ATLANTA	GA	30309-1730	11-2567
Washington Dialysis Center	154 WASHINGTON PLZ		WASHINGTON	GA	30673-2074	11-2527
East Dekalb Dialysis	2801 CANDLER RD	STE 203	DECATUR	GA	30034-1429	11-2715
Athens East Dialysis	2026 S MILLEDGE AVE	STE A2	ATHENS	GA	30605-6480	11-2789
Grovepark Dialysis	794 MCDONOUGH RD		JACKSON	GA	30233-1572	11-2741
Atlanta Dialysis	567 NORTH AVE NE	STE 200	ATLANTA	GA	30308-2719	11-2561
North Henry Dialysis	5627 N HENRY BLVD	STE I1	STOCKBRIDGE	GA	30281-3244	11-2784
Ralph McGill Dialysis	448 RALPH MCGILL BLVD NE		ATLANTA	GA	30312-1217	11-2660
Union City Dialysis	6851 SHANNON PKWY	STE 200	UNION CITY	GA	30291-2049	11-2788
Baxley Dialysis	539 FAIR ST		BAXLEY	GA	31513-0112	112638
Jesup Dialysis	301 PEACHTREE ST		JESUP	GA	31545-0245	112532
Gainesville Dialysis	2545 FLINTRIDGE RD	STE 130	GAINESVILLE	GA	30501-7428	11-2693
Dialysis Center of Middle Georgia - Warner Robins	509 N HOUSTON RD		WARNER ROBINS	GA	31093-8844	11-2620
Buena Vista Dialysis	349 GENEVA RD		BUENA VISTA	GA	31803-1701	11-2598
Dialysis Center of Middle Georgia - Macon	747 2ND ST		MACON	GA	31201-6835	11-2583
Forest Park Dialysis Center	380 FOREST PKWY	STE C	FOREST PARK	GA	30297-2107	11-2692

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Medlock Bridge Dialysis	10680 MEDLOCK BRIDGE RD	STE 103	DULUTH	GA	30097-8420	11-2778
East Georgia Dialysis	450 GEORGIA AVE	STE A	STATESBORO	GA	30458-5590	11-2710
Bakers Ferry Dialysis	3645 BAKERS FERRY RD SW		ATLANTA	GA	30331-3712	11-2729
Newnan Dialysis	1565 E HWY 34	STE 130	NEWNAN	GA	30265	11-2689
Southern Lane Dialysis	1840 SOUTHERN LN		DECATUR	GA	30033-4033	11-2596
Williams Street Dialysis	2812 WILLIAMS ST		SAVANNAH	GA	31404-4134	11-2636
Pooler Dialysis	54 TRADERS WAY		POOLER	GA	31322-	
Cordele Dialysis Center	1013 E 16TH AVE		CORDELE	GA	31015-1539	11-2796
East Des Moines Dialysis	1301 PENNSYLVANIA AVE	STE 208	DES MOINES	IA	50316-2365	16-2533
Riverpoint Dialysis Unit	501 SW 7TH ST	STE B	DES MOINES	IA	50309-4538	16-2529
Creston Dialysis	1700 W TOWNLINE ST		CRESTON	IA	50801-1054	16-2514
West Des Moines Dialysis	6800 LAKE DR	STE 185	WEST DES MOINES	IA	50266-2544	16-2506
Council Bluffs Dialysis Center	300 W BROADWAY	STE 150	COUNCIL BLUFFS	IA	51503-9077	16-2539
Harlan Dialysis	1213 GARFIELD AVE		HARLAN	IA	51537-2057	16-2528
Atlantic Dialysis	1500 E 10TH ST		ATLANTIC	IA	50022-1935	16-2520
Newton Dialysis	204 N 4TH AVE E	STE 134	NEWTON	IA	50208-3135	16-2523
Central Des Moines Dialysis	1215 PLEASANT ST	STE 106	DES MOINES	IA	50309-1409	16-2501
Shenandoah Dialysis	300 PERSHING AVE		SHENANDOAH	IA	51601-2355	16-2527
Perry Dialysis	610 10TH ST	STE L100	PERRY	IA	50220-2221	16-2534
Table Rock Dialysis Center	5610 W GAGE ST	STE B	BOISE	ID	83706	13-2502
Twin Falls Dialysis Center	1840 CANYON CREST DR		TWIN FALLS	ID	83301-3007	13-2505
Burley Dialysis Center	741 N OVERLAND AVE		BURLEY	ID	83318-3440	13-2503
Nampa Dialysis Center	846 PARKCENTRE WAY		NAMPA	ID	83651-1790	13-2501
Treasure Valley Dialysis Center	3525 E LOUISE ST	STE 155	MERIDIAN	ID	83642-6303	13-2513
Gate City Dialysis Center	2001 BENCH RD		POCATELLO	ID	83201-2033	13-2506
Chicago Heights Dialysis	177 W JOE ORR RD	STE B	CHICAGO HEIGHTS	IL	60411-1733	14-2635
Roxbury Dialysis Center	622 ROXBURY RD		ROCKFORD	IL	61107-5089	14-2665
Sycamore Dialysis	2200 GATEWAY DR		SYCAMORE	IL	60178-3113	14-2639
Effingham Dialysis	904 MEDICAL PARK DR	STE 1	EFFINGHAM	IL	62401-2193	14-2580
Edwardsville Dialysis	235 S BUCHANAN ST		EDWARDSVILLE	IL	62025-2108	14-2701
Illini Renal Dialysis	507 E UNIVERSITY AVE		CHAMPAIGN	IL	61820-3828	14-2633
Kankakee County Dialysis	581 WILLIAM R LATHAM SR DR	STE 104	BOURBONNAIS	IL	60914-2439	14-2685
Lincoln Dialysis	2100 WEST FIFTH		LINCOLN	IL	62656-9115	14-2582
Emerald Dialysis	710 W 43RD ST		CHICAGO	IL	60609-3435	14-2529
Kennedy Home Dialysis	5509 N CUMBERLAND AVE	STE 515	CHICAGO	IL	60656-4702	14-2691
Vandalia Dialysis	301 MATTES AVE		VANDALIA	IL	62471-2061	14-2693

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Stony Creek Dialysis	9115 S CICERO AVE		OAK LAWN	IL	60453-1895	14-2661
Skyline Home Dialysis	7009 W BELMONT AVE		CHICAGO	IL	60634-4533	14-2560
Alton Dialysis	3511 COLLEGE AVE		ALTON	IL	62002-5009	14-2619
Granite City Dialysis Center	9 AMERICAN VLG		GRANITE CITY	IL	62040-3706	14-2537
Maryville Home Dialysis	2136B VADALABENE DR		MARYVILLE	IL	62062-5632	14-2686
Maryville Dialysis	2130 VADALABENE DR		MARYVILLE	IL	62062-5632	14-2634
TRC Children's Dialysis Center	2611 N HALSTED ST		CHICAGO	IL	60614-2301	14-2604
Whiteside Dialysis	2600 N LOCUST	STE D	STERLING	IL	61081-4602	14-2648
Montclare Dialysis Center	7009 W BELMONT AVE		CHICAGO	IL	60634-4533	14-2649
Litchfield Dialysis	915 ST FRANCES WAY		LITCHFIELD	IL	62056-1775	14-2583
Taylorville Dialysis	901 W SPRESSER ST		TAYLORVILLE	IL	62568-1831	142587
Olympia Fields Dialysis Center	4557B LINCOLN HWY	STE B	MATTESON	IL	60443-2318	14-2548
Marion Dialysis	324 S 4TH ST		MARION	IL	62959-1241	14-2570
Logan Square Dialysis	2659 N MILWAUKEE AVE	1ST FL	CHICAGO	IL	60647-1643	14-2534
Little Village Dialysis	2335 W CERMAK RD		CHICAGO	IL	60608-3811	14-2668
Rockford Dialysis	3339 N ROCKTON AVE		ROCKFORD	IL	61103-2839	14-2647
Mt. Greenwood Dialysis	3401 W 111TH ST		CHICAGO	IL	60655-3329	14-2660
Jacksonville Dialysis	1515 W WALNUT ST		JACKSONVILLE	IL	62650-1150	14-2581
Rushville Dialysis	112 SULLIVAN DRIVE		RUSHVILLE	IL	62681-1293	14-2620
Beverly Dialysis	9415 S WESTERN AVE	STE 105	CHICAGO	IL	60643-6732	14-2638
Mount Vernon Dialysis	1800 JEFFERSON AVE		MOUNT VERNON	IL	62864-4300	14-2541
Centralia Dialysis	1231 STATE ROUTE 161		CENTRALIA	IL	62801-6739	14-2609
Benton Dialysis	1151 ROUTE 14 W		BENTON	IL	62812-1500	14-2608
Wayne County Dialysis	303 NW 11TH ST	STE 1	FAIRFIELD	IL	62837-1203	14-2688
Lincoln Park Dialysis	3157 N LINCOLN AVE		CHICAGO	IL	60657-3111	14-2528
Churchview Dialysis	5970 CHURCHVIEW DR		ROCKFORD	IL	61107-2574	14-2640
Dixon Kidney Center	1131 N GALENA AVE		DIXON	IL	61021-1015	14-2651
Mattoon Dialysis	200 RICHMOND AVE E		MATTOON	IL	61938-4652	142585
Metro East Dialysis	5105 W MAIN ST		BELLEVILLE	IL	62226-4728	14-2527
Sauget Dialysis	2061 GOOSE LAKE RD		SAUGET	IL	62206-2822	14-2561
Lake County Dialysis Services	918 S MILWAUKEE AVE		LIBERTYVILLE	IL	60048-3229	14-2552
Decatur East Wood Dialysis	794 E WOOD ST		DECATUR	IL	62523-1155	142599
Macon County Dialysis	1090 W MCKINLEY AVE		DECATUR	IL	62526-3208	14-2584
Springfield Central Dialysis	932 N RUTLEDGE ST		SPRINGFIELD	IL	62702-3721	14-2586
Springfield Montvale Dialysis	2930 MONTVALE DR	STE A	SPRINGFIELD	IL	62704-5376	14-590
Lake Villa Dialysis	37809 N IL ROUTE 59		LAKE VILLA	IL	60046-7332	14-2666
Olney Dialysis Center	117 N BOONE ST		OLNEY	IL	62450-2109	14-2674
Freeport Dialysis	1028 S KUNKLE BLVD		FREEPORT	IL	61032-6914	14-2642
Corydon Dialysis Center	1937 OLD HWY 135 NW		CORYDON	IN	47112-2013	15-2619

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Lawrenceburg Dialysis Center	555 E EADS PKWY	STE 200	GREENDALE	IN	47025-8430	15-2511
Salem Dialysis Center	1201 N JIM DAY RD	STE 103	SALEM	IN	47167-7219	15-2613
East Evansville Dialysis	1312 PROFESSIONAL BLVD		EVANSVILLE	IN	47714-8007	15-2569
North Vernon Dialysis	2340 N STATE HWY 7		NORTH VERNON	IN	47265-7183	
Daviess County Dialysis	310 NE 14TH ST		WASHINGTON	IN	47501-2137	15-2568
Princeton Dialysis	2227 SHERMAN DR		PRINCETON	IN	47670-1062	15-2629
Tell City Dialysis Center	1602 MAIN ST		TELL CITY	IN	47586-1310	15-2574
New Albany Dialysis	2669 E CHARLESTON RD		NEW ALBANY	IN	47150-2573	15-2589
Westview Dialysis	3749 COMMERCIAL DRIVE	LAFAYETTE PLACE SHOPPING CENTER	INDIANAPOLIS	IN	46222-1676	15-2596
Comprehensive Renal Care - Valparaiso	606 E LINCOLNWAY		VALPARAISO	IN	46383-5728	15-2527
Portage Dialysis	5823 US HIGHWAY 6		PORTAGE	IN	46368-4851	15-2630
Comprehensive Renal Care-Hammond	222 DOUGLAS ST		HAMMOND	IN	46320-1960	15-2522
Comprehensive Renal Care - Gary	4802 BROADWAY		GARY	IN	46408-4509	15-2521
Comprehensive Renal Care - East Chicago	4320 FIR ST	UNIT 404	EAST CHICAGO	IN	46312-3078	15-2561
North Evansville Dialysis	1151 W BUENA VISTA RD		EVANSVILLE	IN	47710-3334	15-2536
Greensburg Dialysis	1531 N COMMERCE EAST DR	STE 6	GREENSBURG	IN	47240-3259	15-2615
Batesville Dialysis Center	232 STATE ROAD 129 S		BATESVILLE	IN	47006-7694	15-2507
Jasper Dialysis	721 W 13TH ST	STE 105	JASPER	IN	47546-1856	15-2523
Indy South Dialysis	972 EMERSON PKWY	STE E	GREENWOOD	IN	46143-6202	15-2616
Franklin Dialysis	1140 W JEFFERSON ST	STE A	FRANKLIN	IN	46131-2101	15-2603
Comprehensive Renal Care - Michigan City	120 DUNES PLAZA		MICHIGAN CITY	IN	46360-7338	15-2546
Chesterton Dialysis	711 PLAZA DR	STE 6	CHESTERTON	IN	46304-5506	15-2628
Carmel Dialysis	180 E CARMEL DR		CARMEL	IN	46032-2633	15-2620
St. John Dialysis	10033 WICKER AVE	UNITS 3-8	SAINT JOHN	IN	46373	15-2627
Comprehensive Renal Care - Munster	8317 CALUMET AVE	STE A	MUNSTER	IN	46321-1737	15-2549
Merrillville Dialysis	9223 TAFT ST		MERRILLVILLE	IN	46410-6911	15-2581
Vincennes Dialysis	700 WILLOW ST		VINCENNES	IN	47591-1028	15-2592
Madison Dialysis Center	220 CLIFTY DR	UNIT K	MADISON	IN	47250-1669	15-2514
Wyandotte Central Dialysis	3737 STATE AVE		KANSAS CITY	KS	66102-3830	17-2544
Johnson County Dialysis	10453 W 84TH TERRACE		LENEXA	KS	66214-1641	17-2501
Wyandotte West Dialysis	8919 PARALLEL PKWY	STE 121	KANSAS CITY	KS	66112-1655	17-2536
Renal Treatment Centers - Garden City	401 N MAIN ST		GARDEN CITY	KS	67846-5429	17-2514
Olathe Dialysis	732 W FRONTIER LN		OLATHE	KS	66061-7202	17-2541
Leavenworth Dialysis	501 OAK ST		LEAVENWORTH	KS	66048-2646	17-2545

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Lenexa Dialysis	8630 HALSEY ST		LENEXA	KS	66215-2880	17-2509
Wichita Dialysis Center	909 N TOPEKA ST		WICHITA	KS	67214-3620	17-2503
Independence Dialysis Center	801 W MYRTLE ST		INDEPENDENCE	KS	67301-3239	17-2511
Parsons Dialysis Center	1902 S US HWY 59	BLDG B	PARSONS	KS	67357-4948	17-2530
Renal Treatment Centers - Derby	250 W RED POWELL DR		DERBY	KS	67037-2626	17-2533
NE Wichita Dialysis Center	2630 N WEBB RD	STE 100 BLDG 100	WICHITA	KS	67226-8174	17-2542
East Wichita Dialysis Center	320 N HILLSIDE ST		WICHITA	KS	67214-4918	17-2519
Renal Treatment Centers - Newton	1223 WASHINGTON RD		NEWTON	KS	67114-4855	17-2529
Wyandotte County Dialysis	4837 STATE AVE		KANSAS CITY	KS	66102-1747	17-2523
Pratt Dialysis Center	203 WATSON ST	STE 110	PRATT	KS	67124-3092	17-2537
Bethany Dialysis	21 N 12TH ST	STE 201	KANSAS CITY	KS	66102-5172	17-2521
Horton Dialysis	1901 EUCLID AVE		HORTON	KS	66439-1238	17-2549
Renal Treatment Center - Winfield	1315 E 4TH AVE		WINFIELD	KS	67156-2457	17-2526
Turfway Dialysis	11 SPIRAL DR	STE 15	FLORENCE	KY	41042-1394	18-2582
Turfway PD Training	11 SPIRAL DR	STE 15A	FLORENCE	KY	41042-1394	18-2586
Louisville Dialysis	8037 DIXIE HWY		LOUISVILLE	KY	40258-1344	18-2570
LaGrange Dialysis	240 PARKER DR		LA GRANGE	KY	40031-1200	18-2572
Cold Spring Dialysis	430 CROSS ROADS BLVD		COLD SPRING	KY	41076-2341	18-2583
Woodland Dialysis Center	912 WOODLAND DR	STE B	ELIZABETHTOWN	KY	42701-2795	18-2504
Bardstown Dialysis Center	210 W JOHN FITCH AVE		BARDSTOWN	KY	40004-1115	18-2568
Meadows East Dialysis	2529 SIX MILE LN		LOUISVILLE	KY	40220-2934	18-2592
West Broadway Dialysis	720 W BROADWAY		LOUISVILLE	KY	40202-2240	18-2581
Williamstown Dialysis	103 BARNES RD	STE A	WILLIAMSTOWN	KY	41097-9468	18-2595
Hopkinsville Dialysis	1914 S VIRGINIA ST		HOPKINSVILLE	KY	42240-3610	18-2519
Christian County Dialysis	200 BURLEY AVE		HOPKINSVILLE	KY	42240-8725	18-2549
Eastern Kentucky Dialysis	167 WEDDINGTON BRANCH RD		PIKEVILLE	KY	41501-3204	18-2538
Paintsville Dialysis Center	4750 S KY ROUTE 321		HAGERHILL	KY	41222	18-2548
Gardenside Dialysis	70 N GARDENMILE RD		HENDERSON	KY	42420-5529	18-2544
Crestview Hills Dialysis	400 CENTERVIEW BLVD		CRESTVIEW HILLS	KY	41017-3478	18-2529
Madisonville Dialysis Center	435 N KENTUCKY AVE		MADISONVILLE	KY	42431-1768	18-2312
Owensboro Dialysis Center	1930 E PARRISH AVE		OWENSBORO	KY	42303-1443	18-2547
Springhurst Dialysis	10201 CHAMPION FARMS DR		LOUISVILLE	KY	40241-6150	18-2577
South Hill Dialysis	525 ALEXANDRIA PIKE	STE 120	SOUTHGATE	KY	41071-3243	18-2542
Whitesburg Dialysis	222 HOSPITAL RD	STE D	WHITESBURG	KY	41858-7627	18-2566
Leitchfield Dialysis	912 WALLACE AVE	STE 106	LEITCHFIELD	KY	42754-2405	18-2574
Maysville Dialysis	489 TUCKER DR		MAYSVILLE	KY	41056-9111	18-2589
Taylor County Dialysis Center	101 KINGSWOOD DR		CAMPBELLSVILLE	KY	42718-9634	18-2518

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South Williamson Dialysis	204 APPALACHIAN PLAZA		SOUTH WILLIAMSON	KY	41503-9404	
Magnolia Dialysis	210 E SPILLMAN ST		GONZALES	LA	70737-4604	19-2551
New Orleans Uptown Dialysis	1401 FOUCHER ST	4TH FLOOR DIALYSIS	NEW ORLEANS	LA	70115-3515	192581
Northshore Kidney Center	106 MEDICAL CENTER DR		SLIDELL	LA	70461-5575	19-2666
Slidell Kidney Care	1150 ROBERT BLVD	STE 240	SLIDELL	LA	70458-2005	19-2556
Dialysis Systems of Hammond	15799 PROFESSIONAL PLZ		HAMMOND	LA	70403-1452	19-2626
Independence Renal Center	12392 HIGHWAY 40 W		INDEPENDENCE	LA	70443-4813	19-2646
Dialysis Systems of Covington	210 GREENBRIAR BLVD		COVINGTON	LA	70433-7235	19-2613
Sulphur Dialysis	944 BEGLIS PKWY		SULPHUR	LA	70663-5102	19-2612
Westbank Chronic Renal Center	4422 GENERAL MEYER AVE	STE 103	NEW ORLEANS	LA	70131-4330	19-2507
Oakwood Dialysis Center	148 HECTOR AVE		GRETNA	LA	70056-2531	19-2683
Metairie Dialysis Center	7100 AIRLINE DR		METAIRIE	LA	70003	19-2678
DeRidder Dialysis	239 E 1ST ST		DERIDDER	LA	70634-4105	19-2598
Baton Rouge Renal Center	3888 NORTH BLVD	STE 101	BATON ROUGE	LA	70806-3824	19-2680
Fleur de Lis Dialysis	5555 BULLARD AVE		NEW ORLEANS	LA	70128-3450	19-2523
Crescent City Dialysis Center	3909 BIENVILLE ST	STE B	NEW ORLEANS	LA	70119-5152	19-2696
Donaldsonville Dialysis	101 PLIMSOL DR		DONALDSONVILLE	LA	70346-4357	19-2572
River Parishes Dialysis	2880 WEST AIRLINE HWY		LA PLACE	LA	70068-2922	19-2681
Lake Charles Southwest Dialysis	433 DOCTOR MICHAEL DEBAKEY DR		LAKE CHARLES	LA	70601-5874	19-2597
Chateau Dialysis	720 VILLAGE RD		KENNER	LA	70065-2751	19-2534
Kenner Regional Dialysis Center	200 W ESPLANADE AVE	STE 100	KENNER	LA	70065-2473	19-2599
Marrero Dialysis	1908 JUTLAND DR		HARVEY	LA	70058-2359	19-2694
Memorial Dialysis Center	4427 S ROBERTSON ST		NEW ORLEANS	LA	70115-6308	19-2608
Bogalusa Kidney Care	2108 SOUTH AVE F		BOGALUSA	LA	70427	19-2540
Washington Parish Dialysis	724 WASHINGTON ST		FRANKLINTON	LA	70438-1790	19-2615
Shreveport Home Dialysis	1560 IRVING PL		SHREVEPORT	LA	71101-4604	19-2695
Denham Springs Dialysis Center	26737 LA HIGHWAY 1032		DENHAM SPRINGS	LA	70726-4926	19-2684
Salem Northeast Dialysis	10 COLONIAL RD	STE 205	SALEM	MA	01970-2947	22-2543
Wellesley Dialysis	195 WORCESTER ST	LOWR LEVEL	WELLESLEY	MA	02481-5568	22-2534
Brookline Dialysis	322 WASHINGTON ST		BROOKLINE	MA	02445-6850	22-2529
Wellington Circle Dialysis Center	10 CABOT RD	STE 103B	MEDFORD	MA	02155-5173	22-2542
Woburn Dialysis	23 WARREN AVE		WOBURN	MA	01801-7906	22-2520
New Bedford Dialysis	524 UNION ST		NEW BEDFORD	MA	02740-3546	22-2530
PDI-Worcester	19 GLENNIE ST	STE A	WORCESTER	MA	01605-3918	22-2564
Boston Dialysis	660 HARRISON AVE		BOSTON	MA	02118-2304	22-2526
Northeast Cambridge Dialysis	799 CONCORD AVE		CAMBRIDGE	MA	02138-1048	22-2533

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Weymouth Dialysis	330 LIBBEY INDUSTRIAL PARK	STE 900	WEYMOUTH	MA	02189-3122	22-2517
Physicians Dialysis Fitchburg	551 ELECTRIC AVE		FITCHBURG	MA	01420-5371	22-2536
Burlington Regional Dialysis	31 MALL RD	STE 1B	BURLINGTON	MA	01803-4138	22-2556
Rivertowne Dialysis	6192 OXON HILL RD	1ST FL	OXON HILL	MD	20745-3114	21-2621
Kidney HOME Center	2245 ROLLING RUN DR STE 4		BALTIMORE	MD	21244	
Northwest Dialysis Center	2245 ROLLING RUN DR	STE 1	BALTIMORE	MD	21244	21-2655
Aberdeen Dialysis	780 W BEL AIR AVE		ABERDEEN	MD	21001-2236	21-2650
Carroll County Dialysis Facility	412 MALCOLM DR	STE 310	WESTMINSTER	MD	21157-6167	21-2537
Cambridge Dialysis Center	300 BYRN ST		CAMBRIDGE	MD	21613-1908	21-2639
Easton Dialysis Center	402 MARVEL CT		EASTON	MD	21601-4052	21-2512
Wheaton Dialysis Center	11941 GEORGIA AVE	WHEATON PARK SHOPPING CTR	WHEATON	MD	20902	21-2576
Kidney Care of Laurel	14631 LAUREL BOWIE ROAD	UNITS 100-105	LAUREL	MD	20707	21-2538
Kidney Care of Largo	1300 MERCANTILE LN	STE 194	UPPER MARLBORO	MD	20774-5339	21-2530
Dulaney Towson Dialysis Center	113 WEST RD	STE 201	TOWSON	MD	21204-2318	21-2612
Mercy Dialysis	315 N CALVERT ST	STE 300	BALTIMORE	MD	21202-3611	212542
Greenspring Dialysis Center	4701 MOUNT HOPE DR	STE C	BALTIMORE	MD	21215-3246	21-2551
North Rolling Road Dialysis	1108 N ROLLING RD		BALTIMORE	MD	21228	21-2634
Seton Drive Dialysis	4800 SETON DR		BALTIMORE	MD	21215-3210	21-2653
Southern Maryland Dialysis	9211 STUART LN	4TH FL	CLINTON	MD	20735-2712	21-2563
Renal Care of Lanham	8855 ANNAPOLIS RD	STE 200	LANHAM	MD	20706-2942	21-2552
Silver Spring Dialysis	8412 GEORGIA AVE		SILVER SPRING	MD	20910-4406	21-2593
Howard County Dialysis	5999 HARPERS FARM RD	STE 110E	COLUMBIA	MD	21044-3023	21-2516
Bel Air Dialysis	2225 OLD EMMORTON RD	STE 105	BEL AIR	MD	21015-6122	21-2594
Baltimore Geriatric & Rehab Dialysis Center	4940 EASTERN AVE	FLOOR 5	BALTIMORE	MD	21224-2735	21-2597
Cedar Lane Dialysis	6334 CEDAR LN	STE 101	COLUMBIA	MD	21044-3898	21-2628
Pikesville Dialysis	1500 REISTERSTOWN RD	STE 220	PIKESVILLE	MD	21208-3836	21-2636

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Owings Mills Dialysis Center	10 CROSSROADS DR	STE 110	OWINGS MILLS	MD	21117-5463	21-2574
Dundalk Dialysis	14 COMMERCE ST		DUNDALK	MD	21222-4307	21-2616
J. B. Zachary Dialysis Center	333 CASSELL DR	STE 2300	BALTIMORE	MD	21224-6815	21-2592
JHHS North Bond Street Dialysis	409 N CAROLINE ST		BALTIMORE	MD	21231-1003	212535
Whitesquare Dialysis	1 NASHUA CT	STE E	BALTIMORE	MD	21221	21-2523
Cottage City Dialysis	3804 BLADENSBURG RD		COTTAGE CITY	MD	20722-1613	21-2555
Catonsville Dialysis	1581 SULPHUR SPRING RD	STE 112	BALTIMORE	MD	21227	21-2528
Lakeside Dialysis	10401 HOSPITAL DR	STE G02	CLINTON	MD	20735-3113	21-2564
District Heights Dialysis	5701 SILVER HILL RD		DISTRICT HEIGHTS	MD	20747-1102	21-2657
Germantown Dialysis	20111 CENTURY BLVD	STE C	GERMANTOWN	MD	20874-9165	21-2638
25th Street Dialysis	920 E 25TH ST		BALTIMORE	MD	21218-5503	21-2595
Glen Burnie Dialysis	120 LANGLEY RD N		GLEN BURNIE	MD	21060-6578	21-2631
Pasadena Dialysis	8894 FORT SMALLWOOD RD	STE 12	PASADENA	MD	21122-7612	21-2613
Baltimore County Dialysis Center	9635-A LIBERTY RD	STE 100	RANDALLSTOWN	MD	21133-2436	21-2546
Frederick Dialysis	140 THOMAS JOHNSON DR	STE 100	FREDERICK	MD	21702-4475	21-2598
Downtown Dialysis Center	821 N EUTAW ST	STE 401	BALTIMORE	MD	21201-6304	21-2522
Rockville Dialysis Center	14915 BROSCHART RD	STE 100	ROCKVILLE	MD	20850-3367	21-2511
Falls Road Dialysis	10753 FALLS RD	STE 115	LUTHERVILLE	MD	21093	21-2588
Renal Care of Takoma Park	831 UNIVERSITY BLVD E	STE 11	SILVER SPRING	MD	20903-2921	21-2590
Harford Road Dialysis Center	5800 HARFORD RD		BALTIMORE	MD	21214-1847	21-2605
Harbor Park Dialysis	111 CHERRY HILL RD		BALTIMORE	MD	21225-1392	21-2556
Berlin Dialysis Center	314 FRANKLIN AVE	STE 306	BERLIN	MD	21811-1238	21-2520
Elk River Kidney Center	216 S BRIDGE ST		ELKTON	MD	21921-5915	21-2573
Landover Dialysis	1200 MERCANTILE LN	STE 105	UPPER MARLBORO	MD	20774-5389	21-2545
Chestertown Dialysis Center	100 BROWN ST		CHESTERTOWN	MD	21620	21-2565
Renal Care of Bowie	4861 TELSA DRIVE	STES G-H	BOWIE	MD	20715-4318	21-2626
Jackson Dialysis Center	234 W LOUIS GLICK HWY		JACKSON	MI	49201-1326	23-2571
Ionia Dialysis	2622 HEARTLAND BLVD		IONIA	MI	48846-8757	23-2638
Commerce Township Dialysis	120 W COMMERCE RD		COMMERCE TOWNSHIP	MI	48382-3915	23-2637
New Center Dialysis	3011 W GRAND BLVD	STE 650	DETROIT	MI	48202-3012	23-2529
North Oakland Dialysis	450 N TELEGRAPH RD	STE 600	PONTIAC	MI	48341-1037	23-2511

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Oak Park Dialysis	13481 W 10 MILE RD		OAK PARK	MI	48237-4633	23-2613
Southfield West Dialysis	21900 MELROSE AVE	STE 4	SOUTHFIELD	MI	48075-7967	23-2604
Clarkston Dialysis	6770 DIXIE HWY	STE 205	CLARKSTON	MI	48346-2089	23-2575
Novi Dialysis	47250 W 10 MILE RD		NOVI	MI	48374-2932	23-2549
Grand Blanc Dialysis Center	3625 GENESYS PKWY		GRAND BLANC	MI	48439-8070	23-2569
Detroit Dialysis Center	2674 E JEFFERSON AVE		DETROIT	MI	48207-4129	23-2579
Cornerstone Dialysis	23857 GREENFIELD RD		SOUTHFIELD	MI	48075-3122	23-2512
Rochester Hills Dialysis	1886 W AUBURN RD	STE 100	ROCHESTER HILLS	MI	48309-3865	23-2628
Macomb Kidney Center	28295 SCHOENHERR RD	STE A	WARREN	MI	48088-4300	23-2540
Westland Dialysis	36588 FORD RD		WESTLAND	MI	48185-3769	23-2622
Brighton Dialysis	7960 GRAND RIVER RD	STE 210	BRIGHTON	MI	48114-7336	23-2551
Ypsilanti Dialysis	2766 WASHTENAW RD		YPSILANTI	MI	48197-1506	23-2568
East Dearborn Dialysis	13200 W WARREN AVE		DEARBORN	MI	48126-2410	23-2631
Clinton Township Dialysis	15918 19 MILE RD	STE 110	CLINTON TOWNSHIP	MI	48038-1101	23-2647
Motor City Dialysis	4160 JOHN R ST	STE 724	DETROIT	MI	48201-2014	23-2539
Greenview Dialysis	18544 W 8 MILE RD		SOUTHFIELD	MI	48075-4194	23-2600
Redford Dialysis	22711 GRAND RIVER AVE		DETROIT	MI	48219-3113	23-2543
West Detroit Dialysis Center	12950 W CHICAGO ST		DETROIT	MI	48228-2651	23-2593
Kresge Dialysis	4145 CASS AVE		DETROIT	MI	48201-1707	23-2545
Garden West Dialysis	5715 N VENOY RD		WESTLAND	MI	48185-2830	23-2550
Ludington Dialysis	5 N ATKINSON DR	STE 101	LUDINGTON	MI	49431-2918	23-2572
Flushing Dialysis Center	3469 PIERSON PL	STE A	FLUSHING	MI	48433-2413	23-2601
Hallwood Dialysis Center	4929 CLIO RD	STE B	FLINT	MI	48504-1886	23-2609
Southgate Dialysis	14752 NORTHLINE RD		SOUTHGATE	MI	48195-2467	23-2535
Downriver Kidney Center	5600 ALLEN RD		ALLEN PARK	MI	48101-2604	23-2592
PDI-Highland Park	64 VICTOR ST		HIGHLAND PARK	MI	48203-3128	23-2570
Chelsea Dialysis	1620 COMMERCE PARK DR	STE 200	CHELSEA	MI	48118-2136	23-2632
Fowlerville Dialysis	206 E GRAND RIVER AVE		FOWLERVILLE	MI	48836-	23-2603
Lansing Home Hemodialysis	1675 WATERTOWER PL	STE 700	EAST LANSING	MI	48823-6397	23-2646
Romulus Dialysis	31470 ECORSE RD		ROMULUS	MI	48174-1963	23-2596
PDI-Grand Haven	16964 ROBBINS RD		GRAND HAVEN	MI	49417-2796	23-2563
Schaeffer Drive Dialysis	18100 SCHAEFER HWY		DETROIT	MI	48235-2600	23-2583
Dearborn Home Dialysis	22030 PARK ST		DEARBORN	MI	48124-2854	
PDI-Grand Rapids	801 CHERRY ST SE		GRAND RAPIDS	MI	49506-1440	23-2565
Kalamazoo Central Dialysis	535 S BURDICK ST	STE 110	KALAMAZOO	MI	49007-5261	23-2639
Kalamazoo West Dialysis	1040 N 10TH ST		KALAMAZOO	MI	49009-6149	23-2641
Grosse Pointe Dialysis	18000 E WARREN AVE	STE 100	DETROIT	MI	48224-1336	23-2643
Ballenger Pointe Dialysis	2262 S BALLENGER HWY		FLINT	MI	48503-3447	23-2624
Muskegon Dialysis	1277 MERCY DR		MUSKEGON	MI	49444-4605	23-2562

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Fenton Dialysis	17420 SILVER PKWY		FENTON	MI	48430-4429	23-2635
Park Plaza Dialysis	G1075 N BALLENGER HWY		FLINT	MI	48504-4431	23-2610
Saginaw Dialysis	1527 E GENESEE AVE		SAGINAW	MI	48607-1755	23-2586
Battle Creek Dialysis	220 E GOODALE AVE		BATTLE CREEK	MI	49037-2728	23-2617
PDI-Cadieux	6150 CADIEUX ROAD		DETROIT	MI	48224-2006	23-2584
Flint Dialysis Center	2 HURLEY PLZ	STE 115	FLINT	MI	48503-5904	23-2608
Newaygo County Dialysis	1317 W MAIN ST		FREMONT	MI	49412-1478	23-2607
Dearborn Dialysis	1185 MONROE ST		DEARBORN	MI	48124-2814	23-2520
Davison Dialysis	1011 S STATE RD		DAVISON	MI	48423-1903	23-2605
PDI-Grand Rapids East	1230 EKHART ST NE		GRAND RAPIDS	MI	49503-1372	23-2588
Edina Dialysis Center	6550 YORK AVE S	STE 100	EDINA	MN	55435-2332	24-2501
Home Dialysis Unit	825 S 8TH ST	STE 1202	MINNEAPOLIS	MN	55404-1223	24-2552
Richfield Dialysis	6601 LYNDALE AVE S	STE 150	RICHFIELD	MN	55423-2490	24-2563
River City Dialysis	1970 NORTHWESTERN AVE S		STILLWATER	MN	55082-6567	24-2535
Faribault Dialysis Unit	201 LYNDALE AVE S	STE F	FARIBAULT	MN	55021-5758	24-2508
Eagan Dialysis Unit	2750 BLUE WATER RD	SUITE 300	EAGAN	MN	55121-1400	24-2557
Arden Hills Dialysis Unit	3900 NORTHWOODS DR	STE 110	ARDEN HILLS	MN	55112-6911	24-2518
Minneapolis NE Dialysis	1049 10TH AVE SE		MINNEAPOLIS	MN	55414-1312	24-2553
Forest Lake Dialysis	1068 S LAKE ST	STE 110	FOREST LAKE	MN	55025-2633	24-2531
Maplewood Dialysis Center	2785 WHITE BEAR AVE N	STE 201	MAPLEWOOD	MN	55109-1320	24-2512
Coon Rapids Dialysis Unit	3960 COON RAPIDS BLVD NW	STE 309	COON RAPIDS	MN	55433-2598	24-2514
Cass Lake Dialysis Facility	602 GRANT UTLEY ST	PO BOX 757	CASS LAKE	MN	56633-0757	24-2528
Sun Ray Dialysis Unit	1758 OLD HUDSON RD	STE 100	SAINT PAUL	MN	55106-6161	24-2574
New Hope Dialysis Center	5640 INTERNATIONAL PKWY		NEW HOPE	MN	55428-3047	24-2564
Burnsville Dialysis Unit	501 E NICOLLET BLVD	STE 150	BURNSVILLE	MN	55337-6784	24-2515
Maple Grove Dialysis Unit	15655 GROVE CIR N		MAPLE GROVE	MN	55369-4489	24-2571
Fridley Dialysis Unit	5301 E RIVER RD	STE 117	FRIDLEY	MN	55421-3778	24-2569
St. Louis Park Dialysis Center	3505 LOUISIANA AVE S		ST LOUIS PARK	MN	55426-4121	24-2554
Westwood Hills Dialysis	7525 WAYZATA BLVD		SAINT LOUIS PARK	MN	55426-1621	24-2576
Redwood Falls Dialysis Center	100 FALLWOOD RD		REDWOOD FALLS	MN	56283-1828	24-2522
Scott County Dialysis	7456 S PARK DR		SAVAGE	MN	55378	24-2567
Eden Prairie Dialysis	14852 SCENIC HEIGHTS RD	STE 255 BLDG B	EDEN PRAIRIE	MN	55344-2320	24-2556
Minneapolis Uptown Dialysis	3601 LYNDALE AVE S		MINNEAPOLIS	MN	55409-1103	24-2568
Minneapolis Dialysis Unit	825 S EIGHTH ST	STE SL42	MINNEAPOLIS	MN	55404-1208	24-2503
Marshall Dialysis Center	300 S BRUCE ST	AVERA MARSHALL REGIONAL MEDICAL CENTER	MARSHALL	MN	56258-1934	24-2502

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Pipestone Dialysis	916 4TH AVE SW	911 FIFTH AVE SW	PIPESTONE	MN	56164-1054	24-2541
St. Paul Capitol Dialysis	555 PARK ST	STE 110	SAINT PAUL	MN	55103-2110	24-2565
Bloomington Dialysis Unit of TRC	8591 LYNDALE AVE S		BLOOMINGTON	MN	55420-2237	24-2547
St. Paul Capitol Dialysis	555 PARK ST	STE 230	SAINT PAUL	MN	55103-2193	24-2533
St. Paul Dialysis	555 PARK ST	STE 180	SAINT PAUL	MN	55103-2192	24-2513
University Dialysis Unit Riverside	1045 WESTGATE DR	STE 90	SAINT PAUL	MN	55114-1079	24-2539
Woodbury Dialysis	1850 WEIR DR	STE 3	WOODBURY	MN	55125-2260	24-2536
Red Wing Dialysis Unit	3028 N SERVICE DR		RED WING	MN	55066-1921	24-2520
Montevideo Dialysis Center	824 N 11TH ST	MONTEVIDEO HOSPITAL	MONTEVIDEO	MN	56265-1629	24-2511
Minnetonka Dialysis Unit	17809 HUTCHINS DR		MINNETONKA	MN	55345-4100	24-2526
TRC-Pine City	129 6TH AVE SE	LAKESIDE MEDICAL CENTER	PINE CITY	MN	55063-1913	24-2516
Highland Park Dialysis	1559 W 7TH ST		SAINT PAUL	MN	55102-4238	24-2573
West St. Paul Dialysis Unit	1555 LIVINGSTON AVE		WEST ST PAUL	MN	55118-3411	24-2505
Cottage Grove Dialysis	8800 E POINT DOUGLAS RD S	STE 100	COTTAGE GROVE	MN	55016-4160	24-2566
St. Louis West Dialysis	400 N LINDBERGH BLVD		SAINT LOUIS	MO	63141-7814	26-2583
St. Louis Dialysis	324 DE BALIVIERE AVE		SAINT LOUIS	MO	63112-1804	26-2527
Washington Square Dialysis	1112 WASHINGTON SQ		WASHINGTON	MO	63090-5336	26-2562
North St. Louis County Dialysis	13119 NEW HALLS FERRY RD		FLORISSANT	MO	63033-3228	26-2625
Hazelwood Dialysis	637 DUNN RD		HAZELWOOD	MO	63042-1755	26-2589
Liberty Dialysis	2525 GLEN HENDREN DR		LIBERTY	MO	64068-9625	26-2530
St. Charles Dialysis	2125 BLUESTONE DR		SAINT CHARLES	MO	63303-6704	26-2568
Florissant Dialysis	11687 W FLORISSANT AVE		FLORISSANT	MO	63033-6711	26-2561
Eureka Dialysis Center	419 MERAMEC BLVD		EUREKA	MO	63025-3906	26-2628
Shrewsbury Dialysis	7435 WATSON RD	STE 119	SAINT LOUIS	MO	63119-4472	26-2572
Chillicothe Dialysis	588 E BUSINESS 36		CHILLICOTHE	MO	64601-3721	26-2580
Eastland Dialysis	19101 E VALLEY VIEW PKWY	STE E	INDEPENDENCE	MO	64055-6907	26-2626
Nodaway County Dialysis	2613 S MAIN ST		MARYVILLE	MO	64468-3601	26-2582
RTC-Columbia Dialysis	1701 E BROADWAY	STE G102	COLUMBIA	MO	65201-8029	26-2611
Cameron Dialysis	1003 W 4TH ST		CAMERON	MO	64429-1466	26-2578
St. Joseph Dialysis	5514 CORPORATE DR	STE 100	SAINT JOSEPH	MO	64507-7752	26-2576
Lake St. Louis Dialysis	200 BREVCO PLZ	STE 201	LAKE SAINT LOUIS	MO	63367-2950	26-2541
Lamplighter Dialysis	12654 LAMPLIGHTER SQUARE		ST LOUIS	MO	63128	26-2606
Platte Woods Dialysis	7667 NW PRAIRIE VIEW RD		KANSAS CITY	MO	64151-1544	26-2596

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
St. Peters Dialysis	300 FIRST EXECUTIVE AVE	STE A	SAINT PETERS	MO	63376-1655	26-2599
St. Louis Dialysis Center	2610 CLARK AVE		SAINT LOUIS	MO	63103-2502	26-2503
Hospital Hill Dialysis	2250 HOLMES ST		KANSAS CITY	MO	64108-2639	26-2551
St. Louis West PD Dialysis	450 N LINDBERGH BLVD	STE 100C	CREVE COEUR	MO	63141-7858	26-2585
Crystal City Dialysis Center	HWY 61 AND I-55	JEFFERSON MEMORIAL HOSPITAL	CRYSTAL CITY	MO	63019-0167	26-2524
Northland Dialysis	2750 CLAY EDWARDS DR	STE 100	N KANSAS CITY	MO	64116-3257	26-2504
Crestwood Dialysis	9901 WATSON RD	STE 125	SAINT LOUIS	MO	63126-1855	26-2591
Hope Again Dialysis Center	1207 STATE ROUTE VV		KENNETT	MO	63857-3823	26-2534
South County Dialysis	4145 UNION RD		SAINT LOUIS	MO	63129-1064	26-2574
Bluff City Dialysis Center	2400 LUCY LEE PKWY	STE E	POPLAR BLUFF	MO	63901-2429	26-2526
Rolla Dialysis	1503 E 10TH ST		ROLLA	MO	65401-3696	26-2536
Hampton Avenue Dialysis	1425 HAMPTON AVE		SAINT LOUIS	MO	63139-3115	26-2607
Singing River Dialysis	4907 TELEPHONE RD		PASCAGOULA	MS	39567-1823	25-2516
Lucedale Dialysis	652 MANILA ST		LUCEDALE	MS	39452-5962	25-2556
Ocean Springs Dialysis	13150 PONCE DE LEON DR		OCEAN SPRINGS	MS	39564-2460	25-2519
McDowell County Dialysis	100 SPAULDING RD	STE 2	MARION	NC	28752-5116	34-2645
Waynesville Dialysis Center	11 PARK TERRACE DR		CLYDE	NC	28721-7445	34-2629
Mayland Dialysis Center	575 ALTAPASS HWY		SPRUCE PINE	NC	28777-3012	34-2660
Weaverville Dialysis	329 MERRIMON AVE		WEAVERVILLE	NC	28787-9253	34-2604
Greene County Dialysis Center	1025 KINGOLD BLVD		SNOW HILL	NC	28580-1616	34-2650
Southeastern Dialysis Center - Whiteville	608 PECAN LN		WHITEVILLE	NC	28472-2949	34-2521
Dialysis Care of Edgecombe County	3206 WESTERN BLVD		TARBORO	NC	27886-1828	34-2577
Wallace Dialysis	5650 S NC 41 HWY		WALLACE	NC	28466-6094	34-2659
Dialysis Care of Martin County	100 MEDICAL DR		WILLIAMSTON	NC	27892-2156	34-2584
Sylva Dialysis Center	655 ASHEVILLE HWY		SYLVA	NC	28779-2747	34-2556
Southeastern Dialysis Center - Burgaw	704 S DICKERSON ST	PO BOX 1391	BURGAW	NC	28425	34-2558
Dialysis Care of Kannapolis	1607 N MAIN ST		KANNAPOLIS	NC	28081-2317	34-2592
Southeastern Dialysis Center - Shallotte	4770 SHALLOTTE AVE		SHALLOTTE	NC	28470-	34-2582
Chadbourn Dialysis Center	210 STRAWBERRY BLVD		CHADBOURN	NC	28431-1418	34-2628
Swannanoa Dialysis Center	2305 US HIGHWAY 70		SWANNANOA	NC	28778-8207	34-2626
Hendersonville Dialysis Center	500 BEVERLY HANKS CTR	HWY 25 N	HENDERSONVILLE	NC	28792	34-2564
Southeastern Dialysis Center - Elizabethtown	101 DIALYSIS DR		ELIZABETHTOWN	NC	28337-9048	34-2578
Southern Pines Dialysis Center	209 WINDSTAR PL		SOUTHERN PINES	NC	28387-7086	34-2638
Dialysis Care of Moore County	16 REGIONAL DR		PINEHURST	NC	28374-8850	34-2555
Southeastern Dialysis Center - Kenansville	305 BEASLEY ST		KENANSVILLE	NC	28349-8798	34-2535

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Asheville Kidney Center	1600 CENTRE PARK DR		ASHEVILLE	NC	28805-6206	34-2506
Dialysis Care of Rowan County	111 DORSETT DR		SALISBURY	NC	28144-2278	34-2546
Southeastern Dialysis Center - Jacksonville	14 OFFICE PARK DR		JACKSONVILLE	NC	28546-7325	34-2532
Southeastern Dialysis Center - Wilmington	2215 YAUPON DR		WILMINGTON	NC	28401-7334	34-2511
Dialysis Care of Richmond County	S NC HIGHWAY 177		HAMLET	NC	28345	34-2539
Dialysis Care of Rutherford County	226 COMMERCIAL ST		FOREST CITY	NC	28043-2851	34-2566
St. Pauls Dialysis Center	564 W MCLEAN ST		SAINT PAULS	NC	28384-1421	34-2651
Dialysis Care of Hoke County	403 S MAIN ST		RAEFORD	NC	28376-3222	34-2579
Copperfield Dialysis	1030 VINEHAVEN DR		CONCORD	NC	28025-2438	34-2631
Dialysis Care of Anson County	923 E CASWELL ST		WADESBORO	NC	28170-2305	34-2560
Reidsville Dialysis	1307 FREEWAY DR		REIDSVILLE	NC	27320-7104	34-2640
Dialysis Care of Franklin County	1706 NC HIGHWAY 39 N		LOUISBURG	NC	27549-8329	34-2571
Dialysis Care of Montgomery County	323 W MAIN ST		BISCOE	NC	27209-9528	34-2583
Madison Dialysis Center	302 HIGHWAY ST		MADISON	NC	27025-1672	34-2624
Dialysis Care of Rockingham County	251 W KINGS HWY		EDEN	NC	27288-5009	34-2536
Cherokee Dialysis Center	53 ECHOTA CHURCH RD		CHEROKEE	NC	28719-9702	34-2602
Smoky Mountain Dialysis	1611 ANDREWS RD		MURPHY	NC	28906-5100	34-2649
Branchview Dialysis	217 BRANCHVIEW DR SE		CONCORD	NC	28025-3578	34-2519
Charlotte East Dialysis	3204 N SHARON AMITY RD		CHARLOTTE	NC	28205-6541	34-2627
Ahoskie Dialysis	129 HERTFORD COUNTY HIGH RD		AHOSKIE	NC	27910-8131	34-2570
Mt. Olive Dialysis	105 MICHAEL MARTIN RD		MOUNT OLIVE	NC	28365-1112	34-2573
Elizabeth City Dialysis	1840 W CITY DR		ELIZABETH CITY	NC	27909-9632	34-2515
Vance County Dialysis	511 RUIN CREEK RD	STE 202	HENDERSON	NC	27536-5919	34-2543
Durham West Dialysis	4307 WESTERN PARK PL		DURHAM	NC	27705-1204	34-2616
Edenton Dialysis	703 LUKE ST		EDENTON	NC	27932-9694	34-2541
South Charlotte Dialysis	6450 BANNINGTON RD		CHARLOTTE	NC	28226-1327	34-2523
Charlotte Dialysis	2321 W MOREHEAD ST	STE 102	CHARLOTTE	NC	28208-5145	34-2548
Wilson Dialysis	1605 MEDICAL PARK DR W		WILSON	NC	27893-2799	34-2507
Burlington Dialysis	873 HEATHER RD		BURLINGTON	NC	27215-6288	34-2567
North Charlotte Dialysis Center	6620 OLD STATESVILLE RD		CHARLOTTE	NC	28269-6731	34-2663
Forest Hills Dialysis	2693 FOREST HILLS RD SW		WILSON	NC	27893-8611	34-2637
Roxboro Dialysis	718 RIDGE RD		ROXBORO	NC	27573-4508	34-2562
Marshville Dialysis Center	7260 E MARSHVILLE BLVD		MARSHVILLE	NC	28103-1191	34-2666
Union County Dialysis	701 E ROOSEVELT BLVD	STE 400	MONROE	NC	28112-4107	342526
Goldsboro Dialysis	2609 HOSPITAL RD		GOLDSBORO	NC	27534-9424	34-2531

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Durham Dialysis	601 FAYETTEVILLE ST		DURHAM	NC	27701-3910	34-2550
Goldsboro South Dialysis	1704 WAYNE MEMORIAL DR		GOLDSBORO	NC	27534-2240	34-2587
Fargo Dialysis Center	4474 23RD AVE S	STE M	FARGO	ND	58104-8795	35-2502
Oakes Dialysis	413 S 7TH ST		OAKES	ND	58474-1920	35-2504
Dodge County Dialysis	1949 E 23RD AVE S		FREMONT	NE	68025-2452	28-2512
Papillion Dialysis	1502 S WASHINGTON ST	STE 100	PAPILLION	NE	68046-3136	28-2518
Hastings Dialysis Center	1900 N SAINT JOSEPH AVE		HASTINGS	NE	68901-2652	28-2501
Grand Island Dialysis	603 S WEBB RD		GRAND ISLAND	NE	68803-5141	28-2522
McCook Dialysis Center	801 W C ST		MCCOOK	NE	69001-3591	28-2517
Omaha West Dialysis	13014 W DODGE RD		OMAHA	NE	68154-2148	28-2506
Omaha South Dialysis	3427 L ST	STE 16	OMAHA	NE	68107-2577	28-2511
Scottsbluff Dialysis Center	3812 AVENUE B		SCOTTSBLUFF	NE	69361-4780	28-2502
Omaha Central Dialysis	144 S 40TH ST		OMAHA	NE	68131-3004	28-2516
Omaha North Dialysis	6572 AMES AVE		OMAHA	NE	68104-1931	28-2514
South Lincoln Dialysis	3401 PLANTATION DR	STE 140	LINCOLN	NE	68516-4712	28-2526
Capital City Dialysis	307 N 46TH ST		LINCOLN	NE	68503-3714	28-2503
Nashua Dialysis	38 TYLER ST	STE 100	NASHUA	NH	03060-2912	302507
Plainfield Dialysis	1200 RANDOLPH RD	KENYAN HOUSE	PLAINFIELD	NJ	07060-3361	31-2558
Neptune Dialysis Center	2180 BRADLEY AVE		NEPTUNE	NJ	07753-4427	31-2567
Neptune Route 66 Dialysis	3297 STATE ROUTE 66		NEPTUNE	NJ	07753-2762	31-2520
Bricktown Dialysis Center	525 JACK MARTIN BLVD	FL 2	BRICK	NJ	08724-7735	31-2562
Atlantic Artificial Kidney Center	6 INDUSTRIAL WAY W	STE B	EATONTOWN	NJ	07724-2268	31-2537
Bridgewater Dialysis Center	2121 ROUTE 22 W		BOUND BROOK	NJ	08805-1546	31-2530
Burlington North Dialysis	1164 E ROUTE 130		BURLINGTON	NJ	08016-2954	312548
Freehold Dialysis	300 CRAIG RD		MANALAPAN	NJ	07726-8742	312517
Middletown Dialysis Center	500 STATE ROUTE 35	UNION SQUARE PLAZA	RED BANK	NJ	07701-5038	31-2569
Lumberton Dialysis	668 MAIN ST		LUMBERTON	NJ	08048-5016	312508
Somerset Dialysis Center	240 CHURCHILL AVE		SOMERSET	NJ	08873-3451	31-2574
Delran Dialysis	8008 ROUTE 130		DELRAN	NJ	08075-1869	31-2521
Edison Dialysis	29 MERIDIAN RD		EDISON	NJ	08820-2823	312559
Willingboro Dialysis	230 VAN SCIVER PKWY		WILLINGBORO	NJ	08046-1131	31-2584
Pennsauken Dialysis Center	7024 KAIGHNS AVE		PENNSAUKEN	NJ	08109-4417	31-2593
Hackettstown Dialysis	657 WILLOW GROVE ST	WEST WING MEDICAL PLAZA STE 202	HACKETTSTOWN	NJ	07840-1713	31-2589
Summit Dialysis	1139 SPRUCE DR		MOUNTAINSIDE	NJ	07092-2221	312528
East Orange Dialysis	90 WASHINGTON ST	BASEMENT	EAST ORANGE	NJ	07017-1050	31-2522
Perth Amboy Dialysis	530 NEW BRUNSWICK AVE		PERTH AMBOY	NJ	08861-3654	312540

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Old Bridge Dialysis	3 HOSPITAL PLZ	1ST FL	OLD BRIDGE	NJ	08857-3093	312541
Cherry Hill Dialysis	1030 KINGS HWY N	STE 100	CHERRY HILL	NJ	08034-1907	31-2513
Holmdel Dialysis	668 N BEERS ST		HOLMDEL	NJ	07733-1526	31-2510
Newark Dialysis Center	571 CENTRAL AVE		NEWARK	NJ	07107-1463	31-2570
Four Corners Dialysis Center	801 W BROADWAY		FARMINGTON	NM	87401-5650	32-2503
Shiprock Dialysis Center	PO BOX 2156	US HWY 491 N	SHIPROCK	NM	87420-2156	32-2515
North Las Vegas Dialysis Center	2300 MCDANIEL ST		NORTH LAS VEGAS	NV	89030-6318	29-2504
Desert Springs Dialysis	2110 E FLAMINGO RD	STE 108	LAS VEGAS	NV	89119-5191	29-2525
South Las Vegas Dialysis Center	2250 S RANCHO DR	STE 115	LAS VEGAS	NV	89102-4456	29-2512
Siena Henderson Dialysis Center	2865 SIENNA HEIGHTS DR	STE 141	HENDERSON	NV	89052-4168	29-2524
Summerlin Dialysis Center	653 N TOWN CENTER DR	STE 70 BLDG 2	LAS VEGAS	NV	89144-0503	29-2515
Southern Hills Dialysis Center	9280 W SUNSET RD	STE 110	LAS VEGAS	NV	89148-4861	29-2521
Five Star Dialysis Center	2400 TECH CENTER CT		LAS VEGAS	NV	89128-0804	
Centennial Dialysis Center	8775 DEER SPRINGS WAY		LAS VEGAS	NV	89149-0416	29-2531
Las Vegas Dialysis Center	3100 W CHARLESTON BLVD	STE 100	LAS VEGAS	NV	89102-1992	29-2501
Las Vegas Pediatrics Dialysis Center	7271 W SAHARA AVE	STE 120	LAS VEGAS	NV	89117-2862	29-2536
The Nevada Dialysis Center	1510 W WARM SPRINGS RD	STE 100	HENDERSON	NV	89014-3586	
Carson City Dialysis Center	3310 GONI RD	BLDG H, STE 171	CARSON CITY	NV	89706-7917	29-3500
Reno Dialysis Center	1500 E 2ND ST	STE 101	RENO	NV	89502-1189	29-2518
South Meadows Dialysis Center	10085 DOUBLE R BLVD	STE 160	RENO	NV	89521-4867	29-2526
Sierra Rose Dialysis Center	685 SIERRA ROSE DR		RENO	NV	89511-2060	29-2520
Sparks Dialysis Center	4860 VISTA BLVD	STE 100	SPARKS	NV	89436-2817	29-2505
Mountain View Dialysis	2881 BUSINESS PARK CT	STE 130	LAS VEGAS	NV	89128-9019	29-2510
Fallon Dialysis	1103 NEW RIVER PKWY		FALLON	NV	89406-6899	29-2528
Anthem Village Dialysis	2530 ANTHEM VILLAGE DR		HENDERSON	NV	89052-5548	29-2522
Pahrump Dialysis Center	1460 E CALVADA BLVD		PAHRUMP	NV	89048-5822	29-2511
Butler County Dialysis	3497 S DIXIE HWY		FRANKLIN	OH	45005-5717	36-2647
Butler County Home Training Dialysis	3497 S DIXIE HWY		FRANKLIN	OH	45005-5717	36-2689
Eastgate Home Training	4435 AICHOLTZ RD	STE 800B	CINCINNATI	OH	45245-1692	36-2702
White Oak Home Training Dialysis	5520 CHEVIOT RD	STE B	CINCINNATI	OH	45247-7069	36-2687
Silverton Home Training Dialysis	6929 SILVERTON AVE		CINCINNATI	OH	45236-3701	36-2634
Shaker Square Dialysis	12800 SHAKER BLVD	STE 1	CLEVELAND	OH	44120-2004	36-2560
Forest Fair Dialysis	1145 KEMPER MEADOW DR		CINCINNATI	OH	45240-4118	36-2734
Silverton Dialysis	6929 SILVERTON AVE		CINCINNATI	OH	45236-3701	36-2633
Dublin Dialysis	6770 PERIMETER DR		DUBLIN	OH	43016-8063	36-2728
Columbus Downtown Dialysis	415 E MOUND ST		COLUMBUS	OH	43215-5512	36-2650
Winton Road Dialysis	6550 WINTON RD		CINCINNATI	OH	45224-1327	362611

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Blue Ash Dialysis	10600 MCKINLEY RD		CINCINNATI	OH	45242-3716	36-2519
Seneca County Dialysis	65 SAINT FRANCIS AVE		TIFFIN	OH	44883-3413	36-2622
Sandusky Dialysis Center	795 BARDSHAR RD		SANDUSKY	OH	44870-1505	36-2700
White Oak Dialysis	5520 CHEVIOT RD	STE B	CINCINNATI	OH	45247-7069	36-2688
Columbus Dialysis	3830 OLENTANGY RIVER RD		COLUMBUS	OH	43214-5404	36-2543
Columbus East Dialysis	299 OUTERBELT ST		COLUMBUS	OH	43213-1529	36-2629
Fairfield Dialysis	1210 HICKS BLVD		FAIRFIELD	OH	45014-1921	36-2602
Lebanon Dialysis Center	918B COLUMBUS AVE		LEBANON	OH	45036-	36-2707
Western Hills Dialysis	3267 WESTBOURNE DR		CINCINNATI	OH	45248-5130	362628
Columbus West Dialysis	1395 GEORGESVILLE RD		COLUMBUS	OH	43228-3611	36-2705
Wauseon Dialysis Center	721 S SHOOP AVE		WAUSEON	OH	43567-1729	36-2706
Strongsville Dialysis	17792 PEARL RD		STRONGSVILLE	OH	44136-6909	36-2684
Lebanon Home Training	918B COLUMBUS AVE	STE 2	LEBANON	OH	45036-	36-2711
Mt. Auburn Dialysis	2109 READING RD		CINCINNATI	OH	45202-1417	36-2502
Delhi Dialysis	5040 DELHI AVE		CINCINNATI	OH	45238-5388	36-2708
Anderson Dialysis Center	7502 STATE RD	STE 1160	CINCINNATI	OH	45255-2800	36-2715
Fairborn Dialysis	3070 PRESIDENTIAL DR	STE A	FAIRBORN	OH	45324-6273	36-2683
Eaton Dialysis	105 E WASHINGTON JACKSON RD		EATON	OH	45320-9789	36-2703
Guernsey County Dialysis	1300 CLARK ST		CAMBRIDGE	OH	43725-8875	36-2535
Alliance Community Dialysis	270 E STATE ST	STE 110	ALLIANCE	OH	44601-4309	36-2669
Urbana Dialysis Center	1880 E US HIGHWAY 36		URBANA	OH	43078-9600	36-2726
Middleburg Heights Dialysis	17800 JEFFERSON PARK RD	STE 101	CLEVELAND	OH	44130-3475	36-2572
Ohio Pike Dialysis	1761 STATE ROUTE 125		AMELIA	OH	45102-2039	
Belden Community Dialysis	4685 FULTON DR NW		CANTON	OH	44718-2379	36-2600
Wadsworth Dialysis	195 WADSWORTH RD	STE 302	WADSWORTH	OH	44281-9504	36-2730
Mt Auburn Home Dialysis	2109 READING RD		CINCINNATI	OH	45202-1417	362533
Fairfield Home Training Dialysis	1210 HICKS BLVD		FAIRFIELD	OH	45014-1921	36-2608
Licking County Dialysis	65 MCMILLEN DR	STE 300	NEWARK	OH	43055-3651	36-2555
Mercy Canton Dialysis	1320 MERCY DR NW		CANTON	OH	44708-2614	36-2640
Point Place Dialysis	4747 SUDER AVE	STE 107	TOLEDO	OH	43611-2869	36-2712
Northwood Dialysis	611 LEMOYNE RD		NORTHWOOD	OH	43619-1811	362680
Ashtabula Dialysis	1614 W 19TH ST		ASHTABULA	OH	44004-3036	36-2554
Logan Dialysis	12880 GREY ST		LOGAN	OH	43138-9638	36-2732
Nelsonville Dialysis	1950 MOUNT SAINT MARYS DR		NELSONVILLE	OH	45764-1280	36-2548
Zanesville Dialysis	3120 NEWARK RD		ZANESVILLE	OH	43701-9659	362518
Southwest Ohio Dialysis	215 S ALLISON AVE		XENIA	OH	45385-3694	36-2594
Eastgate Dialysis	4435 AICHOLTZ RD		CINCINNATI	OH	45245-1690	36-2522

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Willow Dialysis Center	1675 ALEX DR		WILMINGTON	OH	45177-2446	36-2551
Batavia Dialysis	4000 GOLDEN AGE DR		BATAVIA	OH	45103-1913	36-2736
Belpre Dialysis	2906 WASHINGTON BLVD		BELPRE	OH	45714-1848	36-2671
Marietta Dialysis	1019 PIKE ST		MARIETTA	OH	45750-3500	362563
Warrensville Heights PD Dialysis	4200 WARRENSVILLE CENTER RD	STE 210	WARRENSVILLE HEIGHTS	OH	44122-7000	36-2718
Pataskala Dialysis Center	642 E BROAD ST		PATASKALA	OH	43062-7627	36-2709
Coshocton Dialysis	1404 CHESTNUT ST EAST		COSHOCTON	OH	43812-1401	36-2663
Hubbard Road Dialysis	1963 HUBBARD RD		MADISON	OH	44057-2105	36-2614
Kettering Dialysis	5721 BIGGER RD		KETTERING	OH	45440-2752	36-2690
Andover Dialysis	488 S MAIN ST		ANDOVER	OH	44003-9602	36-2694
East Galbraith Dialysis	3877 E GALBRAITH RD	BLDG C	CINCINNATI	OH	45236-1500	
Grove City Dialysis	4155 KELNOR DR		GROVE CITY	OH	43123-2960	36-2716
Parma Dialysis Center	6735 AMES RD		CLEVELAND	OH	44129-5601	36-2620
Rocky River Dialysis	20220 CENTER RIDGE RD	STE 50	ROCKY RIVER	OH	44116-3567	36-2610
Rockside Dialysis	4801 ACORN DR		INDEPENDENCE	OH	44131-2566	36-2731
US Grant Dialysis	458 HOME ST		GEORGETOWN	OH	45121-1408	
Columbus West Home Training	1391 GEORGESVILLE RD		COLUMBUS	OH	43228-3611	36-2727
Toledo Dialysis	1614 S BYRNE RD		TOLEDO	OH	43614-3464	362587
Sapulpa Dialysis	9647 RIDGEVIEW ST		TULSA	OK	74131-6205	37-2560
Greenwood Dialysis Center	1345 N LANSING AVE		TULSA	OK	74106-5911	37-2569
Pryor Dialysis	309 E GRAHAM AVE		PRYOR	OK	74361-2434	37-2529
Southcrest Dialysis	9001 S 101ST EAST AVE	STE 110	TULSA	OK	74133-5799	37-2567
Midwest City Dialysis Center	7221 E RENO AVE		MIDWEST CITY	OK	73110-4474	37-2511
Northwest Bethany Dialysis Center	7800 NW 23RD ST	STE A	BETHANY	OK	73008-4948	37-2515
Claremore Dialysis Center	202 E BLUE STARR DR		CLAREMORE	OK	74017-4223	37-2514
Cinema Dialysis	3909 S WESTERN AVE		OKLAHOMA CITY	OK	73109-3405	37-2568
Okmulgee Dialysis Center	1101 S BELMONT AVE	STE 204	OKMULGEE	OK	74447-6315	37-2548
Muskogee Community Dialysis Center	2913 AZALEA PARK DR		MUSKOGEE	OK	74401-2283	37-2549
Heartland Dialysis	925 NE 8TH ST		OKLAHOMA CITY	OK	73104-5800	37-2530
Tri-State Dialysis	2510 N MAIN ST		MIAMI	OK	74354-1602	37-2547
Norman Dialysis Center	1818 W LINDSEY ST	STE 104 BLDG B	NORMAN	OK	73069-4159	37-2527
Clinton Dialysis Center	150 N 31ST ST		CLINTON	OK	73601-9118	37-2561
Oklahoma City South Dialysis	5730 S MAY AVE		OKLAHOMA CITY	OK	73119-5604	37-2518
Broken Arrow Dialysis Center	601 S ASPEN AVE		BROKEN ARROW	OK	74012-8302	37-2516
Edmond Dialysis Center	50 S BAUMANN AVE		EDMOND	OK	73034-5676	37-2541
Stilwell Dialysis Center	319 N 2ND ST		STILWELL	OK	74960-2609	37-2545
Tulsa Dialysis Center	4436 S HARVARD AVE		TULSA	OK	74135-2605	37-2504
Altus Dialysis Center	205 S PARK LN	STE 130	ALTUS	OK	73521-5756	37-2524

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Durant Dialysis Center	411 WESTSIDE DR		DURANT	OK	74701-2932	37-2565
Elk City Dialysis Center	1601 W 2ND ST		ELK CITY	OK	73644-4427	37-2531
Duncan Dialysis Center	2645 W ELK AVE		DUNCAN	OK	73533-1572	37-2522
Anadarko Dialysis Center	412 SE 11TH STREET		ANADARKO	OK	73005-4442	37-2575
Tahlequah Dialysis Center	228 N BLISS AVE		TAHLEQUAH	OK	74464-2520	37-2512
Stillwater Dialysis Center	406 E HALL OF FAME AVE	STE 300	STILLWATER	OK	74075-5447	37-2505
Chickasha Dialysis	228 S 29TH ST		CHICKASHA	OK	73018-2502	37-2572
Shawnee Dialysis Center	4409 N KICKAPOO AVE	STE 113	SHAWNEE	OK	74804-1224	37-2513
Central Tulsa Dialysis Center	1124 S SAINT LOUIS AVE		TULSA	OK	74120-5413	37-2546
Salem North Dialysis	1220 LIBERTY ST NE		SALEM	OR	97301-7330	38-2530
Salem Dialysis	3550 LIBERTY RD S	STE 100	SALEM	OR	97302-5700	38-2502
Blue Mountain Kidney Center	72556 COYOTE RD		PENDLETON	OR	97801-1002	38-2554
Hermiston Community Dialysis Center	1155 W LINDA AVE		HERMISTON	OR	97838-9601	38-2544
Sherwood Dialysis Center	21035 SW PACIFIC HWY		SHERWOOD	OR	97140-8062	38-2546
Woodburn Dialysis	2245 COUNTRY CLUB RD		WOODBURN	OR	97071-2811	38-2516
Hillsboro Dialysis Center	2500 NW 229TH AVE	STE 300 BLDG E	HILLSBORO	OR	97124-7516	38-2550
Roseburg/Mercy Dialysis	2599 NW EDENBOWER BLVD		ROSEBURG	OR	97471-6220	38-2514
Four Rivers Dialysis Center	515 EAST LN		ONTARIO	OR	97914-3953	38-2519
West Linn Dialysis Center	19056 WILLAMETTE DR		WEST LINN	OR	97068-1715	38-2553
Grants Pass Dialysis Center	1055 REDWOOD AVE		GRANTS PASS	OR	97527-5525	38-2552
Meridian Park Dialysis Center	19255 SW 65TH AVE	STE 100	TUALATIN	OR	97062-9712	38-2549
Klamath Falls Dialysis	2230 N ELDORADO AVENUE		KLAMATH FALLS	OR	97601-6418	
PDL Annex-PD	2110 HARRISBURG PIKE	STE 310	LANCASTER	PA	17601-2644	39-2745
PDI-Ephrata	67 W CHURCH ST		STEVENS	PA	17578-9203	39-2706
PDI-Lancaster	1412 E KING ST		LANCASTER	PA	17602-3240	39-2609
Riddle Dialysis Center	100 GRANITE DR	STE 106	MEDIA	PA	19063-5134	39-2739
Bloomfield - Pittsburgh Dialysis	5171 LIBERTY AVE	STE C	PITTSBURGH	PA	15224-2254	39-2751
East End - Pittsburgh Dialysis	7714 PENN AVE PARK PLAZA		PITTSBURGH	PA	15221	39-2748
Monroeville Dialysis	2690 MONROEVILLE BLVD		MONROEVILLE	PA	15146-2302	
Waynesburg Dialysis	248 ELM DR		WAYNESBURG	PA	15370-8269	39-2641
Corry Dialysis	300 YORK ST		CORRY	PA	16407-1420	39-2580
Honesdale Dialysis Center	RR 6 BOX 6636	STOURBRIDGE MALL	HONESDALE	PA	18431-9649	39-2582
Abington Dialysis	3940A COMMERCE AVE		WILLOW GROVE	PA	19090-1705	39-2614
Clearfield Dialysis	1033 TURNPIKE AVE	STE 100	CLEARFIELD	PA	16830-3061	39-2704
Dubois Dialysis	5780 SHAFFER RD	STE 106B	DU BOIS	PA	15801-3872	39-2526
Cobbs Creek Dialysis	1700 S 60TH ST		PHILADELPHIA	PA	19142-1404	39-2536
West Philadelphia Dialysis	7609 LINDBERGH BLVD		PHILADELPHIA	PA	19153-	39-2513
McKeesport Dialysis	2001 LINCOLN WAY	OAK PARK MALL	MCKEESPORT	PA	15131-2419	392532

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Roxborough Dialysis	5003 UMBRIA ST		PHILADELPHIA	PA	19128-4301	39-2516
Radnor Dialysis	250 KING OF PRUSSIA RD		RADNOR	PA	19087-5220	392630
Elkins Park Dialysis	8380 OLD YORK RD	STE 100	ELKINS PARK	PA	19027-1574	39-2635
NE Philadelphia Dialysis Center	518 KNORR ST		PHILADELPHIA	PA	19111-4604	39-2555
Philadelphia PMC Dialysis	51 N 39TH ST		PHILADELPHIA	PA	19104-2640	392538
Philadelphia 42nd Street Dialysis	4126 WALNUT ST		PHILADELPHIA	PA	19104-3511	392521
Lewistown Dialysis Center	611 ELECTRIC AVE		LEWISTOWN	PA	17044-1128	39-2598
Old Forge Dialysis	325 S MAIN ST		OLD FORGE	PA	18518-1677	39-2726
Tunkhannock Dialysis	880 SR 6 W		TUNKHANNOCK	PA	18657-6149	39-2725
Scranton Dialysis	475 MORGAN HWY		SCRANTON	PA	18508-2605	39-2729
PDI-Walnut Tower	834 WALNUT ST		PHILADELPHIA	PA	19107-5109	39-2702
Jefferson Dialysis	14 CLAIRTON BLVD		PITTSBURGH	PA	15236-3911	392573
Elizabethtown Dialysis	844 N HANOVER ST		ELIZABETHTOWN	PA	17022-1303	39-2604
Palmerton Dialysis Center	185 DELAWARE AVE	STE C	PALMERTON	PA	18071-1716	39-2584
Mt. Pocono Dialysis	100 COMMUNITY DR	STE 106	TOBYHANNA	PA	18466-8986	39-2705
Dialysis Center at Oxford Court	930 TOWN CENTER DR	STE G100	LANGHORNE	PA	19047-4260	39-2644
Newtown Dialysis Center	60 BLACKSMITH RD		NEWTOWN	PA	18940-1847	39-2616
Exton Dialysis Center	710 SPRINGDALE DR		EXTON	PA	19341-	39-2522
Palmer Dialysis Center	30 COMMUNITY DR		EASTON	PA	18045-2658	39-2619
Delaware Valley Dialysis Center	102 DAVITA DR		MILFORD	PA	18337-9311	39-2600
Upland Dialysis Center	1 MEDICAL CENTER BLVD	STE 120	CHESTER	PA	19013-3902	39-2508
Huntingdon Valley Dialysis	769 HUNTINGDON PIKE	STE 18	HUNTINGDON VALLEY	PA	19006-8362	39-2682
McKeesport West Dialysis	101 9TH ST		MCKEESPORT	PA	15132-3953	39-2700
Childs Dialysis	101 S MAIN ST		CHILDS	PA	18407-2614	39-2724
Elizabeth Dialysis	201 MCKEESPORT RD		ELIZABETH	PA	15037-1623	39-2710
Homestead Dialysis	207 W 7TH AVE		W HOMESTEAD	PA	15120-1002	39-2662
Pittsburgh Dialysis	4312 PENN AVE		PITTSBURGH	PA	15224-1310	39-2699
Callowhill Dialysis Center	313 CALLOWHILL ST		PHILADELPHIA	PA	19123-4103	39-2749
Warren Dialysis	2 W CRESCENT PARK		WARREN	PA	16365-2111	39-2666
Pocono Dialysis Center	100 PLAZA CT	STE B	EAST STROUDSBURG	PA	18301-8258	39-2606
Bradford Dialysis	665 E MAIN ST		BRADFORD	PA	16701-1869	39-2523
Franklin Dialysis Center	150 SOUTH INDEPENDENCE WEST	101 PUBLIC LEDGER BLDG	PHILADELPHIA	PA	19106-3413	39-2531
South Philadelphia Dialysis Center	109 DICKINSON ST		PHILADELPHIA	PA	19147-6107	39-2556
Erie Dialysis	350 E BAYFRONT PKWY	STE A	ERIE	PA	16507-2410	39-2543
Meadville Dialysis	19050 PARK AVENUE PLZ		MEADVILLE	PA	16335-4012	39-2537
Market Street Dialysis	3701 MARKET ST	STE 100	PHILADELPHIA	PA	19104-5503	392718
Selinsgrove Dialysis	1030 N SUSQUEHANNA TRAIL		SELINSGROVE	PA	17870-7767	39-2628
Northumberland Dialysis	103 W STATE ROUTE 61		MOUNT CARMEL	PA	17851-2539	39-2613

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Waverly Dialysis	407 E BALTIMORE PIKE		MORTON	PA	19070-1042	39-2502
Camp Hill Dialysis Center	425 N 21ST ST	PLAZA 21 BLDG 1ST FL	CAMP HILL	PA	17011-2223	39-2534
PDI-Johnstown	344 BUDFIELD ST		JOHNSTOWN	PA	15904-3214	39-2687
PDI-Ebensburg	236 JAMESWAY RD		EBENSBURG	PA	15931-4207	39-2686
South Broad Street Dialysis	1172 S BROAD ST		PHILADELPHIA	PA	19146-3142	39-2753
Jennersville Dialysis Center	1011 W BALTIMORE PIKE		WEST GROVE	PA	19390-9446	39-2631
Paris Dialysis	32 STEUBENVILLE PK		PARIS	PA	15021	392595
Dialysis Center of Erie	1641 SASSAFRAS ST		ERIE	PA	16502-1858	39-2528
Dunmore Dialysis	1212 O'NEIL HWY		DUNMORE	PA	18512-1717	39-2723
Jedburg Dialysis	2897 W 5TH NORTH ST		SUMMERVILLE	SC	29483-9674	42-2620
Upstate Dialysis Center	308 MILLS AVE		GREENVILLE	SC	29605-4022	42-2540
Longs Dialysis	90 CLOVERLEAF DR	STE 306	LONGS	SC	29568-9262	
North Orangeburg Dialysis	3031 SAINT MATTHEWS RD		ORANGEBURG	SC	29118-1443	42-2508
Myrtle Beach Dialysis	3919 MAYFAIR ST		MYRTLE BEACH	SC	29577-5773	42-2610
Pendleton Dialysis	7703 HIGHWAY 76		PENDLETON	SC	29670-1818	42-2597
North Charleston Dialysis	4937 FARGO ST		NORTH CHARLESTON	SC	29418-5952	42-2585
Goose Creek Dialysis	109 GREENLAND DR		GOOSE CREEK	SC	29445-5354	42-2596
Faber Place Dialysis	3801 FABER PLACE DR		NORTH CHARLESTON	SC	29405-8533	42-2598
South Orangeburg Dialysis	1080 SUMMERS AVE		ORANGEBURG	SC	29115-4920	42-2565
Pageland Dialysis	505A S PEARL ST		PAGELAND	SC	29728-2222	42-2592
Walterboro Dialysis	302 RUBY ST		WALTERBORO	SC	29488-2758	42-2528
Greenwood Dialysis	109 OVERLAND DR		GREENWOOD	SC	29646-4053	42-2515
Greer Kidney Center	211 VILLAGE DR		GREER	SC	29651-1238	42-2539
Central Columbia Dialysis	3511 MEDICAL DR		COLUMBIA	SC	29203-6504	42-2529
Aiken Dialysis	775 MEDICAL PARK DR		AIKEN	SC	29801-6306	42-2512
Lancaster SC Dialysis	980 N WOODLAND DR	STE 100	LANCASTER	SC	29720-1964	42-2549
Fort Mill Dialysis	1975 CAROLINA PLACE DR		FORT MILL	SC	29708-6922	42-2609
Northeast Columbia Dialysis	10 GATEWAY CORNERS PKWY	STE 200	COLUMBIA	SC	29203-8905	42-2587
Santee Dialysis	228 BRADFORD BLVD		SANTEE	SC	29142-8677	42-2547
St. Matthews Dialysis	602 FR HUFF DR N		ST MATTHEWS	SC	29135-9596	422562
Central Bamberg Dialysis	67 SUNSET DR		BAMBERG	SC	29003-1181	42-2534
Allendale County Dialysis	202 HAMPTON AVE N		FAIRFAX	SC	29827-4510	42-2557
Sioux Falls Community Dialysis Unit	800 E 21ST ST	STE 4600	SIOUX FALLS	SD	57105-1016	43-2503
Mitchell Dialysis	525 N FOSTER	QUEEN OF PEACE HOSPITAL	MITCHELL	SD	57301-2966	43-2505
Rosebud Dialysis	1 SOLDIER CREEK RD		ROSEBUD	SD	57570-0610	43-2504
Galleria Home Training Dialysis	9045 HIGHWAY 64	STE 102	LAKELAND	TN	38002-8394	44-2678

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Somerville Dialysis	12475 US HIGHWAY 64		SOMERVILLE	TN	38068-6029	44-2683
Tennessee Valley Dialysis Center	107 WOODLAWN DR	STE 2	JOHNSON CITY	TN	37604-6287	44-2666
Cumberland Dialysis	312 HOSPITAL DR	STE 5	MADISON	TN	37115-5037	44-2617
Dyersburg Dialysis	1575 PARR AVE		DYERSBURG	TN	38024-3151	44-2533
Clarksville North Dialysis	3071 CLAY LEWIS RD		CLARKSVILLE	TN	37040-5141	44-2672
Clarksville Dialysis	231 HILLCREST DR		CLARKSVILLE	TN	37043-5093	442556
Collierville Dialysis	791 W POPLAR AVE		COLLIERVILLE	TN	38017-2543	44-2648
Stonegate PD Dialysis	16 MURRAY GUARD DR		JACKSON	TN	38305-3750	44-2652
Memphis Southeast Dialysis	1805 MORIAH WOODS BLVD	STE 101	MEMPHIS	TN	38117-7119	44-2674
Camden Dialysis	168 W MAIN ST	STE A	CAMDEN	TN	38320-1767	44-2607
Brownsville Dialysis	380 N DUPREE AVE		BROWNSVILLE	TN	38012-2332	44-2599
Selmer Dialysis	251 OAKGROVE RD		SELMER	TN	38375-1881	44-2592
Whitebridge Dialysis	103 WHITE BRIDGE PIKE	STE 6	NASHVILLE	TN	37209-4539	442540
Murfreesboro Dialysis	1346 DOW ST		MURFREESBORO	TN	37130-2470	44-2549
Bolivar Dialysis	515 PECAN DR		BOLIVAR	TN	38008-1611	44-2601
Knoxville Central Dialysis	9141 CROSS PARK DR	STE 102	KNOXVILLE	TN	37923-4557	44-2681
Stonegate Dialysis	23 SANDSTONE CIR		JACKSON	TN	38305-2073	44-2600
Carriage Dialysis	37 CARRIAGE HOUSE DR		JACKSON	TN	38305-3934	44-2550
Humboldt Dialysis	2214 OSBORNE ST		HUMBOLDT	TN	38343-3044	44-2598
Pickwick Dialysis	121 PICKWICK ST		SAVANNAH	TN	38372-1953	44-2632
Lexington Dialysis	317 W CHURCH ST		LEXINGTON	TN	38351-2096	44-2622
Columbia Dialysis	1705 GROVE ST		COLUMBIA	TN	38401-3517	44-2539
Cookeville Dialysis	140 W 7TH ST		COOKEVILLE	TN	38501-1726	44-2511
Livingston TN Dialysis	308 OAK ST		LIVINGSTON	TN	38570-1729	44-2669
Memphis East Dialysis	50 HUMPHREYS CTR	STE 42	MEMPHIS	TN	38120-2372	44-2576
Tipton County Dialysis	107 TENNESSEE AVE		COVINGTON	TN	38019-3902	44-2604
Lawrenceburg Dialysis	2022 N LOCUST AVE		LAWRENCEBURG	TN	38464-2336	44-2612
Memphis South Dialysis	1205 MARLIN RD		MEMPHIS	TN	38116-5812	442649
Galleria Dialysis	9160 HIGHWAY 64		LAKELAND	TN	38002-4766	44-2611
Smyrna Dialysis	537 STONECREST PKWY		SMYRNA	TN	37167-6884	44-2671
Williamson County Dialysis	3983 CAROTHERS PKWY	STE E-4	FRANKLIN	TN	37067-5936	44-2587
Memphis Central Dialysis	889 LINDEN AVE		MEMPHIS	TN	38126-2412	44-2573
Sumner Dialysis	300 STEAM PLANT RD	STE 270	GALLATIN	TN	37066-3019	44-2623
Memphis Downtown Dialysis	2076 UNION AVE		MEMPHIS	TN	38104-4117	44-2682
UT Southwestern-Oakcliff Dialysis	610 WYNNEWOOD DR		DALLAS	TX	75224	45-2773
Las Palmas Dialysis Center	803 CASTROVILLE RD	STE 415	SAN ANTONIO	TX	78237-3148	67-2521
Downtown San Antonio Dialysis	615 E QUINCY ST		SAN ANTONIO	TX	78215-1600	67-2556
Moncrief Dialysis Center	800 W 34TH ST	STE 101	AUSTIN	TX	78705-1144	45-2783

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Arlington Dialysis	1250 E PIONEER PKWY	STE 700	ARLINGTON	TX	76010-6423	67-2525
South Austin Dialysis Center	6114 S 1ST ST		AUSTIN	TX	78745-4008	45-2892
Physicians Dialysis-North Houston	7115 NORTH LOOP E		HOUSTON	TX	77028-5948	45-2875
Grapevine Dialysis	1600 W NORTHWEST HWY	STE 100	GRAPEVINE	TX	76051-8131	67-2531
Garland Dialysis	776 E CENTERVILLE RD		GARLAND	TX	75041-4640	67-2555
Memorial Dialysis Center	11621 KATY FWY		HOUSTON	TX	77079-1801	45-2755
New Braunfels Dialysis	900 LOOP 337		NEW BRAUNFELS	TX	78130-3555	45-2798
Upper Valley Dialysis	7933 N MESA ST	STE H	EL PASO	TX	79932-1699	67-2536
Hill Country Dialysis Center of San Marcos	1820 PETER GARZA ST	TDC PLAZA	SAN MARCOS	TX	78666-7407	45-2769
UT Southwestern-Dallas Dialysis	8230 ELMBROOK DR		DALLAS	TX	75247-4010	45-2736
DaVita East Dialysis	11989 PELLICANO DR		EL PASO	TX	79936-6287	67-2558
Northwest Medical Center Dialysis	5284 MEDICAL DR	STE 100	SAN ANTONIO	TX	78229-4849	67-2515
Physicians Dialysis-South Houston	5989 SOUTH LOOP E		HOUSTON	TX	77033-1017	45-2886
Bear Creek Dialysis	4978 HIGHWAY 6 N	STE 1	HOUSTON	TX	77084-5282	67-2549
Cedar Park Dialysis Center	1720 E WHITESTONE BLVD		CEDAR PARK	TX	78613-7640	67-2591
Waterloo Dialysis Center	4200 N LAMAR BLVD	STE 100	AUSTIN	TX	78756-3430	45-2696
Castroville Dialysis	1003 US HIGHWAY 90 W		CASTROVILLE	TX	78009-3854	45-2879
Northwest San Antonio Dialysis Center	8132 FREDERICKSBURG RD		SAN ANTONIO	TX	78229-3312	45-2623
Transmountain Dialysis	5255 TRANS MOUNTAIN DR	STE B 18	EL PASO	TX	79924-3832	67-2501
Downtown Houston Dialysis Center	2207 CRAWFORD ST		HOUSTON	TX	77002-8915	45-2899
Willowbrook Dialysis	12120 JONES RD	STE G	HOUSTON	TX	77070-5280	67-2538
Summit Dialysis Center	3150 POLK ST		HOUSTON	TX	77003-4631	67-2537
Loma Vista Dialysis Center	1382 LOMALAND DR	STE A	EL PASO	TX	79935-5204	45-2741
Southcross Dialysis Center	4602 E SOUTHCROSS BLVD		SAN ANTONIO	TX	78222-4911	67-2519
South Shore Dialysis Center	212 GULF FWY S	STE G3	LEAGUE CITY	TX	77573-3957	67-2522
Marymont Dialysis Center	2391 NE LOOP 410	STE 211	SAN ANTONIO	TX	78217-5675	67-2523
Floresville Dialysis	543 10TH ST		FLORESVILLE	TX	78114-3107	45-2733
San Antonio Dialysis Center	1211 E COMMERCE ST		SAN ANTONIO	TX	78205-3307	45-2570
Boerne Dialysis Center	1369 S MAIN ST		BOERNE	TX	78006-2859	67-2578
South San Antonio Dialysis Center	1313 SE MILITARY DR	STE 111	SAN ANTONIO	TX	78214-2800	45-2747
The Woodlands Dialysis Center	9301 PINECROFT DR	STE 130	SHENANDOAH	TX	77380-3178	67-2581
El Milagro Dialysis Unit	2800 S INTERSTATE HWY 35	STE 120	AUSTIN	TX	78704-5700	45-2727
Rivercenter Dialysis	1123 N MAIN AVE	STE 150	SAN ANTONIO	TX	78212-4738	67-2516
Jacinto Dialysis Center	11515 MARKET STREET RD		HOUSTON	TX	77029-2305	67-2503
Dallas East Dialysis	3312 N BUCKNER BLVD	STE 213	DALLAS	TX	75228-5642	45-2822
Cuero Lakeview Dialysis	1105 E BROADWAY ST		CUERO	TX	77954-2108	45-2889
Lake Cliff Dialysis Center	805 N BECKLEY AVE		DALLAS	TX	75203-1612	67-2580

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Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Kerrville Dialysis	515 GRANADA PL	STE A	KERRVILLE	TX	78028-6072	45-2546
Southwest San Antonio Dialysis Center	7515 BARLITE BLVD		SAN ANTONIO	TX	78224-1311	45-2571
Mainland Dialysis	2600 GULF FWY		LA MARQUE	TX	77568-4922	45-2635
Med Center Dialysis	5610 ALMEDA RD		HOUSTON	TX	77004-7515	45-2572
Pin Oak Dialysis	1302 PIN OAK RD		KATY	TX	77494-6848	45-2847
Carrollton Dialysis	1544 VALWOOD PKWY	STE 114	CARROLLTON	TX	75006-8425	67-2548
Brookriver Dialysis	8101 BROOKRIVER DR		DALLAS	TX	75247-4003	45-2703
Brenham Dialysis	2536 S DAY ST		BRENHAM	TX	77833-5521	45-2641
Med-Center At Home	7580 FANNIN ST	STE 230	HOUSTON	TX	77054-1939	67-2583
Mid Cities Dialysis Center	117 E HARWOOD RD		HURST	TX	76054-3043	67-2579
Conroe Dialysis Center	500 MEDICAL CENTER BLVD	STE 175	CONROE	TX	77304-2899	45-2708
Fourth Street Dialysis	3101 N 4TH ST	STE B	LONGVIEW	TX	75605-5146	45-2776
Bayou City Dialysis	10655 EASTEX FWY		HOUSTON	TX	77093-4323	67-2535
North Houston Dialysis Center	129 LITTLE YORK RD		HOUSTON	TX	77076-1020	45-2678
San Jacinto Dialysis	11430 EAST FWY	STE 330	HOUSTON	TX	77029-1959	45-2530
NorthStar Dialysis Center	380 W LITTLE YORK RD		HOUSTON	TX	77076-1303	45-2675
Sagemont Dialysis	10851 SCARSDALE BLVD	STE 200	HOUSTON	TX	77089-5738	45-2612
Lancaster Dialysis	2424 W PLEASANT RUN RD		LANCASTER	TX	75146-4005	67-2520
Northwest Kidney Center	11029 NORTHWEST FWY		HOUSTON	TX	77092-7311	45-2642
Houston Dialysis	7543 SOUTH FWY		HOUSTON	TX	77021-5928	45-2584
Central Houston Dialysis	610 S WAYSIDE DR	STE B	HOUSTON	TX	77011-4640	45-2677
Lone Star Dialysis	8560 MONROE RD		HOUSTON	TX	77061-4815	45-2676
Brookhollow Dialysis	4918 W 34TH ST		HOUSTON	TX	77092-6606	45-2868
Cielo Vista Dialysis	7200 GATEWAY BLVD E	STE B	EL PASO	TX	79915-1301	45-2707
Tomball Dialysis Center	27720A TOMBALL PKWY		TOMBALL	TX	77375-	45-2743
Mission Hills Dialysis	2700 N STANTON ST		EL PASO	TX	79902-2500	45-2858

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Mesa Vista Dialysis	2400 N OREGON ST	STE C	EL PASO	TX	79902-3135	45-2758
Southwest San Antonio Dialysis	1620 SOMERSET RD		SAN ANTONIO	TX	78211-3021	45-2605
Dallas North Dialysis Center	11886 GREENVILLE AVE	STE 100B	DALLAS	TX	75243-9743	45-2884
Spring Dialysis	607 TIMBERDALE LN	STE 100	HOUSTON	TX	77090-3043	45-2787
Kilgore Dialysis Center	209 HWY 42 NORTH		KILGORE	TX	75662-5019	45-2885
Henderson Dialysis Center	1002 US HWY 79 N		HENDERSON	TX	75652-6008	45-2803
North Loop East Dialysis	7139 NORTH LOOP E		HOUSTON	TX	77028-5903	45-2706
Reliant Dialysis	1335 LA CONCHA LN		HOUSTON	TX	77054-1809	45-2705
College Station Dialysis	701 UNIVERSITY DR	STE 401	COLLEGE STATION	TX	77840-1430	45-2550
Cleveland Dialysis Center	600 E HOUSTON	STE 630	CLEVELAND	TX	77327-4689	45-2731
Longview Dialysis Center	425 N FREDONIA ST		LONGVIEW	TX	75601-6464	45-2744
Cyfair Dialysis Center	9110 JONES RD	STE 110	HOUSTON	TX	77065-4489	45-2762
Mansfield Dialysis Center	987 N WALNUT CREEK DR	STE 101	MANSFIELD	TX	76063-8016	67-2550
Denison Dialysis Center	1220 REBA MCENTIRE LANE		DENISON	TX	75020-9057	45-2665
Katy Cinco Ranch Dialysis	1265 ROCK CANYON DR		KATY	TX	77450-3831	45-2833
Grand Parkway Dialysis Center	403 W GRAND PKWY S	STE T	KATY	TX	77494-8358	45-2761
DaVita Downtown Dallas Dialysis	3515 SWISS AVE	STE A	DALLAS	TX	75204-6223	67-2553
Lufkin Dialysis Center	700 S JOHN REDDITT DR		LUFKIN	TX	75904-3145	45-2639
HEB Dialysis Center	1401 BROWN TRL	STE A	BEDFORD	TX	76022-6416	45-2583
Channelview Dialysis	777 SHELDON RD	STE C	CHANNELVIEW	TX	77530-3509	45-2647
Callaghan Road Dialysis	4151 CALLAGHAN RD	STE 101	SAN ANTONIO	TX	78228-3419	45-2587
West Texas Dialysis	1250 E CLIFF DR	BLDG B	EL PASO	TX	79902-4850	45-2720
Pearland Dialysis	6516 BROADWAY ST	STE 122	PEARLAND	TX	77581-7879	45-2845
Central City Dialysis	1300 MURCHISON DR	STE 320	EL PASO	TX	79902-4840	45-2651
Houston Kidney Center Southwest	11111 BROOKLET DR	STE 100 BLDG 100	HOUSTON	TX	77099-3555	45-2780
Sherman Dialysis Center	205 W LAMBERTH RD		SHERMAN	TX	75092-2659	45-2774
Bonham Dialysis	201 W 5TH ST		BONHAM	TX	75418-4302	67-2513

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Victoria Dialysis Center	1405 VICTORIA STATION DR		VICTORIA	TX	77901-3092	45-2658
River Park Dialysis	2010 S LOOP 336 W	STE 200	CONROE	TX	77304-3313	45-2898
Edna Dialysis Center	1008 N WELLS ST		EDNA	TX	77957-2153	67-2547
Marshall Dialysis Center	1301 S WASHINGTON AVE		MARSHALL	TX	75670-6215	45-2624
Gilmer Dialysis	519 N WOOD ST		GILMER	TX	75644-1746	45-2897
Pinecrest Dialysis Center	913 E PINECREST DR		MARSHALL	TX	75670-7309	45-2893
Rock Prairie Road Dialysis	1605 ROCK PRAIRIE RD	STE 101	COLLEGE STATION	TX	77845-8358	67-2504
Livingston Dialysis Center	209 W PARK		LIVINGSTON	TX	77351-7020	45-2661
Gonzales Dialysis Center	1406 N SARAH DEWITT DR		GONZALES	TX	78629-2702	45-2734
Houston Heights Dialysis	336 W 21ST ST		HOUSTON	TX	77008-2410	45-2614
First Colony Dialysis Center	1447 HIGHWAY 6	STE 140	SUGAR LAND	TX	77478-5094	67-2592
Huntsville Dialysis	521 IH 45S	STE 20	HUNTSVILLE	TX	77340-5651	45-2663
Deerbrook Dialysis	9660 FM 1960 BYPASS RD W		HUMBLE	TX	77338-4039	67-2560
Pearsall Dialysis	1305 N OAK ST		PEARSALL	TX	78061-3414	45-2740
Oak Cliff Dialysis	2000 S LLEWELLYN AVE		DALLAS	TX	75224-1804	45-2894
Omni Dialysis Center	9350 KIRBY DR	STE 110	HOUSTON	TX	77054-2528	45-2667
Kingwood Dialysis Center	2300 GREEN OAK DR	STE 500	KINGWOOD	TX	77339-2053	45-2646
Sun City Dialysis Center	600 NEWMAN ST		EL PASO	TX	79902-5543	67-2508
Island Dialysis	5920 BROADWAY ST		GALVESTON	TX	77551-4305	45-2520
Houston Kidney Center Cypress Station	221 FM 1960 RD W	STE H	HOUSTON	TX	77090-3537	45-2784
Spring Branch Dialysis	1425 BLALOCK	STE 100	HOUSTON	TX	77055-4446	45-2728
Beeville Dialysis	100 W HUNTINGTON ST		BEEVILLE	TX	78102-3324	67-2552
Meridian Dialysis Center	201 W FAIRMONT PKWY	STE A	LA PORTE	TX	77571-6303	67-2511
Lone Peak Dialysis	1175 E 50 S	STE 111	AMERICAN FORK	UT	84003-2845	46-2535
Timpanogos Dialysis Center	1055 N 500 W	STE 222	PROVO	UT	84604-3329	46-2524
West Bountiful Dialysis	724 W 500 S	STE 300	WEST BOUNTIFUL	UT	84087-1471	46-2520
Utah Valley Dialysis Center	1055 N 500 W	STE 221	PROVO	UT	84604-3305	46-2525
Weber Valley Dialysis	1920 W 250TH N		MARRIOTT-SLATERVILLE	UT	84404-9233	46-2539
First Landing Dialysis Center	1745 CAMELOT DR	STE 100	VIRGINIA BEACH	VA	23454-2435	49-2612

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Virginia Beach Dialysis Center	740 INDEPENDENCE CIR		VIRGINIA BEACH	VA	23455-6438	49-2575
Greater Portsmouth	3516 QUEEN ST		PORTSMOUTH	VA	23707-3238	49-2618
Covington Dialysis	2504 VALLEY RIDGE RD		COVINGTON	VA	24426-6339	49-2522
Reston Dialysis Center	1875 CAMPUS COMMONS DR	STE 110	RESTON	VA	20191-1564	49-2625
Continental Dialysis Center of Alexandria	5999 STEVENSON AVE	STE 100	ALEXANDRIA	VA	22304-3302	49-2562
Arlington Dialysis	1701 N GEORGE MASON DR	DELIVER BEHIND HOSPITAL TO DAVITA DIALYSIS	ARLINGTON	VA	22205-3610	49-2559
Sterling Dialysis	46396 BENEDICT DR	STE 100	STERLING	VA	20164-6626	49-2541
Harrisonburg Dialysis	871 CANTRELL AVE	STE 100	HARRISONBURG	VA	22801-4323	49-2507
First Colonial DaVita at Home	1157 FIRST COLONIAL RD	STE 200	VIRGINIA BEACH	VA	23454-2432	49-2638
Tyson's Corner Dialysis	8391 OLD COURTHOUSE RD	STE 160	VIENNA	VA	22182-3819	49-2580
Charlottesville North Dialysis	1800 TIMBERWOOD BLVD	STE C	CHARLOTTESVILLE	VA	22911-7544	49-2636
Winchester Dialysis	190 CAMPUS BLVD	STE 150	WINCHESTER	VA	22601-2872	49-2523
Fairfax Dialysis Center	8501 ARLINGTON BLVD	STE 100	FAIRFAX	VA	22031-4625	49-2591
Fair Oaks Dialysis	3955 PENDER DRIVE	ONE PENDER BUSINESS PARK	FAIRFAX	VA	22030-6091	49-2626
Continental Dialysis Center of Springfield	8350 TRAFORD LN	STE A	SPRINGFIELD	VA	22152-1671	49-2535
Franconia Dialysis Center	5695 KING CENTRE DRIVE		ALEXANDRIA	VA	22315-5744	49-2623
Peninsula Dialysis Center	716 DENBIGH BLVD	STE D1 AND D2	NEWPORT NEWS	VA	23608-4414	49-2617
Dabney Dialysis	2028 DABNEY RD	STE 16	RICHMOND	VA	23230-3348	49-2506
Alexandria Dialysis	5150 DUKE ST		ALEXANDRIA	VA	22304-2906	49-2589
Henrico County Dialysis	5270 CHAMBERLAYNE RD		RICHMOND	VA	23227-2950	49-2598
Culpeper Dialysis	430 SOUTHRIDGE PARKWAY		CULPEPER	VA	22701-3791	49-2543
Meherrin Dialysis Center	201A WEAVER AVE		EMPORIA	VA	23847-1248	49-2551
Hopewell Dialysis Center	301 W BROADWAY AVE		HOPEWELL	VA	23860-2645	49-2563
Amelia Dialysis	15151 PATRICK HENRY HWY		AMELIA COURT HOUSE	VA	23002-4700	49-2583
Midlothian Dialysis	14281 MIDLOTHIAN TPKE	BLDG B	MIDLOTHIAN	VA	23113-6560	49-2608
Portsmouth Dialysis	2000 HIGH ST		PORTSMOUTH	VA	23704-3012	49-2616
Appomattox Dialysis Center	15 W OLD ST		PETERSBURG	VA	23803-3221	49-2594
Camelot Dialysis Center	1800 CAMELOT DR	STE 100	VIRGINIA BEACH	VA	23454-2440	49-2517

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Purcellville Dialysis Center	280 N HATCHER AVE		PURCELLVILLE	VA	20132-3193	49-2614
Charter Colony Dialysis Center	2312 COLONY CROSSING PL		MIDLOTHIAN	VA	23112-4280	49-2650
Great Bridge Dialysis Center	745 BATTLEFIELD BLVD N	STE 100	CHESAPEAKE	VA	23320-0305	49-2604
Williamsburg Dialysis	500 SENTARA CIR	STE 103	WILLIAMSBURG	VA	23188-5727	49-2651
Front Royal Dialysis	1077D N SHENANDOAH AVE		FRONT ROYAL	VA	22630-3546	49-2573
Richmond Community Hospital Dialysis	1510 N 28TH ST	STE 110	RICHMOND	VA	23223-5311	49-2599
Martinsville Dialysis	33 BRIDGE ST S		MARTINSVILLE	VA	24112-6214	49-2560
Mechanicsville Dialysis	8191 ATLEE RD		MECHANICSVILLE	VA	23116-1807	492605
Manassas Dialysis	10655 LOMOND DR	STE 101	MANASSAS	VA	20109-2877	49-2549
Haymarket Dialysis	14664 GAP WAY		GAINESVILLE	VA	20155-1683	49-2652
Chester Dialysis	10360 IRONBRIDGE RD		CHESTER	VA	23831-1425	49-2607
Newport News Dialysis Center	711 79TH ST		NEWPORT NEWS	VA	23605-2767	49-2574
Ghent Dialysis Center	901 HAMPTON BLVD	STE 200	NORFOLK	VA	23507-1503	49-2584
Charlottesville Dialysis	925 E JEFFERSON ST		CHARLOTTESVILLE	VA	22902-5355	49-2564
Butler Farm Dialysis	501 BUTLER FARM RD		HAMPTON	VA	23666-1777	49-2653
Chesapeake Dialysis Center	1400 CROSSWAYS BLVD	CROSSWAYS II STE 106	CHESAPEAKE	VA	23320-2839	49-2545
Lexington Dialysis	756 N LEE HWY		LEXINGTON	VA	24450-3724	49-2539
East End Dialysis Center	2201 E MAIN ST	STE 100	RICHMOND	VA	23223-7071	49-2534
Leigh Dialysis Center	420 N CENTER DR	STE 128	NORFOLK	VA	23502-4019	49-2629
Garrisonville Dialysis Center	70 DOC STONE RD	STE 101	STAFFORD	VA	22556-4628	49-2637
CDC of Woodbridge	2751 KILLARNEY DR		WOODBRIDGE	VA	22192-4119	49-2521
Radford Dialysis	600 E MAIN ST	STE F	RADFORD	VA	24141-1826	49-2619
Norfolk Dialysis Center	962 NORFOLK SQ		NORFOLK	VA	23502-3235	49-2537
Hioaks Dialysis	671 HIOAKS RD	STE A	RICHMOND	VA	23225-4072	49-2556
Staunton Dialysis	29 IDLEWOOD BLVD		STAUNTON	VA	24401-9355	49-2528
Tacoma Dialysis Center	3401 S 19TH ST		TACOMA	WA	98405-1909	50-2551
Olympic View Dialysis Center	125 16TH AVE E CSB	5TH FL	SEATTLE	WA	98112	50-2525
Federal Way Community Dialysis Center	1015 S 348TH ST		FEDERAL WAY	WA	98003-7078	50-2513
Union Gap Dialysis	1236 AHTANUM RIDGE DR	AHTANUM RIDGE BUSINESS PARK	UNION GAP	WA	98903-1813	50-2543
Ellensburg Dialysis Center	2101 W DOLARWAY RD	STE 1	ELLENSBURG	WA	98926-9310	50-2552

Regulatory Name	Address 1	Address 2	City	State	Zip	Medicare Certification Number
Bellevue Dialysis Center	3535 FACTORIA BLVD SE	STE 150	BELLEVUE	WA	98006-1293	50-2542
Puyallup Dialysis	716 SOUTH HILL PARK DR	STE C	PUYALLUP	WA	98373-1445	50-2534
Graham Dialysis Center	10219 196TH ST CT E	STE C	GRAHAM	WA	98338-8461	
Lakewood Community Dialysis Center	5919 LAKEWOOD TOWNE CENTER BLVD SW	STE A	LAKEWOOD	WA	98499-6513	50-2519
Mt Adams Kidney Center	3220 PICARD PL		SUNNYSIDE	WA	98944-8400	50-2514
Kent Dialysis Center	21501 84TH AVE S		KENT	WA	98032-1960	50-2526
Olympia Dialysis Center	335 COOPER POINT RD NW	STE 105	OLYMPIA	WA	98502-4436	
Vancouver Dialysis Center	9120 NE VANCOUVER MALL DR		VANCOUVER	WA	98662-	50-2550
Yakima Dialysis Center	1221 N 16TH AVE		YAKIMA	WA	98902-1347	50-2541
Mid Columbia Kidney Center	6825 BURDEN BLVD	STE A	PASCO	WA	99301-9584	50-2504
Westwood Dialysis Center	2615 SW TRENTON ST		SEATTLE	WA	98126-3745	50-2544
Amery Dialysis	970 ELDEN AVE		AMERY	WI	54001-1448	52-2575
Monroe Dialysis	114 8TH ST		MONROE	WI	53566-1050	52-2569
Fox River Dialysis	1910 RIVERSIDE DR		GREEN BAY	WI	54301-2319	52-2501
Green Bay Northwood Dialysis	W 7305 ELM AVENUE		SHAWANO	WI	54166-1024	52-2511
Loomis Road Dialysis	4120 W LOOMIS RD		GREENFIELD	WI	53221-2052	52-2507
Janesville Dialysis	1305 WOODMAN RD		JANESVILLE	WI	53545-1068	52-2503
Cedarburg Dialysis	N 54 W 6135 MILL ST		CEDARBURG	WI	53012-2021	52-2529
Wisconsin Avenue Dialysis	3801 W WISCONSIN AVE		MILWAUKEE	WI	53208-3155	52-2502
River Center Dialysis	117 N JEFFERSON ST		MILWAUKEE	WI	53202-6160	52-2509
Oak Creek Dialysis	8201 S HOWELL AVE	STE 600	OAK CREEK	WI	53154-8336	52-2578
Titletown Dialysis	120 SIEGLER ST		GREEN BAY	WI	54303-2636	52-2558
St. Croix Falls Dialysis Center	744 E LOUISIANA ST		SAINT CROIX FALLS	WI	54024-9501	52-2519
Brookfield Dialysis	19395 W CAPITOL DR	BLDG C	BROOKFIELD	WI	53045-2736	52-2532
Greenbrier Dialysis	129 SENECA TRL		LEWISBURG	WV	24901-1564	51-2509
Parkersburg Dialysis	1824 MURDOCH AVE	STE 44	PARKERSBURG	WV	26101-3230	51-2519
West Virginia Dialysis	167 STOLLINGS AVE		LOGAN	WV	25601-4010	51-2518

Criterion 1110.230—Project Purpose, Background and Alternatives
Background of Applicant

Summary of Adverse Actions

Please note that DaVita Inc. ("DaVita") (E.I.N. 51-0354549) acquired one-hundred percent (100%) of the outstanding stock of DVA Renal Healthcare, Inc. (f/k/a Gambro Healthcare, Inc.) (E.I.N. 62-1323090) ("DVA" or "Gambro," if prior to October 5, 2005) and several of its subsidiaries on October 5, 2005.

One of the DVA/Gambro subsidiaries is DVA Healthcare Renal Care, Inc. (E.I.N. 95-2977916) ("DVA Renal" or "Gambro Renal" if prior to October 5, 2005), which is a wholly-owned Subsidiary of Dialysis Holdings, Inc. (E.I.N. 94-3096645) ("Dialysis Holdings"). Dialysis Holdings, in turn, is a wholly-owned subsidiary of DVA, which, as explained above is now a wholly-owned subsidiary of DaVita.

Consequently, many of the adverse actions reported below occurred prior to DaVita's acquisition of DVA/Gambro and its various subsidiaries.

RE: Gambro Healthcare – Charleston
Medicare Provider Number 42-2523

Previously, Gambro Renal owned and operated **Gambro Healthcare- Charleston** ("Charleston"), a dialysis facility located in the State of South Carolina. On February 14, 2003, the South Carolina Department of Healthcare and Environmental Control (the "Department") notified Charleston that its South Carolina license had been suspended and that it could not admit or re-admit any patients until such time as the Department notified the facility in writing that the suspension was lifted. Effective March 7, 2003, Gambro Renal voluntarily closed the Charleston facility, returned its license, and terminated the Medicare Provider Number. The facility has remained closed.

RE: Gambro Healthcare -Aiken
Medicare Provider Number 42-2512

DVA Renal currently owns and operates **Aiken Dialysis** (SC License # ERD034) ("Aiken") a dialysis facility located in the State of South Carolina. On April 4, 2003, the Department notified Aiken that its South Carolina license had been suspended, Aiken needed to pay a civil monetary penalty of $17,750, and Aiken could not admit or re-admit any patients until such time as the Department notified the facility in writing that the suspension was lifted. By letter dated October 16, 2003, the Department found that Aiken was in substantial compliance and lifted the suspension effective October 14, 2003.

RE: Gambro Settlement Agreement

On November 19, 2002, Gambro entered into a settlement agreement with the United States Department of Justice, resolving all claims brought against Gambro's subsidiary, Dialysis Holdings, Inc. in U.S. ex rel., Kneepkins v. Dialysis Holdings, Inc., et al 97-1400-GAO (D. Mass.). See attached Press Release dated November 19, 2002.

RE: Corporate Integrity Agreement

On December 1, 2004, Gambro entered into a Corporate Integrity Agreement with the U.S. Department of Justice to resolve the investigation commenced in June, 2001. The final agreement confirms the preliminary understanding with the U.S. government announced by Gambro on July 21, 2004.

See attached Press Releases dated July 21, 2004 and December 2, 2004. The Corporate Integrity Agreement is available online at http://oig.hhs.gov/fraud/cia/agreements/Gambro_Healthcare_Inc.pdf.

RE: Gambro Healthcare – Summit
Medicare Provider Number 31-2528

DVA currently owns and operates **DVA Healthcare- Summit (formerly Gambro Healthcare-Summit)** (NJ License #22318) ("Summit"), a dialysis facility located in the State of New Jersey. On October 20, 2003, the New Jersey Department of Health and Senior Services (the "Department") notified Summit that its license was suspended and that the facility could not admit any new patients until such time as the Department approved a final plan of correction. Effective January 26, 2004, the Department issued a letter dated January 29, 2004 that rescinded the order and found that Summit was in substantial compliance.

RE: Memphis University Dialysis Center
Medicare Provider Number 44-2523

DVA owned and operated **Memphis University Dialysis Center**, a dialysis facility located in the State of Tennessee ("Memphis"). On June 1, 2007, Medicare notified DVA of its decision to terminate Medicare certification for Memphis, effective as of June 19, 2007. On June 4, 2007, the State of Tennessee ordered Memphis to close as of 5:00 PM local time on June 5, 2007. Pursuant to this order, which was received by Memphis during the afternoon of June 5, 2007, DVA closed Memphis has no plans to appeal the decisions of Medicare and the State of Tennessee.

DaVita™

May 11, 2009

Illinois Health Facilities Planning Board
525 W. Jefferson Street
2nd Floor
Springfield, IL 62761

Re: Certificate of Need Application: DaVita
Section IV General Review Criteria: Criteria 11110.230d, Background of Applicant

:

Please accept this letter as authorization from Total Renal Care, Inc, permitting the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of this subsection or to obtain any documentation or information which the State Board or Agency finds pertinent to this subsection

Please let me know if you require further information. I can be reached at (615) 320-4455, or by email at emily.kohel@davita.com

Sincerely,

Emily Kohel

Emily Kohel
Supervisor
Licensure and Certification

Attachment 10-3

Criterion 1110.230 – Project Purpose, Background and Alternatives

PURPOSE OF PROJECT

1. Dialysis Centers of America—Illinois, Inc. an affiliate of Fresenius Medical Care North America wishes to divest of their dialysis facility in Rockford. DaVita, Inc, wishes to expand their scope of dialysis services in Rockford. The proposed change of ownership transaction accomplishes the objectives of both parties and will improve access and utilization of existing dialysis stations in the Rockford Community. There are two clinics in the city of Rockford owned by DaVita that are currently operating at 82.5% and 90% utilization. The acquisition of RCG—Rockford will allow the utilization of the RCG clinic to increase toward the required 80% utilization while decreasing the high utilization of the other facilities. This will improve access for Rockford patients while accomplishing the business objectives of the buyer and seller. The acquisition of RCG Central Illinois—Rockford by Total Renal Care, Inc. will provide additional resources for FMC to serve patients in other areas of Illinois. The resources available through DaVita will be extended to the acquired facility and will allow the dialysis center to use all the policies, procedures, quality and data management tools and resources available within the DaVita system, thereby making it easier to comply with new CMS requirements in a timely and cost-effective manner.

2. The existing facility is located in H.S.A. 1.

3. No problems or issues have been identified associated with this acquisition.

4. Reference: CMS Conditions for Coverage

5. As noted above, changes in CMS regulatory and reporting requirements as of October 2009 have added significant requirements for ESRD facilities, making it more difficult for single facilities to cost-effectively comply with the Conditions for Coverage and to respond to regulatory requirements. RCG Central Illinois—Rockford is the only FMC facility in the North-Central Illinois , Rockford area, making it more difficult for the facility to use FMC resources to efficiently and cost-effectively meet the Conditions for Coverage and other service initiatives. DaVita has several facilities in the area to support and share resources with the proposed facility. The resources available through DaVita will be extended to the acquired facilities, and will allow the dialysis centers to use all of the policies, procedures, quality and data management tools and resources available within the DaVita system, thereby making it easier to comply with the new requirements in a timely and cost-effective manner.

6. Implementation of the new CMS regulatory and data requirements is ongoing. The acquired facilities will be included in DaVita's action plans at such time as new requirements are put in place by CMS . The acquired facilities will be incorporated in to the normal processes and timelines of DaVita's operations, and therefore all issues will be addressed through the normal scope of DaVita's business.

Attachment 11

Criterion 1110.230 – Project Purpose, Background and Alternatives

Alternatives

Alternatives available to DaVita and considered were:

1. Proceed with the acquisition of RCG Central Illinois, Rockford

Dialysis Centers of America – Illinois, Inc., an affiliate of Fresenius Medical Care North America has decided to divest of their kidney dialysis clinic in Rockford, IL , and Total Renal Care wishes to purchase the clinic. Therefore the proposed acquisition transaction meets the objectives of both parties. DaVita considered the proposed purchase carefully and determined that the proposed clinic fits well with the mission, values and business plan of both Total Renal Care, Inc. and DaVita. The cost of this option is documented through the applicable criteria in this application. ***Therefore, pursuit of the change of ownership is the selected alternative.***

2. Decline the opportunity to purchase the Blessing Hospital dialysis clinics

The RCG Central Illinois--Rockford clinic owned by Dialysis Centers of America – Illinois, Inc., an affiliate of Fresenius Medical Care North America is adjacent to several DaVita clinics. The service area is overlapping and the clinics have common physicians. As current DaVita clinics near capacity, additional stations or facilities will be required. DaVita carefully evaluated all options to accommodate future patient needs and acquisition of the RCG facility will allow DaVita to continue to admit patients, fully utilizing the resources in the area, and will allow DaVita to provide care consistent with that provided to the other patients in the Rockford area. T**herefore *the option to decline the purchase is not an acceptable alternative, and is therefore rejected***. There is no immediate cost associated with rejecting this option.

3. Pursue a Joint Venture with Blessing Hospital

DaVita is open to Joint Venture relationships. This option was not desirable to the seller, as they wish to divest of their dialysis program. ***Therefore, this option is rejected***. There is no cost associated with rejecting this option.

SECTION VI. MERGERS, CONSOLIDATIONS AND ACQUISITIONS/CHANGES OF OWNERSHIP

A. Criterion 1110.240(b), Impact Statement

1. No decrease in ESRD stations is anticipated pursuant to the change of ownership. DaVita may opt to add stations under the Health Facilities Planning Act at a later date, should the need arise.

2. The Operating Entity of the acquired dialysis facilities will be Total Renal Care, Inc. a wholly-owned subsidiary of DaVita Inc..

3. Dialysis Centers of America – Illinois, Inc., an affiliate of Fresenius Medical Care North America wishes to divest of their dialysis facility in Rockford. DaVita, Inc. wishes to expand their scope of dialysis services in Rockford. The proposed Change of Ownership transaction accomplishes the objectives of both parties. DaVita considered the proposed purchase carefully and determined that the RCG Central Illinois--Rockford clinics fit well with the mission, values and business plan of both Total Renal Care, Inc. and DaVita.

4. No significant additions or reductions in employees are anticipated as a result of this change of ownership. All current employees of the RCG dialysis clinic will have the opportunity to continue employment with DaVita, after the change of ownership. Additional employees will be added if it is deemed necessary to accommodate growth, patient care or operations. The RCG clinic staffing model appears to be comparable to that used by DaVita. Both organizations staff according treatment volume. Going forward, labor hours and/or positions will be added or reduced according to patient census and care needs, using DaVita's model. No reductions in employees are anticipated.

5. As the RCG Central Illinois--Rockford clinics are currently operating entities, there is inherent cost in operating the facilities. DaVita will incur similar operating costs going forward,.

   Dialysis Centers of America—Illinois will benefit from an influx of capital as a result of the sale of the Rockford dialysis clinic. This will give Dialysis Centers of America the opportunity to support other projects to benefit the health of ESRD patients in Illinois. It will also provide the opportunity for Dialysis Centers of America to use operating funds more effectively. The Rockford facility is the only Dialysis Centers of America facility within the north-central Illinois area. This limits the facility's ability to efficiently share resources with other facilities. Acquisition of the facility by DaVita will allow the facility to share resources with several other DaVita clinics in the area. The resources available through DaVita will be extended to the acquired facility, and will allow the dialysis center to use all of the policies, procedures, quality and data management tools and resources available within the DaVita system, thereby making it easier to comply with new CMS requirements in a timely and cost-effective manner. This will provide a cost benefit to the dialysis clinic and will represent a potential savings in operating costs to Dialysis Centers of America in not having to duplicate resources to serve this isolated facility.

Attachment 18-A

SECTION VI. MERGERS, CONSOLIDATIONS AND ACQUISITIONS/CHANGES OF OWNERSHIP

B. Criterion 1110.240(c), Access

1. Admission policies for the RCG—Rockford dialysis facility are included as Attachment 18-B, 1.
2. The Admission Policies for DaVita dialysis clinics is included as Attachment 18-B, 2
3. A letter from DaVita's CEO regarding admission policies going forward is included as Attachment 18-B-3.

Attachment 18-B

ADMISSION, TRANSFER, AND DISCHARGE POLICY

1. ADMISSION

It is the policy of this dialysis facility to admit and to treat all patients referred by physician members of its Medical Staff without regard to race, creed, color, age, sex, handicap, disability, national origin or social status. All persons and organizations having the occasion to refer patients to physician members of this facility's medical staff for admission to this dialysis facility are advised to do so without regard to the patient's race, creed, color, age, sex, handicap, disability, national origin or social status.

Each patient admitted will be followed by a physician member of the facility's Medical Staff. Prior to admission to this dialysis facility, or with reasonable concurrence thereto, there shall be documented consideration of the most appropriate mode of treatment, including full-maintenance hemodialysis, self-care hemodialysis, home training and home dialysis, renal transplantation, continuous ambulatory peritoneal dialysis, continuous cycling peritoneal dialysis and intermittent peritoneal dialysis. The patient shall be made aware and afforded access to all of the above modes of treatment provided by other facilities that are not provided by this dialysis facility.

Patients shall be medically cleared for treatment in this dialysis facility when such treatment is deemed indicated and appropriate according to the clinical judgment of that patient's attending physician. No arbitrary criteria with respect to patient's age or magnitude of complicating medical problems are established. It is intended that appropriateness of dialysis shall be a decision to be made by the patient's attending physician in accordance with his or her best clinical judgment, and in compliance with the ESRD program and the facility's policies.

Prior to admission to this dialysis facility, all appropriate paperwork must be completed as outlined in section 122-040-020 of the FMCNA Financial Procedure Manual. All appropriate medical and financial records must be received prior to the patient's admission to the facility. Upon referral, the Admissions Coordinator collects all demographic and insurance information from the referral source and the prospective patient and forwards it immediately to the designated staff at the billing group office. Within two days, the billing group staff will verify the patient's insurance coverage and identify any

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coverage gaps which exist. Billing office staff will then notify the Admissions Coordinator of the results of the insurance verification and will discuss with the Coordinator the facility's plans for obtaining appropriate coverage, as necessary.

Financial approval for admission is based upon the patient's insurance coverage and his/her willingness to pursue enrollment in insurance or assistance programs for which he/she qualities.

The billing office will deny financial clearance to individuals who a) cannot obtain Medicare or other coverage or b) indicate an unwillingness to enroll in programs for which he/she is potentially eligible or c) are uncooperative and refuse to disclose insurance information.

In such an event, the billing office representative will notify the Admissions Coordinator, the Administrator and the Region Manager. The patient's physician should be contacted to obtain his/her assistance. The final decision concerning the admission will be made in such cases by the Region Manager.

Medical clearance and financial approval are required prior to admission. Once admission approval has been granted, the Admissions Coordinator must forward the following items from the Patient Admissions Checklist to the billing group office:

Signed Admission Agreement
Signed Release of Information/Assignment of Benefits
Signed LifeChem Assignment of Benefits Form
Copies of all insurance cards
Dates of application for Medicare and/or other Insurance

For Home Patients only:

Signed ESRD Beneficiary Selection Form
MPD/ERIKA Assignment of Benefits Form

Medical Records, which must be sent to the facility prior to the patient's admission, will contain at least the following:

Long Term Program, Patient Care Plan, History and Physical, Discharge Summary if transferring from hospital unit, Physician's Progress Notes, Social Service Summary, Dietary History, Current Labwork including Chemistries and CBC. **HbsAg**

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results within 30 days unless the patient has HBV antibodies, then an HbsAg is not needed, but a documented HbsAb within the past 12 months is required instead, EKG, Chest X-Ray reports **if available or most recent**, and Hemodialysis Sheets.

A Consent for Chronic Hemodialysis (or consent appropriate for modality chosen) must be signed by the patient prior to the patient's first treatment at the facility. The signed consent form is binding until the patient is discharged from the facility, withdraws consent for treatment, or his/her dialysis modality changes at which time a new consent must be signed. Consent forms from other FMCNA facilities or non-FMCNA's shall not be used as consent for treatment at this facility.

Each patient shall be evaluated annually by an interdisciplinary team as to appropriateness and effectiveness of the treatment modality received, and the need for continuation of or change in treatment. This team will consist of at least a physician, transplant surgeon or his/her designee, nurse, social worker, dietitian and patient.

Patients who exhibit inappropriate behavior such that they constitute a danger to themselves or to others, or who do not agree to follow the policies and procedures of this facility, may be denied admission to this dialysis facility or may be discharged for same, at the discretion of the Medical Director.

The Director of Nursing or designee shall be responsible for checking the patient's incoming medical records for completeness, and for opening the patient's medical record. The Director of Nursing or designee shall attempt to obtain missing information, and shall notify the patient's physician and/or the Medical Records Supervisor as to any unobtainable data.

The Director of Nursing or designee shall be responsible for scheduling the patient for dialysis treatments in a manner consistent with the attending physician's dialysis prescription, patient needs, and with regard to available time slots.

The patient and/or his or her family shall designate a person to notify in case of emergency. This dialysis facility shall make every effort to notify the appropriate person of any change in a patient's condition considered significant by the physician.

2. TRANSFER AND DISCHARGE

Patients temporarily admitted to the hospital, or in a transient

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status at another out-patient hemodialysis facility, shall not be discharged from this dialysis facility. In these cases, and in the case of a patient being discharged for permanent transfer to another facility, this dialysis facility shall provide the hospital or the receiving facility with appropriate records summarizing the interim medical course and records concerning the patient's dialysis treatments. These include, but are not limited to: Long Term Program and Patient Care Plans, Hemodialysis Sheets, History and Physical, Physician Progress Notes, Social Services Summary, Dietary History, Current Labwork and Physician Order Sheets. Transfer of such records shall occur within one working day after the patient transfers. Should a patient be permanently transferred to another facility, transplanted, discontinue dialysis or expire, the patient's medical record shall be closed by the Medical Records Supervisor within 30 days from the time the patient leaves the facility. The patient's primary physician shall complete a Patient Discharge Summary within 30 days of the patient's discharge. (Exhibit-Discharge Summary). This discharge summary shall be placed at the front of the patient's closed medical record. The billing office should immediately be notified of all temporary/permanent transfers or discharges.

All patients admitted to this dialysis facility are admitted voluntarily. Any patient who insists on terminating a treatment early will be asked to sign an "Against Medical Advice" form. If a patient cancels a scheduled dialysis treatment, either by calling to inform the dialysis facility, or by not showing up for a scheduled treatment, the charge nurse or other licensed nurse shall attempt to inform the patient of the consequences of missing a scheduled treatment. The patient's physician should be notified of the cancellation, and should make the decision as to whether the treatment needs to be rescheduled. (See Early Termination or Cancellation of Treatment Policy).

If a patient chooses to withdraw from dialysis, every effort will be made to ensure the patient has been informed of his/her treatment options and understands the consequences of withdrawing from dialysis. (See Withdrawal From Dialysis Policy).

The Charge Nurse shall be responsible for immediately notifying the attending physician, the Director of Nursing and/or Administrator at any time a patient leaves the Hemodialysis Unit against medical advice.

In cases of patient emergencies occurring at this dialysis facility, the physician responsible for the patient's care at

the time of the emergency shall arrange for the transfer of the patient to the hospital. He or she shall notify the attending physician, if applicable, and this dialysis facility shall promptly provide the hospital with appropriate medical records.

When circumstances warrant, these responsibilities shall be carried out by the Charge Nurse on duty at the time of the emergency.

Personal effects of a patient who is transferred to a hospital and/or expires will be recorded on a "Patient's Personal Effects" check list, placed in an envelope or bag, and stored in a safe location in the facility. The Administrator, Director of Nursing, or Charge Nurse will contact the patient's family and request that they pick up the personal effects. (See Patient's Personal Effects Policy).

In the event of death occurring at the facility, the patient's next of kin or responsible party, as designated, shall be promptly notified. The attending physician shall sign the death certificate, as appropriate. Remains shall be released to the appropriate undertaker only after the persons responsible have signed a release form.

If required by state and/or local law, the Department of Health and/or County Coroner will be notified of a death on-site within the mandated time frame.

Request for and permission for autopsy should be referred to the Administrator. Arrangements for the examination are the responsibility of the attending physician.

EXHIBIT

"DISCHARGE SUMMARY

FMCNA **DISCHARGE SUMMARY**

ADDRESSOGRAPH

Date of Discharge: _____

Discharge to:

1. Transferred to _____ Dialysis Unit

   Address _____

   Reason for transfer _____

   Date records sent _____

2. Transplant Surgery Date _____ Hospital _____

3. Discontinued Dialysis Date _____

   Reason _____

   _____

4. Expired Caused of Death: _____

   Date of Death: _____

   Place of Death: _____

Final Diagnosis: (includes both primary and secondary diagnoses)

1. _____

2. _____

3. _____

Prognosis: _____

_____

_____

Brief Summary: _____

_____

_____

_____ _____

PERSON COMPLETING SUMMARY/TITLE DATE

_____ _____

ATTENDING PHYSICIAN DATE

FMCNA CS-I-112 (1/01

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EMERGENCY TRANSFER GUIDELINES

Facilities may experience emergencies caused by severe weather, fire or other serious facility operating problems such as water treatment failure or other unexpected problems. These problems may require construction or repairs that are believed to be short-lived and may necessitate closure of a facility. Inability of facilities to provide services can result in the need for subsequent temporary arrangements for patients to be dialyzed at another FMCNA "host" facility. In addition, patients may require temporary care at another FMCNA facility based on their inability to safely get to their "home" facility.

Emergency Transfer is defined as:

- Not expected to extend beyond **30 days.**
- Patients are expected to return to their "home" facility to continue their treatments when operations are able to resume.

The treating clinic or "host" facility or facilities will provide services for the "home" facility according to the company wide agreement "Dialysis Unit Emergency Back Up Agreement" (established by Corporate Law Department). A fully executed "Dialysis Unit Emergency Back Up Agreement" is included with this policy.

Following the activation of the Emergency Back Up Agreement, the "home" facility patients must be assigned to a physician with privileges at the "host" facility, unless patient's attending physician already maintains privileges at the "host" dialysis facility. Dialysis treatment orders must be obtained from the assigned physician if the patient is assigned to a physician at the "host" facility.

When possible, copies of Medical Records such as Physician Order Sheets, Hemodialysis Treatment Sheets, current Lab Work, History and Physical, Multidisciplinary Progress Notes (including physician, nursing, social worker and dietary notes), Long Term Program and Patient Care Plans, Psychosocial Assessment (most recent), and Dietary Referral Sheet, must be sent to the "host" facility.

- If patient's paper medical records are destroyed due to fire, water or other serious facility damage, information

available in the Proton Information System should be printed from Proton. When the patient returns to their "home" facility, all medical record documentation that was created at the "host" facility should be copied and transferred to the patient's "home" facility medical record.

When a patient or patients require emergency transfer to another facility, the "home" facility (facility experiencing the emergency) must notify Spectra Customer Service of the emergency transfer in order for Spectra to send any laboratory reports to the "host" facility where patient is being treated.

Under normal facility operating procedures, when new patients are initially admitted into a facility, each patient is set up in the Spectra Lab system in their "home" facility so that lab resulting data and information system notification is sent to the facility of record.

Lab tests that are ordered for the patient while they are located in the "host" facility, **should be ordered with the "home" facility number**, so the lab results will be downloaded into Proton and can be used for clinical outcome reporting.

Staff can access the "home" facility Proton information and the patient lab results from **any** Proton facility database. As long as Spectra is notified that the patient is dialyzing in the "host" facility, the printed lab results can be sent directly to the "host" facility printer.

All services performed **must be entered into Proton in the "home" facility database**, as if the "home" facility provided the services. (Application Instructors should provide direction to the facility on performing the following procedures.)

- Patient information can be accessed in Proton from any facility database.
- The treatment sheet can print to the "host" facility.
- The "host" facility name must be written on the top of the treatment sheet and all medical records created at the "host" facility.
- A daily validation must be run on the "home" facility database.

NOTE: If patients are at several different local facilities, the Clinical Manager or Area Manager must communicate with each "host" facility to ensure treatment information has been entered into the correct Proton "home"

facility information system before validating treatments.

If the facility closure/emergency transfer exceeds **30 days**, the continuation of the "Dialysis Unit Emergency Back Up Agreement" must be reviewed and approved. The Regional Vice President must contact the FMS Vice President of Operations Support and the FMS Vice President of Clinical Services and provide a report on the status of the "home" facility. The need to extend the time of the Emergency Back Up Agreement will be approved on a case-by-case basis depending on the length of time that the "home" facility can return to normal operations.

If the "Dialysis Unit Emergency Back Up Agreement" continues past thirty days, Subpart U documentation requirements (such as Short Term Care Plan, Long Term Program, Progress notes) must be completed at the "host" facility according to the usual schedule.

If it is determined that the "Dialysis Unit Emergency Back Up Agreement" must be discontinued because the "home" facility will not be operational in a reasonable period of time and therefore unable to accept patients, each patient accepted into the "host" facility because of an emergency must be formally transferred to the "host" facility and the appropriate admission, clinical and billing forms (refer to Financial Procedure Manual #122-040-020 for direction on billing forms) must be completed.

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DIALYSIS UNIT EMERGENCY BACK UP AGREEMENT

This Agreement is made and entered into July 1, 2004 by and between **Fresenius Medical Care Holdings, Inc.** (hereinafter referred to as "Facility") and **Entities listed on Exhibit A** (collectively hereinafter referred to as "Alternative Dialysis Unit").

I. Duties of the Parties

Subject to available appropriate facilities, staffing and resources at Alternative Dialysis Unit, and applicable policies or procedures of the Alternative Dialysis Unit, in the event that Facility patients are transferred to Alternative Dialysis Unit for dialysis due to an emergency that renders Facility as either inoperable or inaccessible to some or all of its enrolled dialysis patients ("Facility patients"), Alternative Dialysis Unit agrees to provide dialysis treatments ("Services"). These Services would continue until Facility is back in total operation. The Services provided to these Facility patients will continue to be billed through the Facility. In order to receive services, Facility patients first must be assigned to a physician with privileges at Alternative Dialysis Unit, unless patient's attending physician already maintains privileges at Alternative Dialysis Unit. Alternative Dialysis Unit agrees to provide services by directly using its own employees, equipment and supplies or by contracting with an outside vendor to provide services.

In the event a patient is admitted to Alternative Dialysis Unit, Facility shall be responsible for arranging to have Facility patients transported to the Alternative Dialysis Unit and shall send appropriate interim medical records. The Facility will provide for the Alternative Dialysis Unit, within one working day, copies of the Facility patients' Long Term Program and Patient Care Plan, and of medical and other information necessary or useful in the care and treatment of Facility patients referred to the Alternative Dialysis Unit. In the event the Facility patients must be transferred directly from Facility to Alternative Dialysis Unit, Facility shall provide for the security of, and be accountable for, the patients' personal effects during the transfer. Services provided by Alternative Dialysis Unit shall be provided regardless of the Facility patients' race, color, creed, sex, age, disability, or national origin.

Each party agrees to develop, maintain and operate, in all aspects, an outpatient hemodialysis facility, providing all physical facilities, equipment and personnel necessary to treat patients suffering from chronic renal diseases. Each party shall conform to standards not less than those required by the applicable laws and regulations of any local, state or federal regulatory body, as the same may be amended from time to time. In the absence of applicable laws and regulations, each party shall conform to applicable standards of professional practice. Each party shall treat such commitment as its primary responsibility and shall devote such time and effort as may be necessary to attain these objectives. The cost of such facilities, equipment and personnel shall be borne by each party.

Each party shall engage a medical director who shall have the qualifications specified in 42 C.F.R. 405.2102. This individual must be a physician properly licensed in the profession by the state in which such facility is located. In accordance with 42 C.F. R. 405.2162, each party shall employ such duly qualified and licensed nurses, technicians, and other personnel as shall be

necessary to administer treatment at its facility, in accordance with applicable local, state, and federal laws and regulations.

II. Insurance

Each party shall maintain in full force and effect throughout the term of this Agreement, at its own expense, a policy of comprehensive general liability insurance and professional liability insurance covering it and its staff, respectively, each having a combined single limit of not less than $1,000,000 per occurrence and $3,000,000 annual aggregate for bodily injury and property damage to insure against any loss, damage or claim arising out of the performance of each party's respective obligations under this Agreement. Each will provide the other with certificates evidencing said insurance, if and as requested. Both parties further agree to maintain, for a period of not less than three (3) years following the termination of this Agreement, any insurance required hereunder if underwritten on a claims-made basis. Either party may provide for the insurance coverage set forth in this Section through self-insurance.

III. Indemnification

Each party agrees to indemnify and hold harmless the other, their officers, directors, shareholders, agents and employees against all liability, claims, damages, suits, demands, expenses and costs (including but not limited to, court costs and reasonable attorneys' fees) of every kind arising out of or in consequence of the party's breach of this Agreement, and of the negligent errors and omissions or willful misconduct of the indemnifying party, its agents, servants, employees and independent contractors (excluding the other party) in the performance of or conduct related to this Agreement.

IV. HIPAA

The Parties expressly agree to comply with all applicable patient information privacy and security regulations set for in the Health Insurance Portability and Accountability Act ("HIPAA") final regulations for Privacy of Individually Identifiable Health Information, as amended from time to time.

V. Term

Term. The term of this Agreement shall be for a period of one (1) year from the date first written above. This Agreement shall automatically renew, unless either party shall notify the other party of its intention to terminate this Agreement by written notice given at least sixty (60) days in advance of such renewal date. This Agreement may also be terminated by either party for cause by giving thirty (30) days written notice to the other party specifying default by such other party. This Agreement may also be terminated at any time upon the mutual consent of both parties.

VI. General Provisions

If any provisions of this agreement shall, at any time, conflict with any applicable state or federal law, or shall conflict with any regulation or regulatory agency having jurisdiction with respect thereto, this Agreement shall be modified in writing by the parties hereto to conform to such regulation, law, guideline, or standard established by such regulatory agency.

This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes all negotiations, prior discussions, agreements or understandings, whether written or oral, with respect to the subject matter hereof, as of the date first written above. This Agreement shall bind and benefit the parties, their respective successors and assigns.

This Agreement shall be governed by and construed and enforced in accordance with the laws of the State where Alternative Dialysis Unit is located, without respect to its conflicts of law rules.

The parties agree to cooperate with each other in the fulfillment of their respective obligations under the terms of this Agreement and to comply with the requirements of the law and with all applicable ordinances, statutes, regulations, directives, orders, or other lawful enactments or pronouncements of any federal, state, municipal, local or other lawful authority.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized as of the date above written.

Fresenius Medical Care Holdings, Inc.	**Entities listed on Exhibit A**
By: _____	By: _____
Name: Marc S. Lieberman ~~Assistant Treasurer~~	Name: PAUL COLANTONIO ASST TREASURER
Date: 7-1-04	Date: 7/7/04

Fresenius Medical Care Admissions Policy
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Exhibit A

Bio-Medical Applications of Aguadilla, Inc.
Bio-Medical Applications of Alabama, Inc.
Bio-Medical Applications of Amarillo, Inc.
Bio-Medical Applications of Anacostia, Inc.
Bio-Medical Applications of Arecibo, Inc.
Bio-Medical Applications of Arizona, Inc.
Bio-Medical Applications of Arkansas, Inc.
Bio-Medical Applications of Bayamon, Inc.
Bio-Medical Applications of Blue Springs, Inc.
Bio-Medical Applications of Caguas, Inc.
Bio-Medical Applications of California, Inc.
Bio-Medical Applications of Camarillo, Inc.
Bio-Medical Applications of Capitol Hill, Inc.
Bio-Medical Applications of Carolina, Inc.
Bio-Medical Applications of Carson, Inc.
Bio-Medical Applications of Clinton, Inc.
Bio-Medical Applications of Columbia Heights, Inc.
Bio-Medical Applications of Connecticut, Inc.
Bio-Medical Applications of Delaware, Inc.
Bio-Medical Applications of Dover, Inc.
Bio-Medical Applications of East Orange, Inc.
Bio-Medical Applications of Eureka, Inc.
Bio-Medical Applications of Fayetteville, Inc.
Bio-Medical Applications of Florida, Inc.
Bio-Medical Applications of Fremont, Inc.
Bio-Medical Applications of Fresno, Inc.
Bio-Medical Applications of Georgia, Inc.
Bio-Medical Applications of Glendora, Inc.
Bio-Medical Applications of Guayama, Inc.
Bio-Medical Applications of Hillside, Inc.
Bio-Medical Applications of Humacao, Inc.
Bio-Medical Applications of Illinois, Inc.
Bio-Medical Applications of Indiana, Inc.
Bio-Medical Applications of Irvington, Inc.
Bio-Medical Applications of Jersey City, Inc.
Bio-Medical Applications of Kansas, Inc.
Bio-Medical Applications of Kentucky, Inc.
Bio-Medical Applications of Las Americas, Inc.
Bio-Medical Applications of Long Beach, Inc.
Bio-Medical Applications of Los Gatos, Inc.
Bio-Medical Applications of Louisiana, LLC
Bio-Medical Applications of Maine, Inc.
Bio-Medical Applications of Manchester, Inc.

Bio-Medical Applications of Maryland, Inc.
Bio-Medical Applications of Massachusetts, Inc.
Bio-Medical Applications of Mayaguez, Inc.
Bio-Medical Applications of Michigan, Inc.
Bio-Medical Applications of Minnesota, Inc.
Bio-Medical Applications of Mission Hills, Inc.
Bio-Medical Applications of Mississippi, Inc.
Bio-Medical Applications of Missouri, Inc.
Bio-Medical Applications of MLK, Inc.
Bio-Medical Applications of Nevada, Inc.
Bio-Medical Applications of New Hampshire, Inc.
Bio-Medical Applications of New Jersey, Inc.
Bio-Medical Applications of New Mexico, Inc.
Bio-Medical Applications of North Carolina, Inc.
Bio-Medical Applications of Northeast D.C., Inc.
Bio-Medical Applications of Oakland, Inc.
Bio-Medical Applications of Ohio, Inc.
Bio-Medical Applications of Oklahoma, Inc.
Bio-Medical Applications of Pennsylvania, Inc.
Bio-Medical Applications of Pine Brook, Inc.
Bio-Medical Applications of Ponce, Inc.
Bio-Medical Applications of Puerto Rico, Inc.
Bio-Medical Applications of Rhode Island, Inc.
Bio-Medical Applications of Rio Piedras, Inc.
Bio-Medical Applications of San Antonio, Inc.
Bio-Medical Applications of San German, Inc.
Bio-Medical Applications of San Juan, Inc.
Bio-Medical Applications of South Carolina, Inc.
Bio-Medical Applications of Southeast Washington, Inc.
Bio-Medical Applications of Tennessee, Inc.
Bio-Medical Applications of Texas, Inc.
Bio-Medical Applications of The District of Columbia, Inc.
Bio-Medical Applications of Trenton, Inc.
Bio-Medical Applications of Ukiah, Inc.
Bio-Medical Applications of Virginia, Inc.
Bio-Medical Applications of West Virginia, Inc.
Bio-Medical Applications of Wisconsin, Inc.
Bio-Medical Applications of Woonsocket, Inc.
Conejo Valley Dialysis, Inc.
Dialysis America Georgia, LLC
Dialysis Associates of Northern New Jersey, LLC
Dialysis Specialists of Barbourville, Inc.
Dialysis Specialists of Topeka, Inc.
Dialysis Specialists of Tulsa, Inc.
DuPage Dialysis Ltd.
Everest Healthcare Indiana, Inc.

Everest Healthcare Ohio, Inc.
Everest Healthcare Rhode Island, Inc.
Everest Healthcare Texas, LP
Fresenius Medical Care Dialysis Services - Oregon, LLC
Fresenius Medical Care Dialysis Services of Colorado LLC
Fresenius Medical Care Madison Parish Dialysis Center, LLC
Home Dialysis of Eastgate, Inc.
Home Dialysis of Muhlenberg County, Inc.
Homestead Artificial Kidney Center, Inc.
Integrated Renal Care of The Pacific, LLC
Metro Dialysis Center - Normandy, Inc.
Metro Dialysis Center - North, Inc.
National Medical Care, Inc.
Northern New Jersey Dialysis, LLC
Qualicenters Albany, Ltd.
Qualicenters Bend, LLC
Qualicenters Coos Bay, Ltd.
Qualicenters Eugene-Springfield, Ltd.
Qualicenters Inland Northwest, LLC
Qualicenters Pueblo, LLC
Qualicenters Salem, LLC
Qualicenters Sioux City, LLC
Quality Care Dialysis Center of Vega Baja, Inc.
S.A.K.D.C., Inc.
San Diego Dialysis Services, Inc.
Santa Barbara Community Dialysis Center, Inc.
St. Louis Regional Dialysis Center, Inc.
Tappahannock Dialysis Center, Inc.
Terrell Dialysis Center, LLC
Warrenton Dialysis Facility, Inc.
West End Dialysis Center, Inc.
WSKC Dialysis Services, Inc.

Dialysis Policies, Procedures & Guidelines, Vol. 3 **Policy: 3-01-03**
DaVita Inc.

TITLE: ACCEPTING PATIENTS FOR TREATMENT

PURPOSE: To establish requirements for patient admission to a DaVita dialysis facility and to allow DaVita to obtain necessary information from the patient and to enter the correct information into the appropriate information system prior to providing dialysis treatment to a patient at a DaVita dialysis facility.

DEFINITIONS:

1. **Patient Authorization and Financial Responsibility Form (PAFR)** - Form that informs patients of their financial obligations regarding services provided to them by DaVita. The form must be signed and witnessed prior to the start of the first dialysis treatment and annually thereafter. By signing the PAFR, the patient is assigning the payment for services provided by DaVita, directly to DaVita from insurance companies. The PAFR form must be signed annually at each DaVita facility where the patient treats.
2. **Medicare Secondary Payor Form (MSP)** - Determines if a commercial Employer Group Health Plan (EGHP) (or other insurance carrier) will be primary payor. This form is completed online in Reggie and must be completed for all patients who have Medicare coverage when they start treatment at DaVita.
3. **Beneficiary Selection Form (CMS 382)** - Required by Medicare for home dialysis patients (home hemo or peritoneal). The patient selects whether they will obtain home treatment supplies from a Durable Medical Equipment (DME) provider (Method II) or from the facility that will provide home dialysis support services (Method I). DaVita currently only supports patients selecting Method I.
4. **Medical Evidence Report Form (CMS 2728)** – Required by Medicare to determine if an individual is medically entitled to Medicare under the ESRD provisions of the law and to register patients with the United States Renal Data System. The 2728 form is used as the primary source in determining the COB for patients insurance. Physicians have a 45 day grace period to sign the 2728 form when the patients are new to dialysis. Patients are only required to complete the 2728 form once not for every facility visit or transfer.
5. **Transfer patient** – An existing dialysis patient who is permanently relocating from any dialysis facility to a DaVita dialysis facility. Once the transfer is complete, the patient will become a "permanent" patient.
6. **Guest patient** – A patient who is visiting a facility and plans to return to his/her home facility within 30 days. A guest patient refers to patients visiting from a non-DaVita facility to a DaVita facility as well as visiting from a DaVita facility to another DaVita facility.
7. **Permanent patient** – A patient who has selected a DaVita dialysis facility as his/her home facility.

Origination Date: September 2006
Revision Date: March 2008, September 2008, December 2008, April 2009, September 2009

Attachment 18-B,2

POLICY:

1. DaVita will accept and dialyze patients with renal failure needing a regular course of dialysis without regard to race, color, national origin, gender, sexual orientation, age, religion, or disability if:

    a) The patient's care can be managed in an outpatient dialysis facility according to individual modality;
    b) The patient is under the care of a nephrologist who is credentialed in the DaVita facility;
    c) There is adequate treatment space and staffing available to provide appropriate care to the patient;
    d) The patient (a) has been verified as Medicare or Medicaid eligible and/or has private insurance coverage which has been verified, and from which an authorization for treatment has been received by DaVita as required, or (b) accepts financial responsibility for care by signing the PAFR form;
        - Patients who are uninsured must be authorized at the facility level with written approval by the facility's Operational Vice President, or their designee, prior to treatment. *(Please refer to the Cash Payment Fee Schedule for Patients with no Insurance Coverage Policy located on the Village Web ROPS home page under the ROPS P&P Link).*
        - Patients who have an out-of-state Medicaid plan that will not pay for treatment must be authorized at the facility level with written approval by the facility's Operational Vice President, or their designee, prior to treatment.
        - Patients who are out of network and have no out of network benefits must be authorized at the facility level with written approval by the facility's Operational Vice President, or their designee, prior to treatment.

2. Guest patients must make payment for non-covered, and out of network (including out of state Medicaid plans that do not pay for treatment) services in the form of cashiers check, money order, travelers check, American Express, Visa or MasterCard prior to treatment.

3. DaVita will bill using the name and number as it appears on the beneficiary Medicare card or other document confirming the patient's health care coverage through a third party, and as the patient's name is confirmed by two (2) additional forms of identification which has the patient's current legal name listed on it as outlined in section 7 of this policy. If any information on the beneficiary Medicare card is incorrect, DaVita will advise the beneficiary to contact their local servicing Social Security Office to obtain a new Medicare card. If information contained on the insurance card is incorrect, DaVita will advise the policyholder to contact their insurance company to obtain a new insurance card. All insurance cards should match the patient's identification. The patient must

produce evidence that a change was initiated with the appropriate insurance carrier within 90 days of the noted discrepancy.

4. There are three mandatory data elements for any patient to be registered in Reggie. They are first and last name, DOB (date of birth) and anticipated start date at DaVita. These three fields must be completed prior to treatment.

5. Unless otherwise provided for under this policy, prior to the admission to the facility, all patients, including Transfer, Guest and Permanent Patients will be given the following documents to read and sign:
    - Patient's Rights
    - Patient's Responsibilities
    - Patient's Standards of Conduct
    - Patient Grievance Procedure
    - Authorization for and Verification of Consent to Hemodialysis / Peritoneal Dialysis
    - Reuse Information Consent form
    - Caretaker Authorization form
    - HIPAA Notice Acknowledgement form
    - Affidavit of Patient Identification form (Note: This form is only given if the patient or personal representative on behalf of the patient, is not able to produce the requested two (2) forms of personal identification verifying the patient's legal name and current legal residence upon admission or within seven (7) days of admission).

    The patient will agree to follow the Patient's Rights, Patient's Responsibilities, Patient's Standards of Conduct and the Patient Grievance Procedure. *(Please refer to Patient's Standards of Conduct; Patient Grievance Procedure; Patient Rights and Responsibilities.)*

6. Guest Patients are only required to sign the Patient's Rights, Patient's Responsibilities, Patient's Standards of Conduct and the Patient Grievance Procedure one time for each DaVita facility they visit, as long as these forms are visibly posted at the facility, unless there are changes made to any of those forms/policies, or state specifications require otherwise.

7. Listed below are the following documents that are required for hemodialysis patients and home dialysis patients prior to admission to a DaVita Dialysis facility:

- Two (2) forms of personal identification, in addition to the patient's insurance card, verifying the patient's legal name and current legal residence, one of which is a picture ID. Acceptable forms of personal identification may include:

(a). Federal or state government issued identification such as:

(1). driver's license
(2). voter's registration card
(3). passport
(4). ID card
(5). marriage certificate
(6). social security card
(7). US military photo ID card

(b). Divorce decree;

(c). Credit card;

(d). Utility bill;

(e). Pension statements;

(f). Bank account and other financial asset records;

(g). Property Deed;

(h). Mortgage;

(i). Lease Agreement;

(j). Auto registration;

(k). Job pay stub;

(l). Letters from Social Security Office;

(m). US adoption papers;

(n). Court order for a legal name change signed by a judge or court clerk;

(o). Library card;

(p). Grocery store rewards card; or

(q). For minors, school records such as school identification card, nursery or daycare records.

- All copies of patient's current insurance cards-front and back;
- Copy of History and Physical (within the last year – must be legible);
- For Hepatitis and TB testing requirements, refer to policies: *Hepatitis Surveillance, Vaccination and Infection Control Measures* and *Tuberculosis Infection Control Policy;* Note: Hepatitis C testing is recommended, but not required.
- If patient is a new ESRD patient, pre dialysis labs including hematocrit or hemoglobin, albumin, BUN, creatinine, and, if available, creatinine clearance and/or urea clearance drawn within 45 days prior to first day of dialysis;
- Monthly labs within 30 days prior to first treatment date including hematocrit, hemoglobin, URR and electrolytes;
- Copies of three (3) flowsheets within two (2) weeks of requested treatment(s) for patients who have previously dialyzed;
- Copy of current hemodialysis orders for treatment;
- EKG, if available, OR if patient has known heart condition;
- Patient demographics;
- Copies of most recent Long Term Program, Patient Care Plan, Nursing, Dietary and Social Work Assessments and most recent progress notes for patients who have previously dialyzed;
- Current list of medications being administered to patient in-center and at home;
- Advance Directives, if applicable;
- Initiation of CMS 2728. Once completed, within the 45-day guideline, it should include the patients and nephrologist's signature and date. This is the official document of the patient's first date of dialysis ever, first dialysis modality, and provides transplant information, if applicable;
- Patient Authorization & Financial Responsibility Form (PAFR). Must be signed and witnessed prior to the start of the first dialysis treatment. This form allows DaVita to receive payment from insurance companies and informs the patient of the financial responsibilities regarding treatment provided to them. Without a signed PAFR Form, we cannot bill for services provided to the patient;
- CMS 382 Form. Required only for Medicare primary home dialysis patients (home hemo or peritoneal);
- Medicare Secondary Payor Form (MSP). Determines if a commercial Employer Group Health Plan (EGHP) will be primary payor. Must be completed for all patients who have Medicare coverage when they start treatment at DaVita;
- DaVita's Privacy Notice/Privacy Practice Notice. Each patient will be provided with the notice.

8. NOTE: If the patient, or personal representative on behalf of the patient, is not able to produce the requested two (2) forms of personal identification verifying the patient's legal name and current legal residence, the teammate admitting the patient should follow the procedures set forth in the Compliance Policy titled *"Patient Identification and Verification Policy,"* and any other relevant policies based on the situation at hand.

9. Any conflict with the criteria established or refusal to sign appropriate consents and authorization to bill would constitute a need for prior written authorization by the facility's Operational Vice President or designee.

EXCEPTIONS

1. A permanent DaVita patient may be treated at a facility other than his /her home facility without respect to the required documentation when:
   a) The attending nephrologist has privileges at both the facilities in question (the patient's home facility and the anticipated visiting facility), and;
   b) A visiting record is generated by the home facility at least one hour before the scheduled treatment, and;
   c) The facility administrator at the visiting facility agrees to treat the patient, and;
   d) The visiting facility has the space and resources to treat the patient.

2. All other exceptions to this policy are subject to approval by the Operational Vice President for the region/division.

Teammates are expected to report possible violations of this policy and procedure. You may make your report to an appropriate DaVita manager, to the Corporate Compliance Hotline (1-888-458-5848) or to DaVita's Corporate Compliance Department (1-888-200-1041 x156037). You may make your report anonymously and you may request confidentiality. Questions regarding this policy should be directed to the QUESTionline@davita.com.

DaVita

June 2, 2009

Jeffrey Mark
Illinois Health Facilities Planning Board
525 W. Jefferson Street
2nd Floor
Springfield, IL 62761

Re: Certificate of Need Applications: Total Renal Care, Inc.
Section IV General Review Criteria: Criteria 11110.240(c,) Access

Dear Mr. Mark:

DaVita's policy for Accepting Patients for Treatment states:

> "DaVita will accept and dialyze patients with renal failure needing a regular course of dialysis without regard to race, color, national origin, gender, sexual orientation, age, religion or disability."

This statement is integral to our Mission and Core Values. Please accept this letter as assurance of DaVita's commitment to accept and to continue to care for patients in this manner going forward.

Sincerely,

Kent J. Thiry
Chairman and CEO
Total Renal Care, Inc.
DaVita Inc.

Attachment 18-B, 3

SECTION VI. MERGERS, CONSOLIDATIONS AND ACQUISITIONS/CHANGES OF OWNERSHIP

B. Criterion 1110.240(d) Health Care System

i) It is DaVita's intention to continue to provide dialysis services to the patients of in the of RCG Central Illinois—Rockford through purchase of the clinic. DaVita does not propose any changes in stations or services that will negatively impact the patients or the community. All anticipated changes will be operational, to align the RCG clinic with the operations and resources available within DaVita and which are customary for all DaVita facilities. (i.e., conversion of information systems.) The dialysis clinics within 30 minutes travel time are owned by DaVita. Therefore, there will be no impact on other dialysis providers.

2. A list of all DaVita facilities in Illinois is included as Attachment 18-B, 2. The list includes the name, facility location, number of ESRD stations, list of services, and 12 month utilization.

3. There are no current or proposed referral agreements involved in this transaction.

4. N/A, as there are no referrals associated with this acquisition.

5. The Change of Ownership will not restrict the use of other area care providers, as the dialysis clinics within 30 minutes travel time are owned by DaVita. Therefore, there will be no impact on other dialysis providers. The change of ownership will improve access for dialysis patients who wish to receive dialysis treatments at a DaVita site in the area by reducing overutilization of other area facilities, while helping the acquired facility move toward the required 80% utilization. DaVita's electronic medical record will be installed in the facilities after the change of ownership, and will provide opportunities for improved continuity of care via readily available medical records, should the patients transfer to any other DaVita clinic. DaVita's medical record is also available to DaVita physicians via the internet, and will improve continuity of care for hospitalizations, as the physicians can access the medical record via the internet from any computer, through their secure DaVita passwords.

6. The change of ownership does not represent a duplication of services, as the facility is an operating dialysis clinic, previously approved under the Illinois Health Facilities Planning Act. The acquisition represents continuation of already approved services under new ownership. The acquisition of the RCG Rockford clinic by DaVita will actually improve accessibility for patients in the city of Rockford . The two clinics owned by DaVita located within the city of Rockford are currently operating at 82.5% and 90% utilization. The acquisition of the RCG clinic will allow the utilization of the RCG clinic to increase toward the required 80% utilization while decreasing the high utilization at the other facilities.

7. DaVita will continue to provide all services currently offered in RCG—Rockford facility. No additional services are planned initially. However, should the need arise, or new treatment options or technology emerge, DaVita is prepared to provide them, as needed. The Change of Ownership will not restrict the use of other area care providers The change of ownership will improve access for dialysis patients who wish to receive dialysis treatments at other DaVita facilities within Illinois and the U.S. DaVita's electronic medical record will be installed in the facilities after the change of ownership, and will provide opportunities for improved continuity of care via readily available medical records, should the patients transfer to any other DaVita clinic. DaVita's medical record is also available to DaVita physicians via the internet, and will improve continuity of care for hospitalizations, as the physicians can access the medical record via the internet from any computer, through their secure DaVita passwords.

Attachment 18-C. 1

Facility	Medicare #	Address	City	Services	HSA	Number of Stations As of 04-28-2009	06-30-2008 Utilization	09-30-2008 Utilization	12-31-2008 Utilization
Churchview Dialysis - East Rockford	143521	5970 Churchview Drive	East Rockford	In-Center Hemo, CAPD	1	24	59.72%	57.64%	56.94%
Dixon Kidney Center	142651	1131 North Galena Avenue	Dixon	In-Center Hemo	1	8	43.75%	37.50%	33.33%
Freeport Dialysis Unit	142642	1028 Kunkle Avenue	Freeport	In-Center Hemo	1	10	91.67%	96.67%	86.67%
Rockford Memorial Hospital	142647	2400 North Rockton Avenue	Rockford	In-Center Hemo	1	20	90.00%	88.33%	89.17%
Rox bury Dialysis	142665	612 Roxbury Road	Rockford	In-Center Hemo	1	16	77.08%	78.13%	81.25%
Sycamore Dialysis	142639	2200 Gateway Drive	Sycamore	In-Center Hemo, CAPD	1	12	65.28%	63.89%	59.72%
Whiteside Dialysis	142648	2600 North Locust	Sterling	In-Center Hemo	1	15	66.67%	64.44%	67.78%
GAMBRO Healthcare - Montvale	142590	2930 Montvale Drive, Suite A	Springfield	In-Center Hemo	3	17	68.63%	71.57%	74.51%
GAMBRO Healthcare - Rushville	142620	Route 67 & Route 24, RR #1	Rushville	In-Center Hemo	3	7	59.52%	52.38%	57.14%
GAMBRO Healthcare - Jacksonville	142581	1515 West Walnut	Jacksonville	In-Center Hemo	3	14	53.57%	55.95%	54.76%
GAMBRO Healthcare - Lincoln	142582	2100 West 5th Street	Lincoln	In-Center Hemo	3	14	28.57%	27.38%	30.95%
GAMBRO Healthcare - Litchfield	142583	915 St. Francis Way	Litchfield	In-Center Hemo	3	11	68.18%	65.15%	68.18%
GAMBRO Healthcare - Springfield Central	142586	932 North Rutledge Street	Springfield	In-Center Hemo, CAPD, HHD	3	21	72.22%	77.78%	76.98%
GAMBRO Healthcare - Taylorville	142587	901 West Spresser	Taylorville	In-Center Hemo	3	10	50.00%	46.67%	43.33%
GAMBRO Healthcare - Champaign	142633	507 E. University Avenue	Champaign	In-Center Hemo, CAPD, HHD	4	10	66.67%	70.00%	53.33%
GAMBRO Healthcare - East Wood Street	142599	794 East Wood Street	Decatur	In-Center Hemo, CAPD, HHD	4	16	52.08%	57.29%	59.38%
GAMBRO Healthcare - Macon County	142584	1016 West McKinley Avenue	Decatur	In-Center Hemo	4	21	62.70%	59.52%	58.73%
GAMBRO Healthcare - Mattoon	142585	200 Richmond Avenue, East	Mattoon	In-Center Hemo	4	16	63.54%	58.33%	52.08%
GAMBRO Healthcare - Effingham	142580	904 Medical Park Drive, Suite #1	Effingham	In-Center Hemo, CAPD, HHD	5	16	60.42%	63.54%	66.67%
Nephroplex Dialysis of Benton	142608	1151 West Route #14	Benton	In-Center Hemo, CAPD	5	13	65.38%	69.23%	62.82%
Nephroplex Dialysis of Centralia	142609	1231 State Illinois Route 161 E.	Centralia	In-Center Hemo, CAPD	5	12	68.06%	65.28%	73.61%
Nephroplex Dialysis of Mt. Vernon	142541	1800 Jefferson Avenue	Mount Vernon	In-Center Hemo, CAPD, HHD	5	14	54.76%	64.29%	64.29%
Olney Dialysis Unit Olney	142674	115 North Boone	Olney	In-Center Hemo	5	7	69.05%	66.67%	71.43%
Renal Life Link d/b/a Marion Dialysis	142570	324 South 4th Street	Marion	In-Center Hemo, CAPD, HHD	5	13	66.67%	64.10%	62.82%
Robinson Dialysis			Robinson		5	8	0.00%	0.00%	0.00%
Vandalia Dialysis		301 Mattes Road	Vandalia	In-Center Hemo, CAPD	5	8	0.00%	16.67%	14.58%
Wayne County Dialysis		303 NW 11th Street	Fairfield	In-Center Hemo, CAPD	5	8	10.42%	35.42%	39.58%
Children's Memorial Hospital	142604	2611 North Halsted	Chicago	Incetner Hemo, CAPD	6	6	27.78%	38.89%	47.22%
Diamond Dialysis Center (Beverly Dialysis)	142638	8111 South Western Avenue	Chicago	Incnter Hemo	6	12	80.56%	80.56%	81.94%
Hyde Park Kidney Ctr (now Emerald Kidney Ctr)	142529	1437 East 53rd Street	Chicago	Incenter Hemo	6	24	88.19%	87.50%	84.72%
Lincoln Park Dialysis Center	142528	3155-57 N. Lincoln Avenue	Chicago	Incetner Hemo	6	22	87.12%	85.61%	85.61%
Little Village Dialysis	142668	2335 W. Cermack Road	Chicago	Incenter Hemo	6	16	75.00%	75.00%	73.96%
Logan Square Dialysis	142534	2659 North Milwaukee Ave.	Chicago	Incetner Hemo	6	20	86.67%	88.33%	92.50%
Monteclare Dialysis Center	142649	7009-7011 West Belmont	Chicago	Incenter Hemo	6	16	69.79%	67.71%	75.00%
Mount Greenwood Dialysis	142660	3401 W. 111th Street	Chicago	Incenter Hemo	6	16	71.88%	69.79%	70.83%
Big Oaks Dialysis					7	12	0.00%	0.00%	0.00%
Chicago Heights Renal Care	142635	177 West Joe Orr Road	Chicago Heights	Incter Hemo	7	16	92.71%	91.67%	97.92%
Diamond Dialysis-Oak Lawn	142661	9115 S. Cicero	Oak Lawn	Incenter Hemo	7	12	79.17%	79.17%	84.72%
Olympia Fields Dialysis Center	142548	4557-B West Lincoln Highway	Matteson	Incenter Hemo	7	24	70.83%	76.39%	71.53%
Lake County Dialysis Ctr	142552	918 South Milwaukee Avenue	Libertyville	Incenter Hemo	8	16	67.71%	70.83%	64.58%
Lake Villa Dialysis	142666	37809 N. Route 59	Lake Villa	Incenter Hemo	8	12	43.06%	45.83%	41.67%
Edwardsville Dialysis	142701		Edwardsville	In-Center Hemo, CAPD	11	8	0.00%	0.00%	0.00%
GAMBRO Healthcare - Alton	142619	3511 College Avenue	Alton	In-Center Hemo, CAPD	11	12	81.94%	83.33%	80.56%
Granite City Dialysis	142537	American Village Shopping Ctr.	Granite City	In-Center Hemo, CAPD	11	20	71.67%	70.00%	71.67%
Maryville Dialysis- Renal Treatment Ctrs	142634	2130 Vadalaberne Drive	Maryville	In-Center Hemo, CAPD	11	12	80.56%	76.39%	86.11%
Renal Care Of Illinois	142527	5105 West Main Street	Belleville	In-Center Hemo, CAPD, HHD	11	36	60.65%	62.50%	64.35%
Sauget Dialysis	142561	2300 Goose Lake Road	Sauget	In-Center Hemo, CAPD	11	16	67.71%	70.83%	77.08%

Attachment 18-C. 2

B. Criterion 1120.310.(b), Conditions of Debt Financing

1. Total Renal Care, Inc and the parent company, DaVita, Inc. are prepared to finance the project through cash and Securites of the Companies. There will be no debt incurred as a result of this project.

2. The change of ownership will include assumption of leases for each of the facilities to be acquired. Total Renal Care/DaVita, Inc. evaluated the benefits of both leasing and purchasing the property for each of the facilities to be acquired. After evaluation of the options, it has determined that the option to lease the current clinic sites is the most reasonable option.

   Due to the growth in the dialysis population, and the need to continually update our facilities and technologies, DaVita has adopted a philosophy to invest valuable capital resources in ways that best meet the needs of our patients. We feel that this goal is best accomplished by directing our dollars toward the purchase of new technologies and patient amenities rather than real estate. Therefore, after careful evaluation, the option to lease property is determined to be the best option for the proposed acquisition of the Blessing businesses.

   The total project will be paid for through cash and securities of DaVita, Inc.. No bonds or loans will be taken as a result of this project.

Attachment 76-B

D. Criterion 1120.310(d), Projected Operating Costs

Read the criterion and provide in the space below the facility's projected direct annual operating costs (in current dollars per equivalent patient day or unit of service, as applicable) for the first full fiscal year of operation after project completion or for the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. If the project involves a new category of service, also provide the annual operating costs for the service. Direct costs are the fully allocated costs of salaries, benefits, and supplies. Indicate the year for which the projected operating costs are provided.

RESULTANT OPERATING COSTS FOR THE YEAR 2012

Salaries & Benefits	$ 122,093.00
Supplies **	$ 42,847.00
TOTAL OF ABOVE	$ 164,940.00
Units of Service	1,545
Cost per Unit	$ 106.76

Attachment 76-D

Criterion 1120.310(e), Total Effect of the Project on Capital Costs

The facility to be acquired is fully-equipped, functioning ESRD clinics. No additional capital costs are anticipated during the first full year of operation after project completion.

P.O. Box 2076
Tacoma, WA 98401-2076
1423 Pacific Ave.
Tacoma, WA 98402
Tel: (253) 272-1916
www.davita.com

DaVita.

March 26, 2010

To Whom It May Concern:

DaVita Inc. (the Company or DaVita) overall investment strategy is to maximize shareholder value by maintaining a minimum amount of cash on hand and to use its cash for acquisitions, the construction of new centers, and repurchasing shares, as well as to pay down debt. As a result of the Company's investment strategy, the days cash on hand for 2009 was below the criteria of greater than 45 days at approximately 36 days. In addition, the Company's cushion ratio in 2009 of 2.0 to 1.0 was below the criteria of greater than 5.0 to 1.0.

The Company's day's cash on hand from 2006 through 2009 has ranged from 26 days to 36 days and our cushion ratio has ranged from 1.1 to 2.0 during this same period. However, the Company is projecting its day's cash on hand to be approximately 46 days in 2010 and will increase to 71 days in 2012, exceeding the minimum requirement of 45 days of cash on hand. The Company's cushion ratio is also projected to remain below the required levels, during 2010 and 2011, but is projected to exceed the minimum requirement in 2012 as the Company continues to grow its cash primarily from strong operating cash flows. The Company plans to continue growing through acquisitions, developing new centers, repurchasing shares of its common stock and paying down debt in order to maximize shareholder value. In 2009 the Company acquired 19 new centers for approximately $88 million and spent approximately $275 million for capital asset expenditures for new center developments, relocations and for maintenance and information technology. The Company has also spent approximately $154 million to repurchase 2.9 million shares of its common stock. The Company currently has approximately $500 million remaining authorization for share repurchases which will impact future results.

Except for the days on hand, and the cushion ratio in 2009, and the projected cushion ratio for 2010 and 2011 as discussed above, the other ratios, in Section XXIX, Review of Criteria Relating to Financial Feasibility, for 2006 through 2009, as well as the projections for 2010 through 2012 are within the acceptable ranges and indicate that the Company has the ability to support the acquisition and development of additional dialysis centers because of its strong continued operating results including reliable and strong operating cash flow. As an example, for the year ended December 31, 2009, the Company generated approximately $667 million of operating cash flow.

DaVita.

P.O. Box 2076
Tacoma, WA 98401-2076
1423 Pacific Ave.
Tacoma, WA 98402
Tel: (253) 272-1916
www.davita.com

March 4, 2009

To Whom It May Concern:

DaVita Inc. (the Company or DaVita) overall investment strategy is to maximize shareholder value by maintaining a minimum amount of cash on hand and to use its cash for acquisitions, the construction of new centers, repurchasing shares, as well as to pay down debt. As a result of the Company's investment strategy, in 2005 the Company's debt to capitalization criteria exceeded the maximum requirement of 80% due to the Gambro Healthcare acquisition, as discussed below. In addition, due to the Company's investment strategy, the days cash on hand for 2009 through 2012 is projected to be below the criteria of greater than 45 days at approximately 39 days, the projected debt service coverage in 2011 and 2012 is projected to be below the criteria of greater than 1.75 to 1.0 due to the expected maturity of our senior secured credit facility and the maturity of our senior notes, and the cushion ratio has historically been below the expected requirement of 5.0, and is projected to remain below the expected criteria through the near term. See discussion below.

In 2005, the Company's percentage of debt to total capitalization was approximately 82.8% which exceeds the 80% requirement. The percentage of debt to total capitalization was primarily due to the Company's acquisition of Gambro Healthcare that occurred on October 5, 2005. The Company borrowed approximately $2.9 billion in new debt and also used approximately $252 in cash to fund the acquisition. Since then the Company's debt to total capitalization has been decreasing from 75% in 2006 to 68% in 2007 as a result of principal pre-payments. Future projections indicate the same declining trend to approximately 38%.

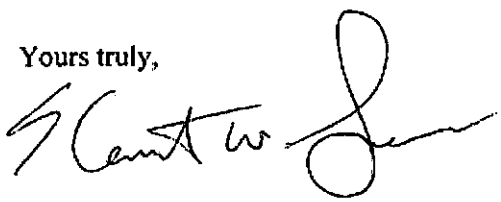
The Company's day's cash on hand from 2005 through 2008 has ranged from 29 days to 67 days which was within the 45 day minimum requirement in 2005. The Company's cushion ratio has ranged from 1.1 to 2.1 from 2005 through 2008 as a result of the Gambro and constructing and developing new centers. However, the Company is projecting it's day's cash on hand to be approximately 39 days and its cushion ratio to remain below the required 5.0 to 1.0, as the Company plans to continue growing through acquisitions, developing new centers, repurchase shares of its common stock and paying down debt in order to maximize shareholder value. In 2008 the Company acquired 20 new centers for approximately $93 million and spent approximately $318 million for capital asset expenditures for new center developments, relocations and for maintenance and information technology. The Company has also spent approximately $233 million to repurchase 4.8 million shares of its common stock during 2008 and has approximately $154 million remaining authorization for share repurchases which will impact future results.

The Company has been in compliance with the debt service coverage ratio requirement of 1.75 to 1.0 or greater for 2005 through 2008 and is also projected to exceed this requirement in 2009 through 2010. However, in 2011 and in 2012, the Company is currently not projected to be in compliance with this ratio requirement as the Company is currently required to make a $1.7 billion payment on its term loan B that matures in 2012 and is also currently required to redeem $900 million of its senior notes that mature in 2013. The Company believes that it will have the ability to refinance or restructure these debt payments to a more acceptable level of debt service payments than is currently required for 2012 and 2013. The Company believes it will have access to the credit markets and should not have any difficulties in obtaining new financing or the ability to restructure these required payments given its overall strong financial position, and the significant amount of annual cash flows that the Company generates.

Except for the Percentage of debt to total capitalization for the end of 2005, the days on hand, the cushion ratio and the projected debt service coverage ratio for 2011 and 2012 as discussed above, the other ratios, in Section XXIX, Review of Criteria Relating to Financial Feasibility, for 2005 through 2008, as well as the projections for the end of 2009 through 2012 are within the acceptable ranges and indicate that the Company has the ability to support the acquisition and development of additional dialysis centers because of its strong continued operating results including reliable and strong operating cash flow. As an example, for the year ended December 31, 2008, the Company generated approximately $556 million of operating cash flow.

The Company is currently in compliance with all of its financial bank covenants, and has sufficient liquidity and operating cash flows and access to borrowings to fund it scheduled debt service and other obligations for the foreseeable future. The Company has an undrawn revolving line of credit for $250 million of which $51 million is allocated for letters of credit available for liquidity purposes at any time.

Yours truly,



Kenneth W. Lamb
Senior Director of Financial Reporting

Attachment-- FINANCIALS-1
Pg 3 of 3

Form 10-K

DAVITA INC - DVA

Filed: February 25, 2010 (period: December 31, 2009)

Annual report which provides a comprehensive overview of the company for the past year

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

For the Fiscal Year Ended
December 31, 2009

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-14106

DAVITA INC.

601 Hawaii Street
El Segundo, California 90245
Telephone number (310) 536-2400

Delaware	51-0354549
(State of incorporation)	(I.R.S. Employer Identification No.)

Securities registered pursuant to Section 12(b) of the Act:

Class of Security:	Registered on:
Common Stock, $0.001 par value	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2009, the number of shares of the Registrant's common stock outstanding was approximately 104.0 million shares and the aggregate market value of the common stock outstanding held by non-affiliates based upon the closing price of these shares on the New York Stock Exchange was approximately $5.1 billion.

As of January 29, 2010, the number of shares of the Registrant's common stock outstanding was approximately 103.2 million shares and the aggregate market value of the common stock outstanding held by non-affiliates based upon the closing price of these shares on the New York Stock Exchange was approximately $6.2 billion.

Documents incorporated by reference

Portions of the Registrant's proxy statement for its 2010 annual meeting of stockholders are incorporated by reference in Part III of this Form 10-K.

PART I

Item 1. Business

We were incorporated as a Delaware corporation in 1994. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are made available free of charge through our website, located at http://www.davita.com, as soon as reasonably practicable after the reports are filed with or furnished to the Securities and Exchange Commission, or SEC. The SEC also maintains a website at http://www.sec.gov where these reports and other information about us can be obtained. The contents of our website are not incorporated by reference into this report.

Overview

DaVita is a leading provider of dialysis services in the United States for patients suffering from chronic kidney failure, also known as end stage renal disease, or ESRD. As of December 31, 2009, we operated or provided administrative services to 1,530 outpatient dialysis centers located in 43 states and the District of Columbia, serving approximately 118,000 patients. We also provide acute inpatient dialysis services in approximately 720 hospitals and related laboratory services. Our dialysis and related lab services business accounts for approximately 95% of our consolidated net operating revenues. Other ancillary services and strategic initiatives currently account for approximately 5% of our consolidated net operating revenues and relate primarily to our core business of providing renal care services.

The dialysis industry

The loss of kidney function is normally irreversible. ESRD is the stage of advanced kidney impairment that requires continued dialysis treatments or a kidney transplant to sustain life. Dialysis is the removal of toxins, fluids and salt from the blood of ESRD patients by artificial means. Patients suffering from ESRD generally require dialysis at least three times per week for the rest of their lives.

Since 1972, the federal government has provided universal payment coverage for dialysis treatments under the Medicare ESRD program regardless of age or financial circumstances. Under this system, Congress establishes Medicare rates for dialysis treatments, related supplies, lab tests and medications. Approximately 88% of our total patients are under government-based programs, with approximately 80% of our patients under Medicare and Medicare-assigned plans.

ESRD patient base

There are more than 358,000 ESRD dialysis patients in the United States according to the latest information published by the United States Renal Data System. The recent historical compound annual growth rate in the number of ESRD dialysis patients has been approximately 3%-4%. The growth rate is attributable to the aging of the population, increased incidence rates for diseases that cause kidney failure such as diabetes and hypertension, lower mortality rates for dialysis patients and growth rates of minority populations with higher than average incidence rates of ESRD.

Treatment options for ESRD

Treatment options for ESRD are dialysis and kidney transplantation.

Dialysis Options

- *Hemodialysis*

Hemodialysis, the most common form of ESRD treatment, is usually performed in outpatient dialysis centers. It may also be done while a patient is at home or while hospitalized. The hemodialysis machine uses an artificial kidney, called a dialyzer, to remove toxins, fluids and salt from the patient's blood. The dialysis process

occurs across a semi-permeable membrane that divides the dialyzer into two distinct chambers. While blood is circulated through one chamber, a pre-mixed fluid is circulated through the other chamber. The toxins, salt and excess fluids from the blood cross the membrane into the fluid, allowing cleansed blood to return into the patient's body. Each hemodialysis treatment that occurs in the outpatient dialysis centers typically lasts approximately three and one-half hours and is usually performed three times per week.

Some ESRD patients may perform home-based hemodialysis in their home or residence through the use of a hemodialysis machine designed for home therapy that is portable, smaller and easier to use. Patients receive training, support and monitoring from registered nurses, in some cases in our outpatient dialysis centers, in connection with treatments. Home-based hemodialysis is typically performed with greater frequency than dialysis treatments performed in outpatient dialysis centers and on varying schedules.

Hospital inpatient hemodialysis services are required for patients with acute kidney failure resulting from trauma, patients in early stages of ESRD, and ESRD patients who require hospitalization for other reasons. Hospital inpatient hemodialysis is generally performed at the patient's bedside or in a dedicated treatment room in the hospital, as needed.

- *Peritoneal dialysis*

Peritoneal dialysis uses the patient's peritoneal, or abdominal, cavity to eliminate fluid and toxins. The most common methods of peritoneal dialysis are continuous ambulatory peritoneal dialysis, or CAPD, and continuous cycling peritoneal dialysis, or CCPD. A patient generally performs peritoneal dialysis at home. Because it does not involve going to an outpatient dialysis center three times a week for treatment, peritoneal dialysis is an alternative to hemodialysis for patients who desire more freedom and flexibility in their lifestyle. However, peritoneal dialysis is not a suitable method of treatment for many patients, including patients who are unable to perform the necessary procedures and those at greater risk of peritoneal infection.

CAPD introduces dialysis solution into the patient's peritoneal cavity through a surgically placed catheter. Toxins in the blood continuously cross the peritoneal membrane into the dialysis solution. After several hours, the patient drains the used dialysis solution and replaces it with fresh solution. This procedure is usually repeated four times per day.

CCPD is performed in a manner similar to CAPD, but uses a mechanical device to cycle dialysis solution through the patient's peritoneal cavity while the patient is sleeping or at rest.

- *Transplantation*

Although transplantation, when successful, is generally the most desirable form of therapeutic intervention, the shortage of suitable donors, side effects of immunosuppressive pharmaceuticals given to transplant recipients and dangers associated with transplant surgery for some patient populations limit the use of this treatment option.

Services we provide

Dialysis and Related Lab Services

Outpatient dialysis services

As of December 31, 2009, we operated or provided administrative services to 1,530 outpatient dialysis centers in the United States that are designed specifically for outpatient hemodialysis. In 2009, we added a net total of 81 outpatient dialysis centers primarily as a result of acquisitions and the opening of new centers, net of center closures and divestitures. This represented a total increase of approximately 6% to our overall network of outpatient dialysis centers.

As required by law, we contract with a nephrologist or a group of affiliated nephrologists to provide medical director services at each of our centers. In addition, other nephrologists may apply for practice privileges to treat

their patients at our centers. Each center has an administrator, typically a registered nurse, who supervises the day-to-day operations of the center and its staff. The staff of each center typically consists of registered nurses, licensed practical or vocational nurses, patient care technicians, a social worker, a registered dietician, biomedical technician support and other administrative and support personnel.

Many of our outpatient dialysis centers offer services for dialysis patients who prefer and are able to receive either hemodialysis treatments in their homes or peritoneal dialysis. Home-based dialysis services consist of providing equipment and supplies, training, patient monitoring, on-call support services and follow-up assistance. Registered nurses train patients and their families or other caregivers to perform either hemodialysis at home or peritoneal dialysis.

Under Medicare regulations, we cannot promote, develop or maintain any kind of contractual relationship with our patients which would directly or indirectly obligate a patient to use or continue to use our dialysis services, or which would give us any preferential rights other than those related to collecting payments for our services. Our total patient turnover averages approximately 30% per year. However, in 2009 the overall number of patients that we treated increased by approximately 6%, primarily from continued growth within the industry, lower mortality rates and the opening of new centers and acquisitions.

Hospital inpatient dialysis services

We provide hospital inpatient hemodialysis services, excluding physician services, to patients in approximately 720 hospitals. We render these services for a contracted per-treatment fee that is individually negotiated with each hospital. When a hospital requests our services, we typically administer the dialysis treatment at the patient's bedside or in a dedicated treatment room in the hospital, as needed. Hospital inpatient hemodialysis services are required for patients as discussed above. In 2009, hospital inpatient hemodialysis services accounted for approximately 5% of our total dialysis treatments.

ESRD laboratory services

We own two separately incorporated, licensed, clinical laboratories, both located in Florida, specializing in ESRD patient testing. These specialized laboratories provide routine laboratory tests primarily covered by the Medicare composite payment rate for dialysis and other physician-prescribed laboratory tests for ESRD patients. Our laboratories provide these tests predominantly for our network of ESRD patients throughout the United States. These tests are performed to monitor a patient's ESRD condition, including the adequacy of dialysis, as well as other diseases a patient may have. Our laboratories utilize information systems which provide information to our dialysis centers regarding critical outcome indicators.

Management services

We currently operate or provide management and administrative services to 32 outpatient dialysis centers that are either wholly-owned by third parties or centers in which we own an equity investment, under management and administrative services agreements. Management fees are established by contract and are recognized as earned typically based on a percentage of revenues or cash collections generated by the centers.

Ancillary services and strategic initiatives

Ancillary services and strategic initiatives, which currently account for approximately 5% of our total consolidated net operating revenues, consist of the following:

- *Pharmacy services.* DaVita Rx is a pharmacy that provides oral medications to DaVita's patients with ESRD. The main objectives of the pharmacy are to improve clinical outcomes by facilitating increased patient compliance and to provide our patients a convenient way to fill their prescription needs. Revenues are recognized as prescriptions are filled and shipped to patients.

- *Infusion therapy services.* HomeChoice Partners provides personalized infusion therapy services to patients typically in their own homes as a cost-effective alternative to inpatient hospitalization. Intravenous and nutritional support therapies are typically managed by registered and/or board-certified professionals including pharmacists, nurses and dieticians in collaboration with the patient's physician in support of the patient's ongoing healthcare needs. Revenues are recognized in the period when infusion therapy services are provided.

- *Disease management services.* VillageHealth provides advanced care management services to health plans and government agencies for employees/members diagnosed with Chronic Kidney Disease (CKD) or ESRD. Through a combination of clinical coordination, medical claims analysis and information technology, we endeavor to assist our customers and patients in obtaining superior renal health care and improved clinical outcomes, as well as helping to reduce overall medical costs. Revenues are typically based upon an established contract fee and are recognized as earned over the contract period and can include additional fees for cost savings recognized by certain customers. VillageHealth also provided full service health care plans for ESRD patients during 2009 and 2008. As of December 31, 2009, VillageHealth discontinued providing full service health care plans for ESRD patients.

- *Vascular access services.* Lifeline provides management and administrative services to physician-owned vascular access clinics that provide surgical and interventional radiology services for dialysis patients. Lifeline also is the majority-owner of one vascular access clinic. Management fees generated from providing management and administrative services are recognized as earned typically based on a percentage of revenues or cash collections generated by the clinics. Revenues associated with the vascular access clinic that is majority-owned are recognized in the period when physician services are provided.

- *ESRD clinical research programs.* DaVita Clinical Research conducts research trials principally with dialysis patients and provides administrative support for research conducted by DaVita-affiliated nephrology practices. Revenues are based upon an established fee per study, as determined by contract with drug companies and other sponsors and are recognized as earned according to the contract terms.

- *Physician services.* DaVita Nephrology Partners offers practice management and administrative services to physicians who specialize in nephrology under management and administrative services agreements. Practice management and administrative services typically include operations management, IT support, billing and collections, credentialing and coding, and other support functions. Management fees generated from providing practice management and administrative services to physician practices are recognized as earned typically based upon cash collections generated by the practices.

Quality care

We believe our reputation for providing quality care is a key factor in attracting patients and physicians and in securing contracts with healthcare plans. We engage in organized and systematic efforts through our quality management programs to monitor and improve the quality of services we deliver. These efforts include the development and implementation of patient care policies and procedures, clinical education and training programs, education and mentoring related to our clinical guidelines and protocols and audits of the quality of services rendered at each of our centers.

We employ over 160 clinical service specialists. The primary focus of this group is assuring and facilitating processes that aim to achieve superior clinical outcomes at our facilities. Our physician leadership in the Office of the Chief Medical Officer (OCMO) includes five senior nephrologists, led by our Chief Medical Officer, with a variety of academic, clinical practice, and clinical research backgrounds. Our Physician Council is an advisory body to senior management, composed of seven physicians with extensive experience in clinical practice in addition to the members of OCMO and five Group Medical Directors. The Physician Council and Group Medical Directors represent both private and academic centers. The Physician Council provides strategic input regarding the outcomes of current clinical programs and on new programs that should be considered for development.

Sources of revenue—concentrations and risks

Our dialysis and related lab services business revenues represent 95% of our total consolidated net operating revenues with the balance of our revenues from ancillary services and strategic initiatives. Dialysis and related lab services revenues are derived from providing dialysis treatments, the administration of pharmaceuticals, related laboratory services and management fees generated from providing management and administrative services to certain outpatient dialysis centers.

The sources of our dialysis and related lab services revenues are principally from government-based programs, including Medicare and Medicare-assigned plans, Medicaid and Medicaid-assigned plans and commercial insurance plans.

The following table summarizes our dialysis and related lab services revenues by source for the year ended December 31, 2009:

	Revenue percentages
Medicare and Medicare-assigned plans	57%
Medicaid and Medicaid-assigned plans	6%
Other government-based programs	2%
Total government-based programs	65%
Commercial (including hospital inpatient dialysis services)	35%
Total dialysis and related lab services revenues	100%

The following table summarizes our dialysis and related lab services revenues by modality for the year ended December 31, 2009:

	Revenue percentages
Outpatient hemodialysis centers	84%
Peritoneal dialysis and home-based hemodialysis	11%
Hospital inpatient hemodialysis	5%
Total dialysis and related lab services revenues	100%

Medicare revenue

Under the Medicare ESRD program, payment rates for dialysis are established by Congress. The Medicare composite rate currently set by CMS, pays dialysis providers for services provided to Medicare beneficiaries under two methods: (1) the composite payment which includes a base payment, adjusted for case-mix which links payments more closely with illness severity and regional geography differences, and a drug add-on payment, which is updated annually to account for changes in drug prices and utilization and (2) separately billable drug reimbursement. Thus, dialysis providers receive a composite payment rate per treatment to cover routine dialysis services, certain pharmaceuticals, routine lab work, and other supplies, as well as a separate payment for pharmaceuticals, which include Epogen®, or EPO (a pharmaceutical used to treat anemia, a common complication associated with ESRD), vitamin D analogs and iron supplements that are not included in the composite payment rate. Pharmaceuticals are generally paid at average sale price, or ASP, plus 6% based upon prices set by Medicare. The Medicare payment rates that are paid to us, including payments for separately billable drugs, are not sufficient to cover our average cost of providing a dialysis treatment.

ESRD patients receiving dialysis services become eligible for primary Medicare coverage at various times, depending on their age or disability status, as well as whether they are covered by an employer group health plan.

Generally, for a patient not covered by an employer group health plan, Medicare becomes the primary payor either immediately or after a three-month waiting period. For a patient covered by an employer group health plan, Medicare generally becomes the primary payor after 33 months, which includes a three month waiting period, or earlier if the patient's employer group health plan coverage terminates. When Medicare becomes the primary payor, the payment rate we receive for that patient shifts from the commercial insurance plan rate to the Medicare payment rate.

For each covered treatment, Medicare pays 80% of the amount set by the Medicare system. The patient is responsible for the remaining 20%. In most cases, a secondary payor, such as Medicare supplemental insurance, a state Medicaid program or a commercial health plan, covers all or part of these balances. Some patients, who do not qualify for Medicaid but otherwise cannot afford secondary insurance, can apply for premium payment assistance from charitable organizations through a program offered by the American Kidney Fund. We and other dialysis providers support the American Kidney Fund and similar programs through voluntary contributions. If a patient does not have secondary insurance coverage, we are generally unsuccessful in our efforts to collect from the patient the 20% portion of the ESRD composite rate that Medicare does not pay. However, we are able to recover some portion of this outstanding balance from Medicare through an established cost reporting process by filing a Medicare bad debt claim for each center for which Medicare treatments are not profitable according to the center's Medicare cost report.

The Medicare composite payment rates set by Congress for dialysis treatments that were in effect for 2009 were between $150 and $167 per treatment, with an average rate of $159 per treatment. Medicare payment rates for dialysis services, historically, have not been routinely increased to compensate for the impact of inflation, which negatively impacts our margins as patient care costs continue to rise. In July 2008, the Medicare Improvements for Patients and Providers Act for 2008, or MIPPA, was passed by Congress. The legislation provided for an increase in the composite rate of 1% which went into effect on January 1, 2009 and an additional 1% which went into effect on January 1, 2010. MIPPA also introduced a new payment system for dialysis services which in part provides for a new single bundled payment rate which, as currently proposed, would be adjusted annually for inflation based upon a market basket index, less 1% of such index, beginning in 2012.

The new payment system for dialysis services under MIPPA begins in January 2011 and provides that ESRD payments will be made under a bundled payment rate which will provide for a fixed rate for all goods and services provided during the dialysis treatment. On September 15, 2009, the Centers for Medicare and Medicaid Services, or CMS, released the proposed rule regarding the new bundled payment rate system. The initial 2011 bundled rate is required to be set based on a 2% reduction in the payment rate that providers would have received under the historical fee for service payment methodology and based on the lowest average industry pharmaceutical utilization from 2007 to 2009. Among other things, the proposed rule requires dialysis facilities to provide certain oral medications but does not provide funding sufficient to cover our costs for those medications. In addition, all laboratory tests ordered by nephrologists would be included in the bundle, whether or not the laboratory tests are related to the ESRD treatment, without funding sufficient to cover our costs for those tests. The proposed rule also includes an expanded list of case-mix adjustors, many of which may be difficult or impossible for dialysis clinics to track, consequently reducing the payment rate for ESRD treatments. The proposed rule also introduced a transition adjustment that would reduce payments to providers by 3%. The combined effect of the adjustments provided in the proposed rule would result in a bundled rate that represents a significantly greater than 2% reduction in the payment rate that we would have received for our services prior to bundling. Also, beginning in 2012, the proposed rule provides that 2% of payments due to providers will be set aside subject to provider satisfaction of certain quality standards. A failure to achieve the required quality standards will result in the forfeiture of the 2% reserve. Dialysis providers have the option to move fully to the bundled payment system in 2011 or to phase in the payment system over three years. If the new bundled payment rate system is implemented as proposed, it could have a material adverse effect on our revenues, earnings and cash flows.

We participate in two Medicare demonstration programs through a contract with CMS. One program is an ESRD demonstration program that started in January 2006. It was originally contracted for a four year term and the term was extended by one year in 2009 until December 2010. The revenue is capitated for all medical services required by enrollees in the program. We are at risk for all medical costs of the program in excess of the capitation payments. The other program is a CKD/ESRD demonstration program which started in November 2008 and will continue for three years. We are paid a management fee for program enrollees relating to CKD and ESRD disease states. Management fee revenues are subject to retraction if medical cost savings targets are not met.

Medicaid revenue

Medicaid programs are state-administered programs partially funded by the federal government. These programs are intended to provide health coverage for patients whose income and assets fall below state-defined levels and who are otherwise uninsured. These programs also serve as supplemental insurance programs for co-insurance payments due from Medicaid-eligible patients with primary coverage under Medicare. Some Medicaid programs also pay for additional services, including some oral medications that are not covered by Medicare. We are an authorized Medicaid provider in the states in which we conduct our business.

Commercial revenues

Before Medicare becomes the primary payor, a patient's commercial insurance plan, if any, is responsible for payment of the dialysis services provided. Although commercial payment rates vary significantly, average commercial payment rates are generally significantly higher than Medicare rates. The payments we receive from commercial payors generate nearly all of our profits. Payment methods from commercial payors include a single lump-sum per treatment, referred to as bundled rates and separate payments for treatments and pharmaceuticals, if used as part of the treatment, referred to as fee for service rates. Commercial payment rates are typically the result of negotiations between us and insurers or third-party administrators, but also include non-contracted or out-of-network payment rates as well. Our out-of-network payment rates are on average higher than in-network payment rates. We are continuously in the process of negotiating agreements with our commercial payors and if our negotiations result in overall commercial rate reductions in excess of our commercial rate increases, our revenues and operating results could be negatively impacted. In addition, if there are sustained or increased job losses in the United States as a result of current economic conditions, or depending upon changes to the healthcare regulatory system, we could experience a decrease in the number of patients under commercial plans.

Approximately 35% of our dialysis and related lab services revenues and 12% of our patients were associated with commercial payors for the year ended December 31, 2009. Less than 1% of our dialysis and related lab services payments are due directly from patients. No single commercial payor accounted for more than 5% of total dialysis and related lab services revenues for the year ended December 31, 2009.

Revenue from EPO and other pharmaceuticals

Approximately 30% of our total dialysis and related lab services revenues for the year ended December 31, 2009 are associated with the administration of physician-prescribed pharmaceuticals that improve clinical outcomes when included with the dialysis treatment. These pharmaceuticals include EPO, vitamin D analogs and iron supplements.

EPO is an erythropoiesis stimulating agent, or ESA, genetically engineered form of a naturally occurring protein that stimulates the production of red blood cells. EPO is used in connection with all forms of dialysis to treat anemia, a medical complication most ESRD patients experience. The administration of EPO, which is currently separately billable under the Medicare payment program until January 1, 2011, at which time it will be included as part of the new bundled payment rate, accounted for approximately 20% of our dialysis and related lab services revenues for the year ended December 31, 2009. Changes in the levels of physician-prescribed EPO and commercial and government payment rates related to EPO can significantly influence our revenues and operating income.

Furthermore, EPO is produced by a single manufacturer, Amgen, which can unilaterally increase its price for EPO at any time during the term of our agreement with them. Any interruption of supply or product cost increases could adversely affect our operations. In 2009, we experienced an increase in the cost of EPO of approximately 2%. Our agreement with Amgen also provides for specific rebates based on a combination of factors, including process improvement and data submission.

In the past there has been significant government scrutiny regarding anemia management practices for ESRD patients in the United States, initially prompted by risks identified in certain patient populations that utilize EPO and similar pharmaceuticals. Following congressional hearings, the FDA required warning labels for EPO and Aranesp®, an ESA also produced by Amgen, and CMS changed EPO reimbursement amounts and payment coverage policies which impacted the prescribing habits of our physicians and which has in the past and may in the future result in lower pharmaceutical intensities. The FDA held additional hearings to revisit these label changes as they apply to ESRD and has indicated that they will convene in 2010 to further review ESA labeling. In addition, HHS and CMS have given notice that a meeting of the Medicare Evidence Development & Coverage Advisory Committee, or MedCAC, will be convened on March 24, 2010 to review policies around the administration of ESAs, including, among other things, an evaluation of the efficacy of certain hemoglobin targets in CKD patients. These meetings could result in further restrictions on the utilization and reimbursement for ESAs which could result in decreased EPO utilization. Practice guidelines may continue to change as anemia management practices are scrutinized. Even though we believe our anemia management practices have been compliant with existing laws and regulations, we may be subject to further inquiries from a variety of government bodies as these payment policies and practicing guidelines evolve.

Physician relationships

An ESRD patient generally seeks treatment at an outpatient dialysis center near his or her home and at which his or her treating nephrologist has practice privileges. Our relationships with local nephrologists and our ability to meet their needs and the needs of their patients are key factors in the success of our outpatient dialysis centers. Over 3,400 nephrologists currently refer patients to our dialysis centers. As is typical in the dialysis industry, one or a few physicians, including the dialysis center's medical director, usually account for all or a significant portion of a dialysis center's patient referral base. Our medical directors provide a substantial portion of our patient referrals. If a significant number of physicians were to cease referring patients to our dialysis centers, our business could be adversely affected.

Participation in the Medicare ESRD program requires that dialysis services at an outpatient dialysis center be under the general supervision of a medical director who is a licensed physician. We have engaged physicians or groups of physicians to serve as medical directors for each of our dialysis centers. At some dialysis centers, we also separately contract with one or more physicians to serve as assistant or associate medical directors or to direct specific programs, such as home dialysis training programs. We have contracts with approximately 1,300 individual physicians and physician groups to provide medical director services.

Medical directors enter into written contracts with us that specify their duties and fix their compensation generally for periods of ten years. The compensation of our medical directors is the result of arm's length negotiations and generally depends upon an analysis of various factors such as the physician's duties, responsibilities, professional qualifications and experience, among others.

Our medical director contracts generally include covenants not to compete. Also, when we acquire a dialysis center from one or more physicians or where one or more physicians own minority interests in our dialysis centers, these physicians have agreed to refrain from owning interests in other competing centers within a defined geographic area for various time periods. These agreements not to compete restrict the physicians from owning or providing medical director services to other dialysis centers, but do not prohibit the physicians from referring patients to any dialysis center, including competing centers. Many of these agreements not to compete continue for a period of time beyond expiration of the corresponding medical director agreements, although some expire at the same time as the medical director agreement. Occasionally, we experience competition from a new dialysis center established by a former medical director following the termination of his or her relationship with us.

Government regulation

Our dialysis operations are subject to extensive federal, state and local governmental regulations. These regulations require us to meet various standards relating to, among other things, government payment programs, dialysis facilities and equipment, management of centers, personnel qualifications, maintenance of proper records and quality assurance programs and patient care.

Because we are subject to a number of governmental regulations, our business could be adversely impacted by:

- Loss or suspension of federal certifications;
- Loss or suspension of licenses under the laws of any state or governmental authority from which we generate substantial revenues;
- Exclusion from government healthcare programs including Medicare and Medicaid;
- Significant reductions or lack of inflation-adjusted increases in payment rates or reduction of coverage for dialysis and ancillary services and related pharmaceuticals;
- Fines, damages and monetary penalties for anti-kickback law violations, Stark Law violations, submission of false claims, civil or criminal liability based on violations of law or other failures to meet regulatory requirements;
- Claims for monetary damages from patients who believe their protected health information has been used or disclosed in violation of federal and state patient privacy laws;
- Government mandated practice changes that significantly increase operating expenses; or
- Refunds of payments received from government payors and government health care program beneficiaries because of any failures to meet applicable requirements.

We expect that our industry will continue to be subject to substantial regulation, the scope and effect of which are difficult to predict. Our activities could be reviewed or challenged by regulatory authorities at any time in the future. This regulation and scrutiny could materially adversely impact us.

Licensure and Certification

Our dialysis centers are certified by CMS, as is required for the receipt of Medicare payments. In some states, our dialysis centers also are required to secure additional state licenses and permits. Governmental authorities, primarily state departments of health, periodically inspect our centers to determine if we satisfy applicable federal and state standards and requirements, including the conditions of participation in the Medicare ESRD program.

To date, we have not experienced significant difficulty in maintaining our licenses or our Medicare and Medicaid authorizations. However, we have experienced delays in obtaining certifications from CMS.

CMS continues to study the regulations applicable to Medicare certification to provide dialysis services. On April 15, 2008, CMS issued new regulations for Medicare certified ESRD facilities to provide dialysis services, referred to as Conditions for Coverage. The Conditions for Coverage were effective October 14, 2008, with some

provisions having a phased in implementation date of February 1, 2009. The new regulations are patient, quality and outcomes focused. Among other things, they establish performance expectations for facilities and staff, eliminate certain procedural requirements, and promote continuous quality improvement and patient safety measures. We have established an interdisciplinary work group to facilitate implementation of the Conditions of Coverage and have developed comprehensive auditing processes to monitor ongoing compliance. We continue to assess the impact these changes will have on our operating results.

Federal anti-kickback statute

The "anti-kickback" statute contained in the Social Security Act imposes criminal and civil sanctions on persons who receive, make, offer or solicit payments in return for:

- The referral of a Medicare or Medicaid patient for treatment;
- The ordering or purchasing of items or services that are paid for in whole or in part by Medicare, Medicaid or similar federal and state programs; or
- Arranging for or recommending the ordering or purchasing of such items.

Federal criminal penalties for the violation of the anti-kickback statute include imprisonment, fines and exclusion of the provider from future participation in the Medicare and Medicaid programs. Violations of the anti-kickback statute are punishable by imprisonment for up to five years and fines of up to $250,000 or both. Larger fines can be imposed upon corporations under the provisions of the U.S. Sentencing Guidelines and the Alternate Fines Statute. Individuals and entities convicted of violating the anti-kickback statute are subject to mandatory exclusion from participation in Medicare, Medicaid and other federal healthcare programs for a minimum of five years. Civil penalties for violation of this law include up to $50,000 in monetary penalties per violation, repayments of up to three times the total payments between the parties and suspension from future participation in Medicare and Medicaid. Court decisions have also held that the statute is violated whenever one of the purposes of remuneration is to induce referrals.

The Department of Health and Human Services regulations create exceptions or "safe harbors" for some business transactions and arrangements. Transactions and arrangements structured within these safe harbors are deemed to not violate the anti-kickback statute. A business transaction or arrangement must satisfy every element of a safe harbor to be protected by that safe harbor. Transactions and arrangements that do not satisfy all elements of a relevant safe harbor do not necessarily violate the statute, but can be subject to greater scrutiny by enforcement agencies.

Our medical directors refer patients to our centers and these arrangements, by which we pay them for their medical director services, must be in compliance with the federal anti-kickback statute. Among the available safe harbors is one for personal services furnished for fair market value. However, most of our agreements with our medical directors do not satisfy all seven of the requirements of the personal services safe harbor. We believe that because of the nature of our medical directors' duties, it is impossible to satisfy the anti-kickback safe-harbor requirement that if the services provided under the agreement are on a part-time basis, as they are with our medical directors, the agreement must specify the schedule of intervals of service, their precise length and the exact charge for such intervals. Accordingly, while we believe that our agreements with our medical directors satisfy as many of the elements of this safe harbor as we believe is reasonably possible, our arrangements do not qualify for safe harbor protection. We also note that there is little guidance available as to what constitutes fair market value for medical director services. We believe, however, that our agreements do not violate the federal anti-kickback statute; however, since the arrangements do not satisfy all of the requirements for safe harbor protection, these arrangements could be challenged.

We own a controlling interest in numerous dialysis related joint ventures, which represented approximately 16% of our dialysis and related lab services revenues. In addition, we also own equity investments in several other dialysis related joint ventures. Our relationships with physicians and other referral sources relating to these joint ventures are required to comply with the anti-kickback statute. Although there is a safe harbor for certain

investment interests in "small entities," it is not clear if any of our joint ventures satisfies all of the requirements for protection by this safe harbor. Under current law, physician joint ventures are not prohibited but instead require a case-by-case evaluation under the anti-kickback statute. We have structured our joint ventures to satisfy as many safe harbor requirements as we believe are reasonably possible and we believe that these investments are offered on a fair market value basis and provide returns to the physician investors only in proportion to their actual investment in the venture. We believe that our agreements do not violate the federal anti-kickback statute; however, since the arrangements do not satisfy all of the requirements for safe harbor protection, these arrangements could be challenged.

We lease space for approximately 470 of our centers from entities in which physicians hold ownership interests and we sublease space to referring physicians at approximately 170 of our dialysis centers. These arrangements must be in compliance with the anti-kickback statute. We believe that we meet the elements of the safe harbor for space rentals in all material respects.

Some medical directors and other referring physicians may own our common stock. We believe that these interests materially satisfy the requirements of the safe harbor for investments in large publicly traded companies for the anti-kickback statute.

Because we are purchasing and selling items and services in the operation of our centers that may be paid for, in whole or in part, by Medicare or a state healthcare program and because we acquire certain items and services at a discount, we must structure these arrangements in compliance with the federal anti-kickback statute. Subject to certain requirements and limitations, discounts representing reductions in the amounts we are charged for items or services based on arm's-length transactions can qualify for safe harbor protection if we fully and accurately report the discounts in the applicable Medicare cost reports. While some of the safe harbor criteria are subject to interpretation, we believe that our vendor contracts with discount provisions are in compliance with the anti-kickback statute.

Stark Law

Another federal law, known as the "Stark Law", prohibits a physician who has a financial relationship, or who has an immediate family member who has a financial relationship, with entities providing designated health services, or DHS, from referring Medicare patients to such entities for the furnishing of such services, unless an exception applies. Stark Law DHS include home health services, outpatient prescription drugs, inpatient and outpatient hospital services and clinical laboratory services. The Stark Law also prohibits the DHS entity receiving a prohibited referral from filing a claim or billing for the services arising out of the prohibited referral. The prohibition applies regardless of the reasons for the financial relationship and the referral; unlike the federal anti-kickback statute, intent to induce referrals is not required. Sanctions for violation of the Stark Law include denial of payment for claims for services provided in violation of the prohibition, refunds of amounts collected in violation, a civil penalty of up to $15,000 for each service arising out of the prohibited referral, exclusion from the federal healthcare programs, including Medicare and Medicaid and a civil penalty of up to $100,000 against parties that enter into a scheme to circumvent the Stark Law prohibition. Stark Law violations also can form the basis for False Claims Act liability. The types of financial arrangements between a physician and a DHS entity that trigger the self-referral prohibitions of the Stark Law are broad and include direct and indirect ownership and investment interests and compensation arrangements.

CMS has adopted implementing regulations under the Stark Law collectively, Stark Regulations. CMS has not yet adopted implementing regulations regarding application of the Stark Law to Medicaid, but has indicated that it anticipates issuing additional regulations regarding the application of the Stark Law to Medicaid referrals.

The definition of DHS under the Stark Law excludes services paid under a composite rate, even if some of the components bundled in the composite rate are DHS. Since most services furnished to Medicare beneficiaries provided in our dialysis centers are reimbursed through a composite rate, the services performed in our facilities generally are not DHS, and the Stark Law referral prohibition does not apply to those services. The definition of

DHS also excludes inpatient dialysis performed in hospitals that are not certified to provide ESRD services. Consequently, our arrangements with such hospitals for the provision of dialysis services to hospital inpatients do not trigger the Stark Law referral prohibition.

In addition, although prescription drugs are DHS, there is an exception in the Stark Regulations for EPO and other specifically enumerated dialysis drugs when furnished in or by an ESRD facility, in compliance with the anti-kickback statute and applicable billing requirements. The exception is available only for drugs included on a list of CPT/HCPCS codes published by CMS, and in the case of home dialysis, the exception applies only to EPO, Aranesp® and equivalent drugs dispensed by the facility for use at home. While we believe that most drugs furnished by our dialysis centers are covered by the exception, dialysis centers may administer drugs that are not on the list of CPT/HCPCS codes and therefore do not meet this exception. In order for a physician who has a financial relationship with a dialysis center to order one of these drugs from the center and for the center to obtain Medicare reimbursement, another exception must apply.

We have entered into several types of financial relationships with referring physicians, including compensation arrangements. We believe that the compensation arrangements under our medical director agreements satisfy the personal services compensation arrangement exception to the Stark Law. While we believe that compensation under our medical director agreements, which is the result of arm's length negotiations, results in fair market value payments for medical director services, an enforcement agency could nevertheless challenge the level of compensation that we pay our medical directors. If the arrangement does not meet a Stark Law exception, we could in the future be required to change our practices, face civil penalties, pay substantial fines, return certain payments received from Medicare and beneficiaries or otherwise experience a material adverse effect as a result of a challenge to payments made pursuant to referrals from these physicians under the Stark Law.

Some of our dialysis centers are leased from entities in which referring physicians hold interests and we sublease space to referring physicians at some of our dialysis centers. The Stark Law provides an exception for lease arrangements if specific requirements are met. We believe that our leases and subleases with referring physicians satisfy the requirements for this exception.

Some medical directors and other referring physicians may own our common stock. We believe that these interests satisfy the Stark Law exception for investments in large publicly traded companies.

Some of our referring physicians also own equity interests in entities that operate our dialysis centers. None of the Stark Law exceptions applicable to physician ownership interests in entities to which they make DHS referrals applies to the kinds of ownership arrangements that referring physicians hold in several of our subsidiaries that operate dialysis centers. Accordingly, these dialysis centers cannot bill Medicare for DHS referrals from physician owners. If the dialysis centers bill for DHS referred by physician owners, the dialysis center would be subject to the Stark Law penalties described above.

While we believe that most of our operations do not implicate the Stark Law, and that to the extent that our dialysis centers furnish DHS, they either meet an exception or do not bill for services that do not meet a Stark Law exception, if CMS determined that we have submitted claims in violation to the Stark Law, we would be subject to the penalties described above. In addition, it might be necessary to restructure existing compensation agreements with our medical directors and to repurchase or to request the sale of ownership interests in subsidiaries and partnerships held by referring physicians or, alternatively, to refuse to accept referrals for DHS from these physicians. Any such penalties and restructuring could have a material adverse effect on our operations.

If any of our business transactions or arrangements, including those described above, were found to violate the federal anti-kickback statute of Stark Law, we could face criminal, civil or administrative sanctions, including possible exclusion from participation in Medicare, Medicaid and other state and federal healthcare programs. Any findings that we have violated these laws could have a material adverse impact on our earnings.

Fraud and abuse under state law

Many states in which we operate dialysis centers have statutes prohibiting physicians from holding financial interests in various types of medical facilities to which they refer patients. Some of these statutes could be interpreted as prohibiting physicians who hold shares of our publicly traded stock from referring patients to our dialysis centers if the centers use our laboratory subsidiary to perform laboratory services for their patients. Some states also have laws similar to the federal anti-kickback statute that may affect our ability to receive referrals from physicians with whom we have financial relationships, such as our medical directors. Some state anti-kickback statutes also include civil and criminal penalties. Some of these statutes include exemptions applicable to our medical directors and other physician relationships or for financial interests limited to shares of publicly traded stock. Some, however, include no explicit exemption for medical director services or other services for which we contract with and compensate referring physicians or for joint ownership interests of the type held by some of our referring physicians or for financial interests limited to shares of publicly traded stock. If these statutes are interpreted to apply to referring physicians with whom we contract for medical director and similar services, to referring physicians with whom we hold joint ownership interests or to physicians who hold interests in DaVita limited solely to publicly traded stock, we may be required to terminate or restructure some or all of our relationships with or refuse referrals from these referring physicians and could be subject to civil and administrative sanctions, refund requirements and exclusions from government healthcare programs, including Medicare and Medicaid. Such events could negatively affect the decision of referring physicians to refer patients to our centers.

The False Claims Act

The federal False Claims Act, or FCA, is a means of policing false bills or false requests for payment in the healthcare delivery system. In part, the FCA authorizes the imposition of up to three times the government's damages and civil penalties on any person who:

- Knowingly presents or causes to be presented to the federal government, a false or fraudulent claim for payment or approval;
- Knowingly makes, uses or causes to be made or used, a false record or statement to get a false or fraudulent claim paid or approved by the federal government;
- Conspires to defraud the federal government by getting a false or fraudulent claim allowed or paid; or
- Knowingly makes, uses or causes to be made or used, a false record or statement to conceal, avoid or decrease an obligation to pay or transmit money or property to the federal government.

In addition, recent amendments to the FCA impose severe penalties for the knowing and improper retention of overpayments collected from government payors. These amendments could subject our procedures for identifying and processing overpayments to greater scrutiny. We have made significant investments in additional resources to accelerate the time it takes to identify and process overpayments and we may be required to make additional investments in the future. An acceleration in our ability to identify and process overpayments could result in us refunding overpayments to government or other payors sooner than we have in the past. A significant acceleration of these refunds could have a material adverse affect on our operating cash flows.

The penalties for a violation of the FCA range from $5,500 to $11,000 for each false claim plus three times the amount of damages caused by each such claim. The federal government has used the FCA to prosecute a wide variety of alleged false claims and fraud allegedly perpetrated against Medicare and state healthcare programs, including coding errors, billing for services not rendered, the submission of false cost reports, billing for services at a higher payment rate than appropriate, billing under a comprehensive code as well as under one or more component codes included in the comprehensive code and billing for care that is not considered medically necessary. Although still subject to dispute, several courts have also determined that a violation of the federal anti-kickback statute can form the basis for liability under the FCA, and filing claims or failing to refund amounts collected in violation of the Stark Law can form the basis for liability under the FCA. In addition to the

provisions of the FCA, which provide for civil enforcement, the federal government can use several criminal statutes to prosecute persons who are alleged to have submitted false or fraudulent claims for payment to the federal government.

The Health Insurance Portability and Accountability Act of 1996

The Health Insurance Portability and Accountability Act of 1996 and its implementing privacy and security regulations, as amended by the federal Health Information Technology for Economic and Clinical Health Act (HITECH Act) (collectively referred to as HIPAA), requires us to provide certain protections to patients and their health information (Protected Health Information, or PHI). HIPAA requires us to afford patients certain rights regarding their PHI, and to limit uses and disclosure of their PHI existing in any media form (electronic and hardcopy). HIPAA also requires us to implement administrative, physical, and technical safeguards with respect to electronic PHI. We believe our HIPAA Privacy and Security Program sufficiently addresses HIPAA requirements.

Other regulations

Our operations are subject to various state hazardous waste and non-hazardous medical waste disposal laws. These laws do not classify as hazardous most of the waste produced from dialysis services. Occupational Safety and Health Administration regulations require employers to provide workers who are occupationally subject to blood or other potentially infectious materials with prescribed protections. These regulatory requirements apply to all healthcare facilities, including dialysis centers, and require employers to make a determination as to which employees may be exposed to blood or other potentially infectious materials and to have in effect a written exposure control plan. In addition, employers are required to provide or employ hepatitis B vaccinations, personal protective equipment and other safety devices, infection control training, post-exposure evaluation and follow-up, waste disposal techniques and procedures and work practice controls. Employers are also required to comply with various record-keeping requirements. We believe that we are in material compliance with these laws and regulations.

A few states have certificate of need programs regulating the establishment or expansion of healthcare facilities, including dialysis centers. We believe that we are in material compliance with all applicable state certificate of need laws.

Corporate compliance program

We have implemented a company-wide corporate compliance program as part of our commitment to comply with all applicable laws and regulations and to maintain the high standards of conduct we expect from all of our teammates. We continuously review this program and enhance it as necessary. The primary purposes of the program include:

- Increasing, through training and education, the awareness of our teammates and affiliated professionals of the necessity of complying with all applicable laws and regulations in an increasingly complicated regulatory environment;
- Auditing and monitoring the activities of our dialysis centers, laboratories and billing offices on a regular basis to identify potential instances of noncompliance in a timely manner; and
- Ensuring that we take steps to resolve instances of noncompliance or to address areas of potential noncompliance as promptly as we become aware of them.

When evaluating the effectiveness of our corporate compliance program, we take into consideration a number of factors, including favorable results under various government inquiries and adherence to industry standards.

We have a code of conduct that each of our teammates and affiliated professionals must follow and we have a confidential toll-free hotline (888-458-5848) for teammates and patients to report potential instances of noncompliance. Our Chief Compliance Officer administers the compliance program. The Chief Compliance Officer reports directly to our Chief Executive Officer, our Chief Operating Officer and to the Compliance Committee of our Board of Directors.

Corporate Integrity Agreement

On December 1, 2004, Gambro Healthcare, Inc, which we acquired in October 2005, entered into a settlement agreement with the Department of Justice and other agencies of the United States government relating to the Department of Justice's investigation of Gambro Healthcare's Medicare and Medicaid billing practices and its relationships with physicians and pharmaceutical manufacturers. In connection with the settlement agreement, Gambro Healthcare, without admitting liability, entered into a five-year corporate integrity agreement with the Office of the Inspector General, U.S. Department of Health and Human Services, or OIG. The centers we acquired from Gambro Healthcare were subject to the corporate integrity agreement. The corporate integrity agreement expired by its own terms on November 30, 2009. We submitted our final annual report to the OIG on January 14, 2010. On February 16, 2010, we were informed by the OIG that it has reviewed our final annual report and determined that DVA Renal Healthcare (formerly Gambro Healthcare) complied with the terms of the corporate integrity agreement during the final reporting period and that the Fifth Annual Report is complete. The five year term of the corporate integrity agreement has now concluded and DVA Renal Healthcare is no longer subject to its terms.

Insurance

We maintain insurance for property and general liability, professional liability, directors' and officers' liability, workers compensation and other coverage in amounts and on terms deemed adequate by management based on our claims experience and expectations for future claims. Future claims could, however, exceed our applicable insurance coverage. Physicians practicing at our dialysis centers are required to maintain their own malpractice insurance and our medical directors are required to maintain coverage for their individual private medical practices. Our liability policies cover our medical directors for the performance of their duties as medical directors.

Capacity and location of our centers

We are able to increase our capacity by extending hours at our existing centers, expanding our existing centers, relocating our centers, developing new centers and by acquiring centers. The development of a typical outpatient center by us generally requires approximately $2.0 million for leasehold improvements, equipment and first-year working capital. Based on our experience, a new center typically opens within a year after the property lease is signed, normally achieves operating profitability in the second year after certification and normally reaches maturity within three to five years. Acquiring an existing center requires a substantially greater initial investment, but profitability and cash flow are generally initially more predictable. To a limited extent, we enter into agreements to provide management and administrative services to dialysis centers in which we either own an equity investment, or are wholly-owned by third parties in return for management fees, which are typically based on a percentage of revenues or cash collections of the managed operations.

The table below shows the growth of our Company by number of dialysis centers.

	2009	2008	2007	2006	2005
Number of centers at beginning of year	1,449	1,359	1,300	1,233	658
Acquired centers	19	20	16	26	609(1)
Developed centers	78	86	64	55	46
Net change in centers with management and administrative services agreements*	8(4)	1	(15)(3)	—	4(1)
Divested and closed centers	(8)	(9)	(4)	(5)(2)	(72)(1)
Merged into existing center**	(16)	(8)	(2)	(9)	(12)
Number of centers at end of year	1,530	1,449	1,359	1,300	1,233

(1) 566 centers were added, including 11 centers under management and administrative services agreements, as a result of the DVA Renal Healthcare acquisition and 74 centers were divested in connection with this acquisition, including three centers under management and administrative services agreements.

(2) Three centers were divested in connection with the acquisition of DVA Renal Healthcare.

(3) In November 2007, one of our management and administration service agreements was terminated, in which we provided management and administrative services to 20 dialysis centers.

(4) During 2009, we made equity investments in 6 centers and we entered into 2 additional management and administrative service agreements.

* Represents dialysis centers in which we either own an equity investment, or are wholly-owned by third parties.

** Represents dialysis centers that were closed and the majority of patients were retained and transferred to other existing dialysis centers.

As of December 31, 2009, we operated or provided administrative services to 1,530 outpatient dialysis centers, of which 1,498 are consolidated in our financial statements. Of the remaining 32 dialysis centers, we own an equity investment in 15 centers and provide management and administrative services to 17 dialysis centers that are wholly-owned by third parties. The locations of the 1,498 dialysis centers consolidated in our financial statements at December 31, 2009 were as follows:

State	Centers	State	Centers	State	Centers
California	185	New York	33	Nebraska	13
Florida	130	Indiana	32	Wisconsin	13
Texas	121	Oklahoma	30	Massachusetts	12
Georgia	97	Colorado	28	Arkansas	9
Ohio	66	Kentucky	26	District of Columbia	9
Pennsylvania	62	Louisiana	25	Idaho	8
North Carolina	57	Arizona	23	Utah	4
Virginia	55	New Jersey	23	Mississippi	3
Michigan	52	South Carolina	22	New Mexico	3
Maryland	49	Washington	20	South Dakota	3
Illinois	48	Connecticut	19	West Virginia	3
Minnesota	38	Kansas	18	Delaware	2
Alabama	37	Nevada	16	North Dakota	2
Tennessee	36	Iowa	15	New Hampshire	1
Missouri	35	Oregon	15		

Competition

The dialysis industry is highly competitive, particularly in terms of acquiring existing dialysis centers. We continue to face increased competition in the dialysis industry from large and medium-sized providers which compete directly with us for the acquisition of dialysis businesses, relationships with physicians to act as medical directors and for individual patients. Acquisitions and patient retention are an important part of our growth strategy and our business could be adversely affected if we are not able to continue to make acquisitions on reasonable terms or if we face significant patient attrition to our competitors. Competition for qualified physicians to act as medical directors and for inpatient dialysis services agreements with hospitals is also intense. Occasionally, we have also experienced competition from former medical directors or referring physicians who have opened their own dialysis centers. In addition, we experience competitive pressures in connection with negotiating contracts with commercial healthcare payors.

The two largest dialysis companies, Fresenius Medical Care, or Fresenius, and our company, account for approximately 62% of outpatient dialysis patients in the United States. Approximately 42% of the centers not

owned by us or Fresenius are owned or controlled by hospitals or non-profit organizations. Hospital-based and non-profit dialysis units typically are more difficult to acquire than physician-owned centers. Because of the ease of entry into the dialysis business and the ability of physicians to be medical directors for their own centers, competition for growth in existing and expanding markets is not limited to large competitors with substantial financial resources.

Fresenius also manufactures a full line of dialysis supplies and equipment in addition to owning and operating dialysis centers. This may give them cost advantages over us because of their ability to manufacture their own products. Fresenius has been one of our largest suppliers of dialysis products. In January 2010, we entered into an agreement with Fresenius which committed us to purchase a certain amount of dialysis equipment, parts and supplies from them through 2013. In addition, in August 2006, we also entered into a product supply agreement with Gambro Renal Products that requires us to purchase a certain amount of our hemodialysis non-equipment product supplies, such as dialyzers, at fixed prices through 2015. Our purchases of products in the categories generally offered by Fresenius and Gambro Renal Products represent approximately 4% of our total operating expenses. During 2009, we purchased hemodialysis products and supplies from Gambro Renal Products representing approximately 2% of our total operating expenses.

Teammates

As of December 31, 2009, we had approximately 34,000 teammates:

• Licensed professional staff (nurses, dieticians and social workers)	14,000
• Other patient care and center support staff and laboratory personnel	15,000
• Corporate, billing and regional administrative staff	5,000

Our dialysis business requires nurses with specialized training for patients with complex care needs. Recruitment and retention of nurses are continuing concerns for healthcare providers generally because of the disparity between the supply and demand for nurses, which has led to a nursing shortage. We have an active program of investing in our professional healthcare teammates to help ensure we meet our recruitment and retention targets, including expanded training opportunities, tuition reimbursements and other incentives.

Item 1A. Risk Factors.

This Annual Report on Form 10-K contains statements that are forward-looking statements within the meaning of the federal securities laws. These statements involve known and unknown risks and uncertainties including the risks discussed below. The risks discussed below are not the only ones facing our business. Please read the cautionary notice regarding forward-looking statements in Item 7 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operation".

If the average rates that commercial payors pay us decline significantly, it would have a material adverse effect on our revenues, earnings and cash flows.

Approximately 35% of our dialysis and related lab services revenues for the year ended December 31, 2009 were generated from patients who have commercial payors as the primary payor. The majority of these patients have insurance policies that pay us on terms and at rates that are generally significantly higher than Medicare rates. The payments we receive from commercial payors generate nearly all of our profit and all of our nonacute dialysis profits come from commercial payors. We continue to experience downward pressure on some of our commercial payment rates and it is possible that commercial payment rates could be materially lower in the future. The downward pressure on commercial payment rates is a result of general conditions in the market, recent and future consolidations among commercial payors, increased focus on dialysis services and other factors.

We are continuously in the process of negotiating agreements with our commercial payors, and payors are aggressive in their negotiations with us. In the event that our continued negotiations result in overall commercial rate reductions in excess of overall commercial rate increases, the cumulative effect could have a material adverse effect on our financial results. Consolidations have significantly increased the negotiating leverage of commercial payors. Our negotiations with payors are also influenced by competitive pressures. We expect that some of our contracted rates with commercial payors may decrease or that we may experience decreases in patient volume as our negotiations with commercial payors continue. In addition to increasing downward pressure on contracted commercial payor rates, payors have been attempting to impose restrictions and limitations on non-contracted or out-of-network providers. In some circumstances for some commercial payors, our centers are designated as out-of-network providers. Rates for out-of-network providers are on average higher than rates for in-network providers. Commercial payors may restructure their benefits to create disincentives for patients to select or remain with out-of-network providers or may decrease payment rates for out-of-network providers. We, along with others in the kidney care community, are resisting attempts to limit access to out-of-network providers through regulatory, legislative and legal means. Decreases in out-of-network rates and restrictions on out-of-network access combined with decreases in contracted rates could result in a significant decrease in our overall revenue derived from commercial payors. If the average rates that commercial payors pay us decline significantly, it would have a material adverse effect on our revenues, earnings and cash flows.

If the number of patients with higher-paying commercial insurance declines, then our revenues, earnings and cash flows would be substantially reduced.

Our revenue levels are sensitive to the percentage of our patients with higher-paying commercial insurance coverage. A patient's insurance coverage may change for a number of reasons, including changes in the patient's or a family member's employment status. Currently, for a patient covered by an employer group health plan, Medicare generally becomes the primary payor after 33 months, or earlier, if the patient's employer group health plan coverage terminates. When Medicare becomes the primary payor, the payment rate we receive for that patient shifts from the employer group health plan rate to the lower Medicare payment rate. We have seen an increase in the number of patients who have government-based programs as their primary payors which we believe is largely as a result of improved mortality and the current economic recession which has a negative impact on the percentage of patients covered under commercial insurance plans. To the extent there are sustained or increased job losses in the United States as a result of current economic conditions, we could experience a decrease in the number of patients under commercial plans. We could also experience a further decrease if

changes to the healthcare regulatory system result in fewer patients covered under commercial plans. In addition, our continued negotiations with commercial payors could result in a decrease in the number of patients under commercial plans to the extent that we cannot reach agreement with commercial payors on rates and other terms. If there is a significant reduction in the number of patients under higher-paying commercial plans relative to government-based programs that pay at lower rates, it would have a material adverse effect on our revenues, earnings and cash flows.

Changes in the structure of, and payment rates under the Medicare ESRD program, including the implementation of a bundled payment system under MIPPA and other healthcare reform initiatives, could substantially reduce our revenues, earnings and cash flows.

Approximately one-half of our dialysis and related lab services revenues for the year ended December 31, 2009 was generated from patients who have Medicare as their primary payor. Currently, the Medicare ESRD program pays us for dialysis treatment services at a fixed composite rate. The Medicare composite rate is the payment rate for a dialysis treatment including the supplies used in those treatments, specified laboratory tests and certain pharmaceuticals. Certain other pharmaceuticals, including EPO, vitamin D analogs and iron supplements, as well as certain specialized laboratory tests, are separately billed.

In July 2008, MIPPA was passed by Congress. This legislation introduced a new payment system for dialysis services beginning in January 2011 whereby ESRD payments will be made under a bundled payment rate which will provide for a fixed rate for all goods and services provided during the dialysis treatment. On September 15, 2009, CMS released the proposed rule regarding the new bundled payment rate system. If the new bundled payment rate system is implemented as proposed, it could have a material adverse effect on our revenues, earnings and cash flows. The initial 2011 bundled rate is required to be set based on a 2% reduction in the payment rate that providers would have received under the historical fee for service payment methodology and based on the lowest average industry pharmaceutical utilization from 2007 to 2009. Among other things, the proposed rule requires dialysis facilities to provide certain oral medications but does not provide funding sufficient to cover our costs for those medications. In addition, all laboratory tests ordered by nephrologists would be included in the bundle, whether or not the laboratory tests are related to ESRD treatment, without funding sufficient to cover our costs for those tests. The proposed rule also includes an expanded list of case-mix adjustors, many of which may be difficult or impossible for dialysis clinics to track, consequently reducing the payment rate for ESRD treatments. The proposed rule also introduced a transition adjustment that would reduce payments to providers by 3%. The combined effect of the adjustments provided in the proposed rule would result in a bundled rate that represents a significantly greater than 2% reduction in the payment rate that we would have received for our services prior to bundling. The proposed rule also requires the new single bundled payment base rate to be adjusted annually for inflation based upon a market basket index, less 1% of such index, beginning in 2012. Also, beginning in 2012, the proposed rule provides that 2% of payments due to providers will be set aside subject to provider satisfaction of certain quality standards. A failure to achieve the required quality standards will result in the forfeiture of the 2% reserve. Dialysis providers have the option to move fully to the bundled payment system in 2011 or to phase in the payment system over three years. Because the bundled rates that will take effect in 2011 have not been set, we cannot predict whether we will be able to reduce our operating costs at a level that will offset any reduction in overall reimbursement for services we provide to Medicare patients. In addition, we experience increases in operating costs that are subject to inflation, such as labor and supply costs, regardless of whether there is a compensating inflation-based increase in Medicare payment rates. To the extent the Medicare bundled rates are established at levels that result in lower overall reimbursement for services we provide to Medicare patients, it could have a material adverse effect on our revenues, earnings and cash flows. We also cannot predict whether we will be able to implement the requirements of the final rule within the time frames set in the final rule or whether we will be able to satisfy our Medicare and Medicaid regulatory compliance obligations as processes and systems are modified to comply with the final rule.

In addition, ongoing public policy debates regarding healthcare reform and the extension of coverage to uninsured individuals has recently intensified. While we cannot predict whether the federal government will

enact changes to the healthcare regulatory system in response to the current debate or the potential impact of any such changes, to the extent that any changes to the current healthcare regulatory system result in a reduction in patients covered by commercial insurance or a reduction in reimbursement rates for our services from commercial and/or government payors, our revenues, earnings and cash flows could be adversely affected.

Changes in state Medicaid or other non-Medicare government-based programs or payment rates could reduce our revenues, earnings and cash flows.

Approximately 15% of our dialysis and related lab services revenues for the year ended December 31, 2009, was generated from patients who have state Medicaid or other non-Medicare government-based programs, such as Medicare-assigned plans or the Veterans Health Administration, as their primary coverage. As state governments and governmental organizations face increasing budgetary pressure, they may propose reductions in payment rates, delays in the timing of payments, limitations on eligibility or other changes to their related programs. For example, some programs, such as certain state Medicaid programs and the Veterans Health Administration, have recently considered, proposed or implemented rate reductions. In January 2009, the Department of Veterans Affairs informally adopted a policy to reduce payment rates for dialysis services to Medicare rates. The informal policy was subsequently withdrawn in July 2009. On February 17, 2010, the Department of Veterans Affairs formally proposed a rule which would materially reduce their payment rates for dialysis services to equal Medicare rates. The proposed rule is subject to a 60 day comment period and we expect to participate in the comment process. We cannot predict when or if the final rule will be effective or what will be included in the final rule. If the proposed rule is implemented in its current form, it will have a significant negative impact on our revenues, earnings and cash flows as a result of the reduction in rates or as a result of a decrease in the number of patients covered by the Veterans Health Administration that we service. Approximately 2% of our dialysis and related lab services revenues for the year ended December 31, 2009 was generated by the Veterans Health Administration. While we cannot predict whether the Department of Veterans Affairs or any other government programs will be successful in reducing their payment rates or the timing of potential reductions, any such reduction could have a material adverse effect on our revenues, earnings and cash flows.

In addition, some state Medicaid program eligibility requirements mandate that citizen enrollees in such programs provide documented proof of citizenship. If our patients cannot meet these proof of citizenship documentation requirements, they may be denied coverage under these programs. If state Medicaid or other non-Medicare government programs reduce the rates paid by these programs for dialysis and related services, delay the timing of payment for services provided, further limit eligibility for coverage or adopt changes to their payment structure which reduces our overall payments from these state Medicaid or non-Medicare government programs, then our revenues, earnings and cash flows could be adversely affected.

Changes in clinical practices, payment rates or regulations impacting EPO and other pharmaceuticals could substantially reduce our revenues, earnings and cash flows.

The administration of EPO and other pharmaceuticals accounted for approximately 30% of our dialysis and related lab services revenues for the year ended December 31, 2009, with EPO accounting for approximately 20% of our dialysis and related lab services revenues for the same period. Changes in clinical practices that result in further decreased utilization of prescribed pharmaceuticals or changes in payment rates for those pharmaceuticals could substantially reduce our revenues, earnings and cash flows.

Since late 2006, there has been significant media discussion and government scrutiny regarding anemia management practices in the United States which has created confusion and concern in the nephrology community. In late 2006, the House Ways and Means Committee held a hearing on the issue of the utilization of erythropoeisis stimulating agents, or ESAs, which include EPO, and in 2007, the FDA required changes to the labeling of EPO and Aranesp® to include a black box warning, the FDA's strongest form of warning label. The FDA held additional hearings to revisit these label changes as they apply to ESRD and has indicated that they

will convene in 2010 to further review ESA labeling. CMS also reviewed its EPO reimbursement policies and in January 2008, changes to the EPO monitoring policy went into effect which further limited reimbursement and which impacted the prescribing habits of our physicians and which has in the past and may in the future result in lower pharmaceutical intensities. Most recently, HHS and CMS have given notice that a meeting of the Medicare Evidence Development & Coverage Advisory Committee, or MedCAC, will be convened on March 24, 2010 to review policies around the administration of ESAs, including, among other things, an evaluation of the efficacy of certain hemoglobin targets in CKD patients. These meetings could result in further restrictions on the utilization and reimbursement for ESAs which could result in decreased EPO utilization. Commercial payors have also increasingly examined their administration policies for EPO and, in some cases have modified those policies. Further changes in labeling of EPO and other pharmaceuticals in a manner that alters physician practice patterns or accepted clinical practices, changes in private and governmental payment criteria, including the introduction of EPO administration policies or the conversion to alternate types of administration of EPO or other pharmaceuticals that result in further decreases in utilization or reimbursement for EPO and other pharmaceuticals could have a material adverse effect on our revenues, earnings and cash flows.

Changes in EPO pricing could materially reduce our revenues, earnings and cash flows and affect our ability to care for our patients.

Amgen Inc. is the sole supplier of EPO and may unilaterally decide to increase its price for EPO at any time during the term of our agreement with Amgen. Future increases in the cost of EPO without corresponding increases in payment rates for EPO could have a material adverse effect on our earnings and cash flows and ultimately reduce our income. Our agreement with Amgen for EPO includes potential rebates which depend upon the achievement of certain criteria. We cannot predict whether we will continue to receive the rebates for EPO that we currently receive, or whether we will continue to achieve the same levels of rebates within that structure as we have historically achieved. Our agreement with Amgen provides for specific rebates off of list price based on a combination of factors, including process improvement and data submission. Factors that could impact our ability to qualify for rebates provided for in our agreement with Amgen in the future include our ability to develop and implement certain process improvements and track certain data elements. Failure to meet certain targets and earn the specified rebates could have a material adverse effect on our earnings and cash flows. Our agreement with Amgen terminates on December 31, 2010. We cannot predict whether any new agreement with Amgen will include the same or similar rebates as provided in our current agreement.

We are the subject of a number of inquiries by the federal government, any of which could result in substantial penalties against us.

We are the subject of a number of inquiries by the federal government. We have received subpoenas from the U.S. Attorney's Office for the Northern District of Georgia, the U.S. Attorney's Office for the Eastern District of Missouri and the U.S. Attorney's Office for the Eastern District of Texas. We are cooperating with the U.S. Attorney's Offices with respect to each of the subpoenas and producing the requested records. Any negative findings could result in substantial financial penalties against us, exclusion from future participation in the Medicare and Medicaid programs and, in certain cases, criminal penalties. To our knowledge, no proceedings have been initiated by the federal government against us at this time. Although we cannot predict whether or when proceedings might be initiated by the federal government or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoenas will continue to require management's attention and significant legal expense. See Note 16 to our consolidated financial statements for additional information regarding these inquiries and subpoenas.

Continued inquiries from various governmental bodies with respect to our utilization of EPO and other pharmaceuticals will require management's attention, cause us to incur significant legal expense and could result in substantial financial penalties against us or exclusion from future participation in the Medicare and Medicaid programs, and could have a material adverse effect on our revenues, earnings and cash flows.

In response to clinical studies which identified risks in certain patient populations related to the utilization of EPO and other ESAs, i.e., Aranesp®, and in response to changes in the labeling of EPO and Aranesp®, there has been substantial media attention and government scrutiny resulting in hearings and legislation regarding pharmaceutical utilization and reimbursement. Although we believe our anemia management practices and other pharmaceutical administration practices have been compliant with existing laws and regulations, as a result of the current high level of scrutiny and controversy, we may be subject to increased inquiries from a variety of governmental bodies and claims by third parties. For example, the subpoena from the U.S. Attorney's Office for the Northern District of Georgia relates to the pharmaceutical products Zemplar, Hectorol, Venofer, Ferrlecit, EPO and other related matters. The subpoena from the U.S. Attorney's Office in the Eastern District of Missouri includes requests for documents regarding the administration of, and billing for, EPO. The subpoena from the Office of Inspector General in Houston, Texas requests records relating to EPO claims submitted to Medicare. In addition, in February 2008 the Attorney General's Office for the State of Nevada notified us that Nevada Medicaid intends to conduct audits of ESRD dialysis providers in Nevada relating to the billing of pharmaceuticals, including EPO. Additional inquiries from various agencies and claims by third parties with respect to this issue would continue to require management's attention and significant legal expense and any negative findings could result in substantial financial penalties against us or exclusion from future participation in the Medicare and Medicaid programs, and could have a material adverse effect on our revenues, earnings and cash flows. See Note 16 to our consolidated financial statements for additional information regarding these inquiries and subpoenas.

If we fail to adhere to all of the complex government regulations that apply to our business, we could suffer severe consequences that would substantially reduce our revenues, earnings and cash flows.

Our dialysis operations are subject to extensive federal, state and local government regulations, including Medicare and Medicaid payment rules and regulations, federal and state anti-kickback laws, the Stark Law physician self-referral prohibition and analogous state referral statutes, the federal False Claims Act, or FCA, and federal and state laws regarding the collection, use and disclosure of patient health information. The Medicare and Medicaid reimbursement rules related to claims submission, licensing requirements, cost reporting, and payment processes impose complex and extensive requirements upon dialysis providers. A violation or departure from any of these requirements may result in government audits, lower reimbursements, significant fines and penalties, the potential loss of certification and recoupments or voluntary repayments.

The regulatory scrutiny of healthcare providers, including dialysis providers continues to increase. Medicare has increased the frequency and intensity of its certification inspections of dialysis centers. For example, we are required to provide substantial documentation related to the administration of pharmaceuticals, including EPO, and, to the extent that any such documentation is found insufficient, we may be required to refund any amounts received from such administration by government or commercial payors, and be subject to substantial penalties under applicable laws or regulations. In addition, fiscal intermediaries have increased their prepayment and post-payment reviews.

We endeavor to comply with all of the requirements for receiving Medicare and Medicaid payments and to structure all of our relationships with referring physicians to comply with state and federal anti-kickback laws and physician self-referral law (Stark Law). However, the laws and regulations in this area are complex and subject to varying interpretations. For example, if an enforcement agency were to challenge the level of compensation that we pay our medical directors, we could be required to change our practices, face criminal or civil penalties, pay substantial fines or otherwise experience a material adverse effect as a result of a challenge to

these arrangements. In addition, recent amendments to the FCA impose severe penalties for the knowing and improper retention of overpayments collected from government payors. These amendments could subject our procedures for identifying and processing overpayments to greater scrutiny. We have made significant investments in additional resources to accelerate the time it takes to identify and process overpayments and we may be required to make additional investments in the future. An acceleration in our ability to identify and process overpayments could result in us refunding overpayments to government or other payors sooner than we have in the past. A significant acceleration of these refunds could have a material adverse affect on our operating cash flows.

If any of our operations are found to violate these or other government regulations, we could suffer severe consequences that would have a material adverse effect on our revenues, earnings and cash flows including:

- Suspension or termination of our participation in government payment programs;
- Refunds of amounts received in violation of law or applicable payment program requirements;
- Loss of required government certifications or exclusion from government payment programs;
- Loss of licenses required to operate healthcare facilities in some of the states in which we operate;
- Reductions in payment rates or coverage for dialysis and ancillary services and related pharmaceuticals;
- Fines, damages or monetary penalties for anti-kickback law violations, Stark Law violations, FCA violations, civil or criminal liability based on violations of law, or other failures to meet regulatory requirements;
- Claims for monetary damages from patients who believe their protected health information has been used or disclosed in violation of federal or state patient privacy laws;
- Mandated practice changes that significantly increase operating expenses; and
- Termination of relationships with medical directors.

Delays in state Medicare and Medicaid certification of our dialysis centers could adversely affect our revenues, earnings and cash flows.

Before we can begin billing for patients treated in our outpatient dialysis centers who are enrolled in government-based programs, we are required to obtain state and federal certification for participation in the Medicare and Medicaid programs. As state governments face increasing budgetary pressure, certain states are having difficulty certifying dialysis centers in the normal course resulting in significant delays in certification. If state governments continue to have difficulty certifying new centers in the normal course and we continue to experience significant delays in our ability to treat and bill for services provided to patients covered under government programs, it could cause us to incur write-offs of investments or accelerate the recognition of lease obligations in the event we have to close centers or our centers' operating performance deteriorates, and it could have an adverse effect on our revenues, earnings and cash flows.

If our joint ventures were found to violate the law, we could suffer severe consequences that would have a material adverse effect on our revenues, earnings and cash flows.

As of December 31, 2009, we owned a controlling interest in numerous dialysis related joint ventures, which represented approximately 16% of our dialysis and related lab services revenues for the year ended December 31, 2009. In addition, we also owned equity interests in several other dialysis related joint ventures. We anticipate that we will continue to increase the number of our joint ventures. Many of our joint ventures with physicians or physician groups also have the physician owners providing medical director services to those centers or other centers we own and operate. Because our relationships with physicians are governed by the federal anti-kickback statute, we have sought to structure our joint venture arrangements to satisfy as many safe harbor requirements as we believe are reasonably possible. However, our joint venture arrangements do not satisfy all elements of any safe harbor under the federal anti-kickback statute. The subpoena and related requests for documents we received from the United States Attorney's Office for the Eastern District of Missouri included requests for documents related to our joint ventures. See Note 16 to our consolidated financial statements for additional information regarding these inquiries and subpoenas.

If our joint ventures are found to be in violation of the anti-kickback statute or the Stark Law provisions, we could be required to restructure the joint ventures or refuse to accept referrals for designated health services from the physicians with whom the joint venture centers have a financial relationship.

We also could be required to repay amounts received by the joint ventures from Medicare and certain other payors to the extent that these arrangements are found to give rise to prohibited referrals, and we could be subject to monetary penalties and exclusion from government healthcare programs. If our joint venture centers are subject to any of these penalties, we could suffer severe consequences that would have a material adverse effect on our revenues, earnings and cash flows.

There are significant estimating risks associated with the amount of dialysis revenue and related refund liabilities that we recognize and if we are unable to accurately estimate our revenue and related refund liabilities, it could impact the timing of our revenue recognition or have a significant impact on our operating results.

There are significant estimating risks associated with the amount of dialysis and related lab services revenues and related refund liabilities that we recognize in a reporting period. The billing and collection process is complex due to ongoing insurance coverage changes, geographic coverage differences, differing interpretations of contract coverage, and other payor issues. Determining applicable primary and secondary coverage for approximately 118,000 patients at any point in time, together with the changes in patient coverage that occur each month, requires complex, resource-intensive processes. Errors in determining the correct coordination of benefits may result in refunds to payors. Revenues associated with Medicare and Medicaid programs are also subject to estimating risk related to the amounts not paid by the primary government payor that will ultimately be collectible from other government programs paying secondary coverage, the patient's commercial health plan secondary coverage or the patient. Collections, refunds and payor retractions typically continue to occur for up to three years and longer after services are provided. We generally expect our range of dialysis and related lab services revenues estimating risk to be within 1% of revenues for the segment, which can represent as much as 6% of consolidated operating income. If our estimates of dialysis and related lab services revenues and related refund liabilities are materially inaccurate, it could impact the timing of our revenue recognition and have a significant impact on our operating results.

The ancillary services we provide or the strategic initiatives we invest in may generate losses and may ultimately be unsuccessful. In the event that one or more of these activities is unsuccessful, we may have to write off our investment and incur other exit costs.

Our ancillary services and strategic initiatives include pharmacy services, infusion therapy services, disease management services, vascular access services, ESRD clinical research programs and physician services. Many of these initiatives require investments of both management and financial resources and can generate significant losses for a substantial period of time and may not become profitable. There can be no assurance that any such strategic initiative will ultimately be successful. Any significant change in market conditions, business performance or in the regulatory environment may impact the economic viability of any of these strategic initiatives. For example, during 2009 and 2008, several of our strategic initiatives generated net operating losses and are expected to generate net operating losses in 2010. If any of our ancillary services or strategic initiatives do not perform as planned, we may incur a material write-off or an impairment of our investment, including goodwill, in one or more of these activities or we could incur significant termination costs if we were to exit a certain line of business.

If a significant number of physicians were to cease referring patients to our dialysis centers, whether due to regulatory or other reasons, it would have a material adverse effect on our revenues, earnings and cash flows.

We believe that physicians prefer to have their patients treated at dialysis centers where they or other members of their practice supervise the overall care provided as medical director of the center. As a result, the

primary referral source for most of our centers is often the physician or physician group providing medical director services to the center. Neither our current nor former medical directors have an obligation to refer their patients to our centers. If a medical director agreement terminates, whether before or at the end of its term, and a new medical director is appointed, it may negatively impact the former medical director's decision to treat his or her patients at our center. If we are unable to enforce noncompetition provisions contained in the terminated medical director agreements, former medical directors may choose to provide medical director services for competing providers or establish their own dialysis centers in competition with ours. Also, if the quality of service levels at our centers deteriorates, it may negatively impact patient referrals and treatment volumes.

Our medical director contracts are for fixed periods, generally three to ten years. Medical directors have no obligation to extend their agreements with us. We may take actions to restructure existing relationships or take positions in negotiating extensions of relationships to assure compliance with the safe harbor provisions of the anti-kickback statute, Stark Law and other similar laws. These actions could negatively impact the decision of physicians to extend their medical director agreements with us or to refer their patients to us. If the terms of any existing agreement are found to violate applicable laws, we may not be successful in restructuring the relationship which could lead to the early termination of the agreement, or cause the physician to stop referring patients to our dialysis centers. If a significant number of physicians were to cease referring patients to our dialysis centers, whether due to regulatory or other reasons, then our revenues, earnings and cash flows would be substantially reduced.

Current economic conditions, including the current recession, as well as further disruptions in the financial markets could result in substantial declines in our revenues, earnings, cash flows and financial condition.

The current economic recession could adversely affect our business and our profitability. Among other things, the potential decline in federal and state revenues that may result from such conditions may create additional pressures to contain or reduce reimbursements for our services from Medicare, Medicaid and other government sponsored programs. Increasing job losses in the United States as a result of current economic conditions has and may continue to result in a smaller percentage of our patients being covered by an employer group health plan and a larger percentage being covered by lower paying Medicare and Medicaid programs. Employers may also begin to select more restrictive commercial plans with lower reimbursement rates. To the extent that payors are negatively impacted by a decline in the economy, we may experience further pressure on commercial rates, a further slow down in collections and a reduction in the amounts we expect to collect. In addition, if the current uncertainty in the financial markets continues, the variable interest rates payable under our credit facilities could be adversely affected or it could be more difficult to obtain or renew such facilities or to obtain other forms of financing in the future. Any or all of these factors, as well as other consequences of the current economic conditions which cannot currently be anticipated, could have a material adverse effect on our revenues, earnings and cash flows and otherwise adversely affect our financial condition.

If we are not able to continue to make acquisitions on reasonable terms, or maintain an acceptable level of non-acquired growth, or if we face significant patient attrition to our competitors, it could adversely affect our business.

The dialysis industry is highly competitive, particularly in terms of acquiring existing dialysis centers. We continue to face increased competition in the dialysis industry from large and medium-sized providers which compete directly with us for acquisition targets as well as for individual patients and medical directors. Acquisitions, patient retention and medical director retention are an important part of our growth strategy. Because of the ease of entry into the dialysis business and the ability of physicians to be medical directors for their own centers, competition for growth in existing and expanding markets is not limited to large competitors with substantial financial resources. Occasionally, we have experienced competition from former medical directors or referring physicians who have opened their own dialysis centers. In addition, Fresenius, our largest competitor, manufactures a full line of dialysis supplies and equipment in addition to owning and operating

dialysis centers. This may give them cost advantages over us because of their ability to manufacture their own products. If we are not able to continue to make acquisitions on reasonable terms, continue to maintain acceptable levels of non-acquired growth, or if we face significant patient attrition to our competitors, it could adversely affect our business.

The level of our current and future debt could have an adverse impact on our business and our ability to generate cash to service our indebtedness depends on many factors beyond our control.

We have substantial debt outstanding and we may incur additional indebtedness in the future. The high level of our indebtedness, among other things, could:

- make it difficult for us to make payments on our debt securities;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and investments and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds.

Our ability to make payments on our indebtedness and to fund planned capital expenditures and expansion efforts, including any strategic acquisitions we may make in the future, will depend on our ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control.

We cannot provide assurance that our business will generate sufficient cash flow from operations in the future or that future borrowings will be available to us in an amount sufficient to enable us to service our indebtedness or to fund other liquidity needs. Our Senior Secured Credit Facilities are secured by substantially all of our and our wholly-owned subsidiaries' assets. As such, our ability to refinance our debt or seek additional financing could be limited by such security interest. We cannot assure you that we will be able to refinance our indebtedness on commercially reasonable terms or at all. If additional debt financing is not available when required or is not available on acceptable terms, we may be unable to grow our business, take advantage of business opportunities, respond to competitive pressures or refinance maturing debt, any of which could have a material adverse effect on our operating results and financial condition.

Increases in interest rates may increase our interest expense and adversely affect our profitability and cash flow and our ability to service our indebtedness.

We are subject to interest rate volatility associated with the portions of our borrowings that bear interest at variable rates. As of December 31, 2009, we had approximately $1.9 billion outstanding borrowings under our Senior Secured Credit Facilities, which bears interest at a variable rate. Approximately $0.4 billion of this outstanding debt is subject to interest rate swaps which have the economic effect of fixing the interest rate on an equivalent portion of our debt. The remaining variable rate debt outstanding under our Senior Secured Credit Facilities had a weighted average interest rate of 1.74% at December 31, 2009. As of December 31, 2009, the interest rates were economically fixed on approximately 21% of our variable rate debt and approximately 59% of our total debt. In addition, we have approximately $198 million of available borrowings under our Senior Secured Credit Facilities that would bear interest at the LIBOR-based variable rate plus an interest rate margin of 1.50%. We may also incur additional variable rate debt in the future.

Increases in interest rates would increase our interest expense for the variable portion of our indebtedness, which could negatively impact our earnings and cash flow. For example, it is estimated that a hypothetical

increase in interest rates of 100 basis points across all variable rate maturities would reduce net income by approximately $9.9 million, for the next twelve months given our current interest rates in effect at December 31, 2009. See "Item 7A—Quantitative and Qualitative Disclosures about Market Risk" for more information. In addition, if we seek to refinance our existing indebtedness under our Senior Secured Credit Facilities, we may not be able to do so on acceptable terms and conditions, which could increase our interest expense or impair our ability to service our indebtedness and fund our operations.

If there are shortages of skilled clinical personnel or if we experience a higher than normal turnover rate, we may experience disruptions in our business operations and increases in operating expenses.

We are experiencing increased labor costs and difficulties in hiring nurses due to a nationwide shortage of skilled clinical personnel. We compete for nurses with hospitals and other health care providers. This nursing shortage may limit our ability to expand our operations. In addition, changes in certification requirements for skilled clinical personnel can impact our ability to maintain sufficient staff levels to the extent our teammates are not able to meet new requirements or competition for qualified individuals increases. If we are unable to hire skilled clinical personnel when needed, or if we experience a higher than normal turnover rate for our skilled clinical personnel, our operations and treatment growth will be negatively impacted, which would result in reduced revenues, earnings and cash flows.

Our business is labor intensive and could be adversely affected if we were unable to maintain satisfactory relations with our employees or if union organizing activities were to result in significant increases in our operating costs or decreases in productivity.

Our business is labor intensive, and our results are subject to variations in labor-related costs and productivity. If political efforts at the national and local level result in actions or proposals that increase the likelihood of union organizing activities at our facilities or if union organizing activities increase for other reasons, our operating costs could increase and our employee relations, productivity, earnings and cash flows could be adversely affected.

Upgrades to our billing and collections systems and complications associated with upgrades and other improvements to our billing and collections systems could have a material adverse effect on our revenues, cash flows and operating results.

We are continuously performing upgrades to our billing systems and expect to continue to do so during 2010. In addition, we continuously work to improve our billing and collections performance through process upgrades, organizational changes and other improvements. We may experience difficulties in our ability to successfully bill and collect for services rendered as a result of these changes, including a slow-down of collections, a reduction in the amounts we expect to collect, increased risk of retractions from and refunds to commercial and government payors, an increase in our provision for uncollectible accounts receivable and noncompliance with reimbursement regulations. The failure to successfully implement the upgrades to the billing and collection systems and other improvements could have a material adverse effect on our revenues, cash flows and operating results.

Our ability to effectively provide the services we offer could be negatively impacted if certain of our suppliers are unable to meet our needs or if we are unable to effectively access new technology, which could substantially reduce our revenues, earnings and cash flows.

We have significant suppliers that are either the sole or primary source of products critical to the services we provide, including Amgen, Fresenius Medical Care, Baxter Healthcare Corporation, NxStage Medical, Inc. and others or to which we have committed obligations to make purchases including Gambro Renal Products. If any of these suppliers are unable to meet our needs for the products they supply, including in the event of a product recall, and we are not able to find adequate alternative sources, our revenues, earnings and cash flows could be

substantially reduced. For example, a recall of heparin by Baxter Healthcare Corporation in 2008 resulted in only one remaining supplier of heparin and the cost to purchase heparin significantly increased. While an alternative supplier has entered the market, it is possible that our heparin costs may continue to increase and since there is no separate reimbursement for this drug under Medicare, cost increases have a direct impact on our profitability. In addition, the technology related to the products critical to the services we provide is subject to new developments and may result in superior products. If we are not able to access superior products on a cost-effective basis or if suppliers are not able to fulfill our requirements for such products, we could face patient attrition which could substantially reduce our revenues, earnings and cash flows.

We may be subject to liability claims for damages and other expenses not covered by insurance that could reduce our earnings and cash flows.

The administration of dialysis and related services to patients may subject us to litigation and liability for damages. Our business, profitability and growth prospects could suffer if we face negative publicity or we pay damages or defense costs in connection with a claim that is outside the scope of any applicable insurance coverage, including claims related to adverse patient events, contractual disputes and professional and general liability claims. In addition, we have received several notices of claims from commercial payors and other third parties related to our historical billing practices and the historical billing practices of the centers acquired from Gambro Healthcare and other matters related to their settlement agreement with the Department of Justice. Although the ultimate outcome of these claims cannot be predicted, an adverse result with respect to one or more of these claims could have a material adverse effect on our financial condition, results of operations, and cash flows. We currently maintain programs of general and professional liability insurance. However, a successful claim, including a professional liability, malpractice or negligence claim which is in excess of our insurance coverage could have a material adverse effect on our earnings and cash flows.

In addition, if our costs of insurance and claims increase, then our earnings could decline. Market rates for insurance premiums and deductibles have been steadily increasing. Our earnings and cash flows could be materially and adversely affected by any of the following:

- the collapse or insolvency of our insurance carriers;
- further increases in premiums and deductibles;
- increases in the number of liability claims against us or the cost of settling or trying cases related to those claims; and
- an inability to obtain one or more types of insurance on acceptable terms.

If businesses we acquire have liabilities that we are not aware of, we could suffer severe consequences that would substantially reduce our revenues, earnings and cash flows.

Our business strategy includes the acquisition of dialysis centers and businesses that own and operate dialysis centers, as well as other ancillary services and strategic initiatives. Businesses we acquire may have unknown or contingent liabilities or liabilities that are in excess of the amounts that we originally estimated. Although we generally seek indemnification from the sellers of businesses we acquire for matters that are not properly disclosed to us, we are not always successful. In addition, even in cases where we are able to obtain indemnification, we may discover liabilities greater than the contractual limits or the financial resources of the indemnifying party. In the event that we are responsible for liabilities substantially in excess of any amounts recovered through rights to indemnification, we could suffer severe consequences that would substantially reduce our revenues, earnings and cash flows.

Provisions in our charter documents, compensation programs and Delaware law may deter a change of control that our stockholders would otherwise determine to be in their best interests.

Our charter documents include provisions that may deter hostile takeovers, delay or prevent changes of control or changes in our management, or limit the ability of our stockholders to approve transactions that they may otherwise determine to be in their best interests. These include provisions prohibiting our stockholders from acting by written consent; requiring 90 days advance notice of stockholder proposals or nominations to our Board of Directors; and granting our Board of Directors the authority to issue preferred stock and to determine the rights and preferences of the preferred stock without the need for further stockholder approval. In addition, we have in place a shareholder rights plan that would substantially dilute the interest sought by an acquirer that our Board of Directors does not approve.

Most of our outstanding employee stock options include a provision accelerating the vesting of the options in the event of a change of control. We also maintain a change of control protection program for our employees who do not have a significant number of stock awards, which has been in place since 2001, and which provides for cash bonuses to the employees in the event of a change of control. Based on the market price of our common stock and shares outstanding on December 31, 2009, these cash bonuses would total approximately $235 million if a change of control transaction occurred at that price and our Board of Directors did not modify this program. These change of control provisions may affect the price an acquirer would be willing to pay for our Company.

We are also subject to Section 203 of the Delaware General Corporation Law that, subject to exceptions, would prohibit us from engaging in any business combinations with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder.

These provisions may discourage, delay or prevent an acquisition of our Company at a price that our stockholders may find attractive. These provisions could also make it more difficult for our stockholders to elect directors and take other corporate actions and could limit the price that investors might be willing to pay for shares of our common stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We own the land and buildings for 25 of our dialysis centers. We also own the buildings for six other dialysis centers and the building at one of our Florida labs and we own one separate land parcel and sublease a total of six properties to third party tenants. Our remaining dialysis centers are located on premises that we lease.

Our leases generally cover periods from five to ten years but in some cases can extend for 15 years and typically contain renewal options of five to ten years at the fair rental value at the time of renewal. Our leases are generally subject to periodic consumer price index increases, or contain fixed escalation clauses. Our outpatient dialysis centers range in size from approximately 500 to 30,000 square feet, with an average size of approximately 6,800 square feet.

The following is a summary of our business, administrative offices, laboratories and pharmacies:

Office	Location	Square Feet	Expiration
Corporate Headquarters*	Denver, CO	69,000	2012
Administrative Office	Vernon Hills, IL	29,000	2013
Administrative Office	Berlingame, CA	3,700	2012
Administrative Office	Norfolk, VA	20,000	2015
Administrative Office	Washington, DC	5,000	2013
Administrative Office	Tempe, AZ	11,000	2016
Administrative Office	Washington, DC	2,000	2013
Administrative Office	Washington, DC	5,000	2013
Business Office	El Segundo, CA	61,000	2013
Business Office	Tacoma, WA	215,000	2013 through 2021
Business Office	Berwyn, PA	57,000	2012
Business Office	Lakewood, CO	82,000	2012
Business Office	Brentwood, TN	95,000	2011
Business Office	Irvine, CA	65,000	2015
DaVita Rx	Orlando, FL	17,000	2013
DaVita Rx	Coppell, TX	53,000	2013
DaVita Rx	San Bruno, CA	7,000	2015
Lab Warehouse	DeLand, FL	11,000	2015
Laboratory	DeLand, FL	40,000	Owned
Laboratory	DeLand, FL	20,000	2013
Laboratory	Ft. Lauderdale, FL	43,000	2015
Laboratory Administrative Office	DeLand, FL	23,000	2011

* As previously announced, our corporate headquarters has been moved to Denver, Colorado. The new lease is effective on March 1, 2010.

Some of our dialysis centers are operating at or near capacity. However, we believe that we have adequate capacity within most of our existing dialysis centers to accommodate additional patient volume through increased hours and/or days of operation, or, if additional space is available within an existing facility, by adding dialysis stations. We can usually relocate existing centers to larger facilities or open new centers if existing centers reach capacity. With respect to relocating centers or building new centers, we believe that we can generally lease space at economically reasonable rates in the areas planned for each of these centers, although there can be no assurances in this regard. Expansion of existing centers or relocation of our dialysis centers is subject to review for compliance with conditions relating to participation in the Medicare ESRD program. In states that require a certificate of need or center license, additional approvals would generally be necessary for expansion or relocation.

Item 3. Legal Proceedings.

Inquiries by the Federal Government

In December 2008, we received a subpoena for documents from the Office of Inspector General, U.S. Department of Health and Human Services, or OIG, relating to the pharmaceutical products Zemplar, Hectorol, Venofer, Ferrlecit and Epogen® , or EPO, as well as other related matters. The subpoena covers the period from January 2003 to the present. We have been in contact with the United States Attorney's Office, or U.S.

Attorney's Office, for the Northern District of Georgia and the U.S. Department of Justice in Washington, DC, since November 2008 relating to this matter, and have been advised that this is a civil inquiry. On June 17, 2009, we learned that the allegations were made as part of a civil qui tam complaint filed by individuals and brought pursuant to the federal False Claims Act. The case remains under seal in the United States District Court for the Northern District of Georgia. We are cooperating with the inquiry and are producing the requested records. To our knowledge, no proceedings have been initiated by the federal government against us at this time. Although we cannot predict whether or when proceedings might be initiated, or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against us and exclusion from future participation in the Medicare and Medicaid programs.

In February 2007, we received a request for information from the OIG for records relating to EPO claims submitted to Medicare. In August 2007, we received a subpoena from the OIG seeking similar documents. The requested documents relate to services provided from 2001 to 2004 by a number of our centers. The request and subpoena were sent from the OIG's offices in Houston and Dallas, Texas. We are cooperating with the inquiry and are producing the requested records. We have been in contact with the U.S. Attorney's Office for the Eastern District of Texas, which has stated that this is a civil inquiry related to EPO claims. On July 6, 2009, the United States District Court for the Eastern District of Texas lifted the seal on the civil qui tam complaint related to these allegations and we were subsequently served with a complaint by the relator. We believe that there is some overlap between this issue and the ongoing review of EPO utilization and claims by the U.S. Attorney's Office, for the Eastern District of Missouri in St. Louis described below. To our knowledge, no proceedings have been initiated by the federal government against us at this time. Although we cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to these inquiries will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against us and exclusion from future participation in the Medicare and Medicaid programs.

In March 2005, we received a subpoena from the U.S. Attorney's Office for the Eastern District of Missouri in St. Louis. The subpoena requires production of a wide range of documents relating to our operations, including documents related to, among other things, pharmaceutical and other services provided to patients, relationships with pharmaceutical companies, and financial relationships with physicians and joint ventures. The subpoena covers the period from December 1, 1996 through the present. In October 2005, we received a follow-up request for additional documents related to specific medical director and joint venture arrangements. In February 2006, we received an additional subpoena for documents, including certain patient records relating to the administration and billing of EPO. In May 2007, we received a request for documents related to durable medical equipment and supply companies owned and operated by us. We are cooperating with the inquiry and are producing the requested records. The subpoenas have been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against us in connection with this inquiry. To our knowledge, no proceedings have been initiated against us at this time. Although we cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoenas will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against us, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties.

Other

We have received several notices of claims from commercial payors and other third parties related to historical billing practices and claims against DVA Renal Healthcare (formerly known as Gambro Healthcare) related to historical Gambro Healthcare billing practices and other matters covered by their 2004 settlement agreement with the Department of Justice and certain agencies of the U.S. government. At least one commercial

payor has filed an arbitration demand against us, as described below, and additional commercial payors have threatened litigation. We intend to defend against these claims vigorously; however, we may not be successful and these claims may lead to litigation and any such litigation may be resolved unfavorably.

Several wage and hour claims have been filed against us in the Superior Court of California, each of which has been styled as a class action. In February 2007, June 2008, October 2008 and December 2008, we were served with five separate complaints, including two in October 2008, by various former employees, each of which alleges, among other things, that we failed to provide rest and meal periods, failed to pay compensation in lieu of providing such rest or meal periods, failed to pay the correct amount of overtime, failed to pay the rate on the "wage statement," and failed to comply with certain other California labor code requirements. We have reached a tentative settlement in the complaints served in February 2007 and December 2008 and one of the complaints served in October 2008. That settlement has been partially approved by the court and we are waiting for final court approval of the last part of the settlement. We intend to vigorously defend against the remaining claims and to vigorously oppose the certification of the remaining matters as class actions.

In August 2007, Sheet Metal Workers National Health Fund and Glenn Randle filed a complaint in the United States District Court for the Central District of California against us. The complaint also names as defendants Amgen Inc. and Fresenuis Medical Care Holdings, Inc. The complaint is styled as a class action and alleges four claims against us, including violations of the federal RICO statute, California's unfair competition law, California's false advertising law and for unjust enrichment. The complaint's principal allegations against us are that the defendants engaged in a scheme to unlawfully promote the administration of EPO to hemodialysis patients intravenously, as opposed to subcutaneously, and to over-utilize EPO. On December 17, 2008, the Court dismissed the complaint and allegations in their entirety with permission of plaintiffs to amend the complaint. We were not named as a defendant in plaintiffs' amended complaint. In June 2009, the Court dismissed the remainder of the case. Following the dismissal, plaintiffs filed a notice of appeal. The notice of appeal seeks review by the U. S. Court of Appeals for the Ninth Circuit of all of the district court's dismissal rulings, including the ruling dismissing us as a defendant. We intend to continue to vigorously defend this claim.

In October 2007, we were contacted by the Attorney General's Office for the State of Nevada. The Attorney General's Office informed us that it was conducting a civil and criminal investigation of our operations in Nevada and that the investigation related to the billing of pharmaceuticals, including EPO. In February 2008, the Attorney General's Office informed us that the civil and criminal investigation has been discontinued. The Attorney General's Office further advised us that Nevada Medicaid intends to conduct audits of end stage renal disease (ESRD) dialysis providers in Nevada, including us, and that such audits will relate to the issues that were the subjects of the investigation. To our knowledge, no court proceedings have been initiated against us at this time. Any negative audit findings could result in a substantial repayment by us.

In August 2005, Blue Cross/Blue Shield of Louisiana filed a complaint in the United States District Court for the Western District of Louisiana against Gambro AB, DVA Renal Healthcare (formerly known as Gambro Healthcare) and related entities. The plaintiff sought to bring its claims as a class action on behalf of itself and all entities that paid any of the defendants for health care goods and services from on or about January 1991 through at least December 2004. The complaint alleged, among other things, damages resulting from facts and circumstances underlying Gambro Healthcare's 2004 settlement agreement with the Department of Justice and certain agencies of the U.S. government. In March 2006, the case was dismissed and the plaintiff was compelled to seek arbitration to resolve the matter. In November 2006, the plaintiff filed a demand for class arbitration against us and DVA Renal Healthcare. We intend to vigorously defend against these claims. We also intend to vigorously oppose the certification of this matter as a class action. At this time, we cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

In June 2004, Gambro Healthcare was served with a complaint filed in the Superior Court of California by one of its former employees who worked for its California acute services program. The complaint, which is styled as a class action, alleges, among other things, that DVA Renal Healthcare failed to provide overtime

wages, defined rest periods and meal periods, or compensation in lieu of such provisions and failed to comply with certain other California labor code requirements. We intend to vigorously defend against these claims. We also intend to vigorously oppose the certification of this matter as a class action. At this time, we cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

In addition to the foregoing, we are subject to claims and suits, including from time to time, contractual disputes and professional and general liability claims, as well as audits and investigations by various government entities, in the ordinary course of business. We believe that the ultimate resolution of any such pending proceedings, whether the underlying claims are covered by insurance or not, will not have a material adverse effect on its financial condition, results of operations or cash flows.

Item 4. Submission of Matters to a Vote of Securities Holders.

No matters were submitted to a vote of security holders during the fourth quarter of 2009.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the New York Stock Exchange under the symbol "DVA". The following table sets forth, for the periods indicated, the high and low closing prices for our common stock as reported by the New York Stock Exchange.

	High	Low
Year ended December 31, 2009:		
1st quarter	$ 53.04	$ 42.34
2nd quarter	49.56	42.36
3rd quarter	56.64	47.78
4th quarter	61.55	53.03
Year ended December 31, 2008:		
1st quarter	$ 59.23	$ 42.48
2nd quarter	53.86	47.79
3rd quarter	60.01	52.64
4th quarter	56.75	42.66

The closing price of our common stock on January 29, 2010 was $59.76 per share. According to The Bank of New York, our registrar and transfer agent, as of January 29, 2010, there were 8,315 holders of record of our common stock. We have not declared or paid cash dividends to holders of our common stock since 1994. We have no current plans to pay cash dividends and we are restricted from paying dividends under the terms of our Senior Secured Credit Facilities and the indentures governing our senior and senior subordinated notes. Also, see the heading "Liquidity and capital resources" under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the notes to our consolidated financial statements.

Stock Repurchases

The following table summarizes our repurchases of our common stock during 2009:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
March 1—31, 2009	744,400	$ 43.01	744,400	$ 121.5
September 1—30, 2009	1,108,784	56.25	1,108,784	59.1
October 1—31, 2009	1,049,435	56.32	1,049,435	500.0
Total	2,902,619	$ 52.88	2,902,619	

(1) On September 11, 2003, we announced that the Board of Directors authorized the repurchase of up to $200 million of our common stock, with no expiration date. On November 2, 2004, we announced that the Board of Directors approved an increase in our authorization to repurchase shares of our common stock by an additional $200 million. On May 1, 2008, our Board of Directors authorized an increase of an additional $143.5 million of repurchases of our common stock. On November 3, 2009, we announced that the Board of Directors authorized an increase of an additional $500 million for repurchases of our common stock.

This stock repurchase program has no expiration date. We are authorized to make purchases from time to time in the open market or in privately negotiated transactions, depending upon market conditions and other considerations. However, we are subject to share repurchase limitations under the terms of the Senior Secured Credit Facilities and the indentures governing our senior and senior subordinated notes.

Item 6. Selected Financial Data.

The following financial and operating data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements filed as part of this report. The following table presents selected consolidated financial and operating data for the periods indicated. Effective January 1, 2009, we were required to present consolidated net income attributable to us and to noncontrolling interests on the face of the consolidated statement of income, which changed the presentation of minority interests (noncontrolling interests) in our consolidated statements of income. These consolidated financial results have been recast for all prior periods presented to reflect the retrospective application of adopting these new presentation and disclosure requirements for noncontrolling interests. The operating results of DVA Renal Healthcare are included in our operating results from October 1, 2005, and the operating results of the historical DaVita divested centers are reflected as discontinued operations in our consolidated statements of income for 2005.

	Year ended December 31,				
	2009	2008	2007	2006	2005
	(in thousands, except share data)				
Income statement data:					
Net operating revenues(1)	$ 6,108,800	$ 5,660,173	$ 5,264,151	$ 4,880,662	$ 2,973,918
Operating expenses and charges(2)	5,168,529	4,791,077	4,355,240	4,103,089	2,485,052
Operating income	940,271	869,096	908,911	777,573	488,866
Debt expense(3)	(185,755)	(224,716)	(257,147)	(276,706)	(139,586)
Swap valuations gain, net(4)	—	—	—	—	4,548
Refinancing charges(5)	—	—	—	—	(8,170)
Other income, net(6)	3,708	12,411	22,460	13,033	8,934
Income from continuing operations before income taxes	758,224	656,791	674,224	513,900	354,592
Income tax expense	278,465	235,471	245,581	186,430	123,675
Income from continuing operations	479,759	421,320	428,643	327,470	230,917
Income from discontinued operations, net of tax(7)	—	—	—	1,747	14,376
Gain on disposal of discontinued operations, net of tax(7)	—	—	—	362	8,064
Net income	$ 479,759	$ 421,320	$ 428,643	$ 329,579	$ 253,357
Less: Net income attributable to noncontrolling interests(8)	$ (57,075)	$ (47,160)	$ (46,865)	$ (39,888)	$ (24,714)
Net income attributable to DaVita Inc.	$ 422,684	$ 374,160	$ 381,778	$ 289,691	$ 228,643
Basic earnings per common share from continuing operations attributable to DaVita Inc.(7)	$ 4.08	$ 3.56	$ 3.61	$ 2.79	$ 2.06
Diluted earnings per common share from continuing operations attributable to DaVita Inc.(7)	$ 4.06	$ 3.53	$ 3.55	$ 2.73	$ 1.99
Weighted average shares outstanding:(10)					
Basic	103,604,000	105,149,000	105,893,000	103,520,000	100,762,000
Diluted	104,168,000	105,940,000	107,418,000	105,793,000	104,068,000
Ratio of earnings to fixed charges(9)	3.58:1	3.01:1	2.92:1	2.38:1	2.86:1
Balance sheet data:					
Working capital	$ 1,255,580	$ 965,233	$ 889,917	$ 597,324	$ 664,675
Total assets	7,558,236	7,286,083	6,943,960	6,491,816	6,279,762
Long-term debt	3,532,217	3,622,421	3,683,887	3,730,380	4,085,435
Total DaVita Inc. shareholders' equity(10)	2,135,066	1,767,747	1,504,285	1,139,333	740,122

(1) Net operating revenues include $3,771 in 2005 of Medicare lab recoveries relating to prior years' services.

(2) Operating expenses and charges include $55,275 in 2007 and $37,968 in 2006 of valuation gains on the alliance and product supply agreement with Gambro Renal Products, Inc. Operating expenses and charges in 2007 also includes $6,779 of gains from insurance settlements related to Hurricane Katrina and a fire that destroyed one center.

(3) Debt expense in 2007 and 2006 includes the write-off of approximately $4.4 million and $3.3 million, respectively, of deferred financing costs associated with our principal prepayments on our term loans.

(4) The swap valuation net gains of $4,548 in 2005 represented the accumulated fair value on several swap instruments that were ineffective as cash flow hedges, as a result of the repayment of our prior senior secured credit facilities, as well as changes in the fair values of these swaps until they were redesignated as hedges, and represent changes in the fair value of the swaps during periods in which there was no matching variable rate LIBOR-based interest payments.

(5) Refinancing charges of $8,170 in 2005 represented the write-off of deferred financing costs associated with the extinguishment of our prior senior secured credit facilities.

(6) Other income, net, includes $5,868 in 2007 of gains from the sale of investment securities.

(7) During 2005, we divested a total of 71 outpatient dialysis centers in conjunction with a consent order issued by the Federal Trade Commission on October 4, 2005 in order for us to complete the acquisition of DVA Renal Healthcare. In addition, we completed the sale of three additional centers that were previously pending state regulatory approval in January 2006. The operating results of the historical DaVita divested and held for sale centers were reflected as discontinued operations in our consolidated financial statements for 2005.

(8) Net income attributable to noncontrolling interests includes $1,747 in 2006, and $1,219 in 2005 of income from discontinued operations.

(9) The ratio of earnings to fixed charges was computed by dividing earnings by fixed charges. Earnings for this purpose is defined as pretax income from continuing operations adjusted by adding back fixed charges expensed during the period. Fixed charges include debt expense (interest expense and the write-off and amortization of deferred financing costs), the estimated interest component of rental expense on operating leases, and capitalized interest.

(10) Share repurchases consisted of 2,902,619 shares of common stock for $153,495 in 2009, 4,788,881 shares of common stock for $232,715 in 2008 and 111,300 shares of common stock for $6,350 in 2007. Shares issued in connection with stock awards amounted to 2,104,304 in 2009, 1,314,074 in 2008, 2,480,899 in 2007, 2,620,125 in 2006 and 3,303,451 in 2005.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-looking statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain statements that are 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 and the impact of our related level of indebtedness on our financial performance, including earnings per share. 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 the regulatory environment in which we operate, economic and market conditions, competitive activities, other business conditions, 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 or changes to the structure of payments under the Medicare ESRD program or other government-based programs, including, for example, the implementation of a bundled payment rate system which will lower reimbursement for services we provide to Medicare patients, 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, the resolution of ongoing investigations by various federal and state government agencies, and the risk factors set forth in this 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 these statements, whether as a result of changes in underlying factors, new information, future events or otherwise.

The following should be read in conjunction with our consolidated financial statements and "Item 1. Business".

Overview

We are a leading provider of dialysis services in the United States through a network of approximately 1,530 outpatient dialysis centers and approximately 720 hospitals, serving approximately 118,000 patients in 43 states. In 2009, our overall network of dialysis centers increased by 81 centers primarily as a result of opening new centers and acquisitions and the overall number of patients that we serve increased by approximately 5.5%.

Our stated mission is to be the provider, partner and employer of choice. We believe our attention to these three stakeholders—our patients, our business partners, and our teammates—represents the major driver of our long-term performance, although we are subject to the impact of external factors such as government policy and physician practice patterns. Accordingly, two principal non-financial metrics we track are quality clinical outcomes and teammate turnover. We have developed our own composite index for measuring improvements in our clinical outcomes, which we refer to as the DaVita Quality Index, or DQI. Our clinical outcomes as measured by DQI have improved over each of the past three years. Although it is difficult to reliably measure clinical performance across our industry, we believe our clinical outcomes compare favorably with other dialysis providers in the United States. In addition, over the past several years our teammate turnover has remained relatively constant, although in 2009 we did experience a decrease in our overall teammate turnover. We believe this was a major contributor to our continued clinical performance improvements and also a major driver in our ability to improve productivity in 2009. We will continue to focus on these stakeholders and our clinical outcomes as we believe these are fundamental long-term value drivers.

Approximately 95% of our 2009 consolidated net operating revenues were derived directly from our dialysis and related lab services business. Approximately 84% of our 2009 dialysis and related lab services revenues were derived from outpatient hemodialysis services in the 1,498 centers that we consolidate, which are either wholly-owned or majority-owned. Other dialysis services, which are operationally integrated with our dialysis operations, are peritoneal dialysis, home-based hemodialysis, and hospital inpatient hemodialysis services. These services collectively accounted for the balance of our 2009 dialysis and related lab services revenues. We also generate management fees from management and administrative services to certain third-party-owned dialysis centers and dialysis centers that we own an equity investment in. These management fees represent less than 1% of our dialysis and related lab services revenues.

Our other business operations include ancillary services and strategic initiatives which are primarily aligned with our core business of providing dialysis services to our network of patients. These consist primarily of pharmacy services, infusion therapy services, disease management services, vascular access services, ESRD clinical research programs and physician services. These services generated approximately $317 million of net operating revenues in 2009, or approximately 5% of our consolidated net operating revenues. Overall our ancillary services and strategic initiatives decreased their operating losses from $30 million in 2008 to $18 million in 2009, primarily as a result of improved profitability in our pharmacy and disease management businesses. We currently expect to continue to invest in our ancillary services and strategic initiatives as we work to develop successful new business operations. However, any significant change in market conditions, business performance or in the regulatory environment may impact the economic viability of any of these strategic initiatives. Any unfavorable changes could result in a write-off or an impairment of some or all of our investments, including goodwill, in these strategic initiatives, or could also result in significant termination costs if we were to exit a certain line of business.

The principal drivers of our dialysis and related lab services revenues are:

- the number of treatments, which is primarily a function of the number of chronic patients requiring approximately three treatments per week, as well as, to a lesser extent, the number of treatments for peritoneal dialysis services and home-based dialysis and hospital inpatient dialysis services;
- average dialysis revenue per treatment; and
- the number of laboratory patient tests.

The total patient base is a relatively stable factor, which we believe is influenced by a demographically growing need for dialysis services, our relationships with referring physicians together with the quality of our clinical care, and our ability to open and acquire new centers. Our year-over-year treatment volume growth was 4.9% in 2009.

Average dialysis and related lab services revenue per treatment is primarily driven by our mix of commercial and government (principally Medicare and Medicaid) patients, the mix and intensity of physician-prescribed pharmaceuticals, commercial and government payment rates, and our billing and collecting operations performance.

On average, payment rates from commercial payors are significantly higher than Medicare, Medicaid and other government program payment rates, and therefore the percentage of commercial patients to total patients represents a major driver of our total average dialysis revenue per treatment. The percentage of commercial patients covered under contracted plans as compared to commercial patients with out-of-network providers can also significantly affect our average dialysis revenue per treatment. In 2009, the growth of our government-based patients, driven primarily by growth in Medicare-assigned plans, which we believe is largely as a result of improved mortality and the current economic recession, outpaced the growth in our commercial patients, which negatively impacted our average dialysis revenue per treatment as a result of receiving lower payment rates associated with these additional government-based patients.

The following table summarizes our dialysis and related lab services revenues for the year ended December 31, 2009:

	Revenues
Medicare and Medicare-assigned plans	57%
Medicaid and Medicaid-assigned plans	6%
Other government-based programs	2%
Total government-based programs	65%
Commercial (including hospital dialysis services)	35%
Total dialysis and related lab services revenues	100%

Government payment rates are principally determined by federal Medicare and state Medicaid policy. These payment rates have historically had limited potential for rate increases and are sometimes at risk of reduction as federal and state governments face increasing budget pressures. Medicare payment rates for dialysis services through 2008 have not been routinely increased to compensate for the impact of inflation. In July 2008, MIPPA was passed by Congress which introduced a new payment system for dialysis services beginning in January 2011 whereby ESRD payments will be made under a bundled payment rate which will provide for a fixed rate for all goods and services provided during the dialysis treatment. The legislation also provided for an increase in the composite rate of 1% effective January 1, 2009 and an additional 1% effective January 1, 2010. On September 15, 2009, CMS released the proposed rule regarding the new bundled payment rate system. The initial 2011 bundled rate is required to be set based on a 2% reduction in the payment rate that providers would have received under the historical fee for service payment methodology and based on the lowest average industry pharmaceutical utilization from 2007 to 2009. The combined effect of the adjustments provided in the proposed rule would result in a bundled rate that represents a significantly greater than 2% reduction in the payment rate that we would have received for our services prior to bundling. The proposed rule also requires, among other things, the new single bundled payment base rate to be adjusted annually for inflation based upon a market basket index, less 1% of such index, beginning in 2012. Dialysis providers have the option to move fully to the bundled payment system in 2011 or to phase in the payment system over three years.

Dialysis payment rates from commercial payors can vary significantly and a major portion of our commercial rates are set at contracted amounts with large payors and are subject to intense negotiation pressure. In 2009, we were successful in maintaining and in some instances increasing average payment rates, resulting in an aggregate increase in average payment rates for patients with commercial plans. However, we are continuously in the process of negotiating agreements with our commercial payors and payors are aggressive in their negotiations. If our negotiations result in overall commercial rate reductions in excess of overall commercial rate increases, this would have a material adverse effect on our operating results. In addition, if there are sustained or increased job losses in the United States as a result of current economic conditions, or depending upon changes to the healthcare regulatory system, we could experience a decrease in the number of patients under commercial plans. We also expect that some of our contracted rates with commercial payors may decrease or we may experience decreases in patient volume as our negotiations with commercial payors continue. In addition, payors have been attempting to impose restrictions and limitations on non-contracted or out-of-network providers, which could further decrease our commercial rate revenues since rates for out-of-network providers are on average higher than rates for in-network providers.

Approximately 30% of our dialysis and related lab services revenues for the year ended December 31, 2009 were from physician-prescribed pharmaceuticals, with EPO accounting for approximately 20% of our dialysis and related lab services revenues. Therefore, changes in physician practice patterns, pharmaceutical protocols, pharmaceutical intensities and changes in commercial and governmental payment rates for EPO significantly influence our revenue. For example, effective January 2008, changes to the EPO monitoring policy went into effect which further limited reimbursements and impacted the prescribing habits of our physicians, which

resulted in lower pharmaceutical intensities during 2008. In 2009, the intensities of physician-prescribed pharmaceuticals increased slightly from 2008, which helped contribute to an increase in our average dialysis and related lab services revenue per treatment.

Our operating performance with respect to dialysis services billing and collection can also be a significant factor in how much average dialysis and related lab services revenue per treatment we actually realize. Over the past several years we have invested heavily in new systems and processes that we believe have helped improve our operating performance and reduced our regulatory compliance risks and we expect to continue to improve these systems. In 2009, we continued to upgrade our systems and implemented process changes and will continue to do so in 2010 as necessary to improve our billing and collection performance. However, as we implement these system upgrades, our collection performance as well as our dialysis and related lab services revenue per treatment could be negatively impacted.

Our revenue recognition involves significant estimation risks. Our estimates are developed based on the best information available to us and our best judgment as to the reasonably assured collectibility of our billings as of the reporting date based upon our actual historical collection experience. Changes in estimates are reflected in the then-current period financial statements based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies.

Our annual average dialysis and related lab services revenue per treatment was approximately $340, $334 and $334 for 2009, 2008 and 2007, respectively. In 2009, the increase in our average dialysis and related lab services revenue per treatment was primarily due to a 1% increase in the Medicare composite rate, an increase in our commercial payment rates, an increase in our reimbursement rates for EPO and other pharmaceuticals and an increase in the intensities of physician-prescribed pharmaceuticals, partially offset by changes in the mix of our commercial payors. In 2008, the average dialysis and related lab services revenue per treatment was flat as compared to 2007, but was impacted by some commercial rate compression that occurred in late 2007, a decrease in the intensities of physician-prescribed pharmaceuticals offset by changes in mix and rates of some of our other commercial payors. Our ability to negotiate acceptable payment rates with commercial payors, changes in the mix and intensities of physician-prescribed pharmaceuticals, government payment policies regarding reimbursement amounts for dialysis treatments and pharmaceuticals, including the bundling of such services, and changes in the mix of government and commercial payors may materially impact our average dialysis and related lab services revenue per treatment in the future.

The principal drivers of our dialysis and related lab services patient care costs are clinical hours per treatment, labor rates, vendor pricing of pharmaceuticals, utilization levels of pharmaceuticals and business infrastructure, including the operating costs of our dialysis centers, and compliance costs. However, other cost categories can also represent significant cost variability, such as employee benefit costs and insurance costs. Our average clinical hours per treatment have remained relatively stable over the past few years primarily because of improved efficiencies driven by reduced clinical teammate turnover and improved training and processes. In 2009, we were able to reduce our average clinical hours per treatment from 2008 as a result of continued productivity improvements primarily through reduced teammate turnover and the fact that 2008 was negatively impacted by the implementation of new federal guidelines. We continue to strive for improved productivity levels, however we may not be able to sustain our 2009 performance as changes in federal and state policies can adversely impact our ability to achieve optimal productivity levels, as would improvements in the U.S. economy, which could stimulate additional competition for skilled clinical personnel, and result in higher teammate turnover. In 2009 and 2008, we also experienced an increase in our labor rates of approximately 2.5% and 3.5%, respectively, as labor rates have increased consistent with general industry trends, mainly due to the demand for skilled clinical personnel, along with general inflation increases. In 2009, we experienced an increase in our pharmaceutical costs, mainly related to EPO, which increased by approximately 2%. In addition, our agreement with Amgen for the purchase of EPO provides for specific rebates based on a combination of factors, including process improvement and data submission, which could negatively impact our earnings if we are unable to continue to qualify for these rebates. In 2009, we experienced increases in our infrastructure and operating costs of our dialysis centers, primarily due to the number of new centers opened, and general increases in rent, utilities and repairs and maintenance.

General and administrative expenses have remained relatively constant as a percent of consolidated revenues over the past three years. However, this reflects a substantial increase in the dollar amount of spending related to strengthening our dialysis business, improving our regulatory compliance and other operational processes, responding to certain legal matters and supporting the growth in our ancillary services and strategic initiatives. We expect that the level of general and administrative expenses will be sustained and may vary depending upon the level of investment we make in our long-term initiatives, including further investments in our ancillary services and strategic initiatives, and to support our regulatory compliance efforts.

Outlook for 2010. Currently, we still expect our operating income for 2010 to be in the range of $950 million to $1,020 million and we also expect our operating cash flows for 2010 to be in the range of $675 million to $725 million. These projections and the underlying assumptions involve significant risks and uncertainties, and actual results may vary significantly from these current projections. These risks and uncertainties, among others, include those relating to 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 or changes to the structure of payments under the Medicare ESRD program or other government-based programs, including, for example, the implementation of a bundled payment rate system which will lower reimbursement for services we provide to Medicare patients, 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 and the resolution of ongoing investigations by various federal and state government agencies. You should read "Risk Factors" in Item 1A of this Annual Report on Form 10-K and the cautionary language contained in the forward-looking statements and associated risks as discussed on page 38 for more information about these and other potential risks. We undertake no obligation to update or revise these projections, whether as a result of changes in underlying factors, new information, future events or otherwise.

Results of operations

We operate principally as a dialysis and related lab services business but also operate other ancillary services and strategic initiatives. These ancillary services and strategic initiatives consist primarily of pharmacy services, infusion therapy services, disease management services (VillageHealth), vascular access services, ESRD clinical research programs and physician services. The dialysis and related lab services business qualifies as a separately reportable segment and all of the other ancillary services and strategic initiatives have been combined and disclosed in the other segments category.

Following is a summary of consolidated operating results for reference in the discussion that follows.

	Year ended December 31,					
	2009		2008		2007	
	(dollar amounts rounded to nearest million)					
Net operating revenues:						
Current period services	$ 6,109	100%	$ 5,660	100%	$ 5,264	100%
Operating expenses and charges:						
Patient care costs	4,249	70%	3,920	69%	3,590	68%
General and administrative	532	9%	508	9%	491	9%
Depreciation and amortization	229	4%	217	4%	193	4%
Provision for uncollectible accounts	162	3%	146	3%	137	3%
Equity investment income	(2)	—	(1)	—	(1)	—
Valuation gain on alliance and product supply agreement	—	—	—	—	(55)	(1)%
Total operating expenses and charges	5,169	85%	4,791	85%	4,355	83%
Operating income	$ 940	15%	$ 869	15%	$ 909	17%

The following table summarizes consolidated net operating revenues:

	Year ended		
	2009	2008	2007
	(dollar amounts rounded to nearest million)		
Dialysis and related lab services	$ 5,792	$ 5,415	$ 5,130
Other—ancillary services and strategic initiatives	317	245	134
Consolidated net operating revenues	$ 6,109	$ 5,660	$ 5,264

The following table summarizes consolidated operating income:

	Year ended		
	2009	2008(2)	2007(1)(2)
	(dollar amounts rounded to nearest million)		
Dialysis and related lab services	$ 1,000	$ 939	$ 990
Other—ancillary services and strategic initiatives loss	(18)	(30)	(48)
Total segment operating income	982	910	942
Reconciling items:			
Stock-based compensation	(44)	(41)	(34)
Equity investment income	2	1	1
Consolidated operating income	940	869	909
Reconciliation of non-GAAP measures:			
Less: Gains on insurance settlements	—	—	(7)
Valuation gain on the alliance and product supply agreement	—	—	(55)
Non-GAAP consolidated operating income	$ 940	$ 869	$ 847

(1) In 2007, we have excluded valuation gains on the alliance and product supply agreement with Gambro Renal Products Inc. (the Product Supply Agreement) as well as gains on insurance settlements from Hurricane Katrina from non-GAAP adjusted consolidated operating income in 2007 because management believes that this presentation enhances a user's understanding of our normal consolidated operating income by excluding a non-recurring non-cash gain that resulted from the termination of our purchase obligation for dialysis machines from Gambro Renal Products Inc. under the Product Supply Agreement as well as an unusual insurance gain, and as a result is both more meaningful and comparable to our current and prior period results, and more indicative of our normal consolidated operating income.

(2) Certain costs previously reported in ancillary services and strategic initiatives have been reclassified to dialysis and related lab services to conform to the current year presentation.

Consolidated net operating revenues

Consolidated net operating revenues for 2009 increased by approximately $449 million or approximately 7.9% from 2008. This increase was primarily due to an increase in dialysis and related lab services net revenues of approximately $377 million, principally due to increased treatments, and an increase of approximately $72 million in the ancillary services and strategic initiatives net revenues primarily from growth in our pharmacy services, VillageHealth services and from our infusion therapy services.

Consolidated net operating revenues for 2008 increased by approximately $396 million or approximately 7.5% from 2007. This increase was primarily due to an increase in dialysis and related lab services net revenues of approximately $285 million, principally due to increased treatments, and an increase of approximately $111 million in the ancillary services and strategic initiatives net revenues primarily from growth in our pharmacy services, VillageHealth services and from our infusion therapy services.

Consolidated operating income

Consolidated operating income of $940 million for 2009 increased by approximately $71 million from 2008. This increase was primarily attributable to an increase in revenue as a result of non-acquired treatment growth in dialysis and related lab services, as well as an increase in our dialysis revenue per treatment of approximately $6 as described below. Operating income also increased as a result of cost control initiatives, improved productivity and lower operating losses in our ancillary services and strategic initiatives, which losses were reduced by approximately $12 million in 2009, partially offset by the negative impact of higher pharmaceutical, labor and benefit costs, and increases in other operating costs of our dialysis centers.

Consolidated operating income was $869 million for 2008, as compared to $909 million for 2007. Consolidated operating income in 2007 included a valuation gain of $55 million on the Product Supply Agreement and the $7 million insurance settlement related to Hurricane Katrina. Excluding the valuation gain on the Product Supply Agreement and the insurance settlement in 2007, our consolidated operating income for 2008 would have increased by approximately $22 million, compared to the adjusted operating income for 2007. This increase in consolidated operating income for 2008 as compared to adjusted operating income for 2007 was primarily due to treatment growth in dialysis and related lab services revenues, combined with growth in revenue in ancillary services and strategic initiatives outpacing increases in our operating expenses. Our ancillary services and strategic initiatives net operating losses were reduced by approximately $18 million in 2008. However, our consolidated operating income for 2008 was negatively affected by rising labor costs, the absence of a Medicare rate increase, the impact of some commercial rate compression that occurred in late 2007, decreases in intensities of physician-prescribed pharmaceuticals, an increase in the operating costs of our dialysis centers, driven in part by the number of new dialysis centers opened and from centers constructed but pending state and/or federal certification, an increase in pharmaceutical costs (primarily heparin) and an increase in stock-based compensation costs.

Operating segments

Dialysis and Related Lab Services

	Year ended		
	2009	2008	2007
	(dollar amounts rounded to nearest million, except per treatment data)		
Revenues	$ 5,792	$ 5,415	$ 5,130
Segment operating income	$ 1,000	$ 939	$ 990
Dialysis treatments	17,010,450	16,217,107	15,318,995
Average dialysis treatments per treatment day	54,433	51,663	48,942
Average dialysis and related lab services revenue per treatment	$ 340	$ 334	$ 334

Net operating revenues

Dialysis and related lab services net operating revenues for 2009 increased by approximately $377 million or approximately 6.9% from 2008. The increase in net operating revenues was primarily due to an increase in the number of treatments of approximately 4.7%, and an increase in the average dialysis revenue per treatment of approximately $6, or 1.9%. The increase in the number of treatments was primarily due to an increase in non-acquired treatment growth at existing and new centers and growth through acquisitions. The increase in the average dialysis revenue per treatment in 2009, as compared to 2008, was primarily due to a 1% Medicare increase in the Medicare composite rate, an increase in our commercial payment rates, an increase in our reimbursement rates for EPO and other pharmaceuticals, and an increase in the intensities of physician-prescribed pharmaceuticals, partially offset by changes in the mix of our commercial payors.

Dialysis and related lab services net operating revenues for 2008 increased by approximately $285 million or approximately 5.6% from 2007. The increase in net operating revenues was primarily due to an increase in the

number of treatments of approximately 5.7%, offset by a slight decrease in the average dialysis revenue per treatment. The increase in number of treatments was primarily due to an increase in the number of treatment days in 2008, as compared to 2007, and non-acquired treatment growth at existing and new centers and growth through acquisitions. The decrease in the average dialysis revenue per treatment in 2008, as compared to 2007, was primarily due to the impact of some commercial rate compression that occurred in late 2007, decreases in intensity of physician-prescribed pharmaceuticals, partially offset by changes in the mix and rates of some of our other commercial payors.

The following table summarizes our dialysis and related lab services revenues by modality for the year ended December 31, 2009:

	Revenue percentages
Outpatient hemodialysis centers	84%
Peritoneal dialysis and home-based hemodialysis	11%
Hospital inpatient hemodialysis	5%
Total dialysis and related lab services revenues	100%

In addition to reimbursements for dialysis treatments, the other major component of dialysis and related lab services revenues is the administration of EPO and other pharmaceuticals as part of the dialysis treatment, which represents slightly more than 30% of total dialysis and related lab services revenues for the year ended December 31, 2009.

Approximately 65% of our total dialysis and related lab services revenues for the year ended December 31, 2009 were from government-based programs, principally Medicare, Medicaid, and Medicare-assigned plans, representing approximately 88% of our total patients. Approximately 35% of our dialysis and related lab services revenues and 12% of our patients are associated with commercial payors. Less than 1% of our dialysis and related lab services payments are due directly from patients. No single commercial payor accounted for more than 5% of total dialysis and related lab services revenues for the year ended December 31, 2009.

On average we are paid significantly more for services provided to patients covered by commercial healthcare plans than we are for patients covered by Medicare, Medicaid or other government plans such as Medicare-assigned plans. Patients covered by commercial health plans transition to Medicare coverage after a maximum of 33 months. As a patient transitions from commercial coverage to Medicare or Medicaid coverage, the payment rates normally decline substantially. As of December 31, 2009, the Medicare ESRD dialysis treatment rates for our patients were between $150 and $167 per treatment, or an overall average of $159 per treatment, excluding the administration of separately billed pharmaceuticals. Medicare payment rates are insufficient to cover our costs associated with providing dialysis treatments, and therefore we lose money on each Medicare treatment.

Nearly all of our net earnings from dialysis and related lab services are derived from commercial payors, some of which pay at negotiated payment rates as established by contract and others of which pay based on our usual and customary fee schedule. We are continuously in negotiations with commercial payors for contracted rates and some of these payment rates are under downward pressure as we negotiate these rates with large HMOs and insurance carriers and we expect this trend to continue. We also expect that we may experience decreases in patient volume as our negotiations with commercial payors continue. In addition, payors have been attempting to impose restrictions and limitations on non-contracted or out-of-network providers, in which we receive higher payment rates than for in-network providers. If we experience a net overall reduction in our contracted and non-contracted commercial rates as a result of these negotiations or restrictions, it could have a material adverse effect on our operating results.

Our average dialysis and related lab services revenue per treatment can be significantly impacted by several major factors, including our ability to negotiate acceptable payment rates with contracted and non-contracted

commercial payors, changes in the mix and intensities of physician-prescribed pharmaceuticals, government payment policies regarding reimbursement amounts for dialysis treatments and pharmaceuticals, including the bundling of such services and changes in the mix of government and non-government payments.

Operating expenses and charges

Patient care costs. Dialysis and related lab services patient care costs are those costs directly associated with operating and supporting our dialysis centers and consist principally of labor, pharmaceuticals, medical supplies and operating costs of the dialysis centers. The dialysis and related lab services patient care costs on a per treatment basis were $234, $230 and $227 for 2009, 2008, and 2007, respectively. The $4 increase in the per treatment costs in 2009 as compared to 2008 was primarily attributable to higher labor rates and benefit costs, an increase in pharmaceutical costs, an increase in other operating costs of our dialysis centers and a increase in the intensities of physician-prescribed pharmaceuticals, partially offset by improved productivity.

Dialysis and related lab services patient care costs on a per treatment basis increased by approximately $3 in 2008 as compared to 2007. The increase in the per treatment costs was primarily attributable to an increase in labor rates as well as the negative impact on productivity during the year as we implemented new federal guidelines. Additionally, we experienced an increase in the operating costs of our dialysis centers driven in part by the number of new centers opened and from centers constructed but pending state and/or federal certification, and an increase in pharmaceutical costs, partially offset by a decrease in the intensities of physician-prescribed pharmaceuticals.

General and administrative expenses. Dialysis and related lab services general and administrative expenses for the years ended 2009, 2008 and 2007 were approximately $427 million, $402 million and $400 million, respectively. The increase of approximately $25 million in 2009 as compared to 2008 was primarily due to increases in labor and benefit costs, partially offset by the timing of certain other expenditures. The increase in general and administrative expenses of approximately $2 million in 2008 as compared to 2007, was primarily due to increases in labor costs and the timing of certain other expenditures, mainly offset by lower integration costs and lower professional fees.

Depreciation and amortization. Dialysis and related lab services depreciation and amortization expenses for 2009, 2008 and 2007 were approximately $222 million, $210 million and $189 million, respectively. The increase of approximately $12 million in depreciation and amortization for dialysis and related lab services in 2009 as compared to 2008 was primarily due to growth through new center developments and expansions. The increase in depreciation and amortization of approximately $21 million in 2008, as compared to 2007, was primarily due to growth through new center developments and expansions and a change in amortization associated with amendments to the Product Supply Agreement.

Provision for uncollectible accounts receivable. The provision for uncollectible accounts receivable for dialysis and related lab services was 2.7% for 2009 and 2.6% for 2008 and 2007. The increase in the provision for uncollectible accounts in 2009 was primarily to reflect a slowdown in the timing of payments from some of our non-government payors. The current provision level of 2.7% may increase if we encounter problems with our billing and collection process as a result of sustained weakness in the U.S. economy.

Operating income

Dialysis and related lab services operating income for 2009 increased by approximately $61 million as compared to 2008. The increase in the operating income for 2009 as compared to 2008 was primarily due to growth in the number of dialysis treatments, an increase in the dialysis revenue per treatment of approximately $6 as described above. The dialysis and related lab services operating income also increased as a result of certain cost control initiatives and improved productivity, but was negatively impacted primarily by higher labor and benefit costs, an increase in pharmaceutical costs and an increase in other operating costs of our dialysis centers.

Dialysis and related lab services operating income for 2008 decreased by approximately $51 million as compared to 2007. Operating income in 2007 included a valuation gain of $55 million on the Product Supply Agreement and $7 million of insurance settlements relating to Hurricane Katrina as discussed above. Excluding these items, operating income for 2008 would have increased by approximately $11 million as compared to adjusted operating income for 2007. The increase in the operating income for 2008 as compared to adjusted operating income for 2007 was primarily due to growth in the volume of revenue outpacing increases in certain expenditures. However, operating income for 2008 was negatively affected by certain significant items such as a decrease in our dialysis revenue per treatment, lower intensities of physician-prescribed pharmaceuticals, an increase in labor costs and higher operating costs of our dialysis centers primarily associated with the number of new centers that were opened and from centers constructed but pending state and/or federal certification, an increase in pharmaceutical costs (primarily heparin), and the absence of a Medicare rate increase.

Other—Ancillary services and strategic initiatives

	Year ended		
	2009	2008	2007
	(dollar amounts rounded to nearest million)		
Revenues	$ 317	$ 245	$ 134
Segment operating loss	$ (18)	$ (30)	$ (48)

Net operating revenues

The ancillary services and strategic initiatives net operating revenues for 2009 increased by approximately $72 million or 29.5% as compared to 2008, primarily from growth in pharmacy services, VillageHealth services and from our infusion therapy services.

The ancillary services and strategic initiatives net operating revenues for 2008 increased by approximately $111 million or 82.7% as compared to 2007, primarily from growth in pharmacy services, VillageHealth services, vascular access services and a full year of operations of our infusion therapy services which we acquired in the third quarter of 2007.

Operating expenses

Ancillary services and strategic initiatives operating expenses for 2009 increased by approximately $60 million from 2008, primarily due to an increase in volume in our pharmacy business, an increase in labor and benefit costs, partially offset by lower professional fees.

Ancillary services and strategic initiatives operating expenses for 2008 increased by approximately $93 million from 2007, primarily due to an increase in volume in our pharmacy business, an increase in fixed operating expenses, an increase in labor costs and a full year of operations of our infusion therapy services, partially offset by lower professional fees in our VillageHealth business.

Operating loss

Ancillary services and strategic initiatives operating losses for 2009 decreased by approximately $12 million from 2008. The decrease in operating losses was primarily due to volume growth in revenues outpacing increases in operating expenses, primarily associated with our pharmacy business and our VillageHealth business, partially offset by an increase in operating losses associated with certain new initiatives.

Ancillary services and strategic initiatives operating losses for 2008 decreased by approximately $18 million from 2007. The decrease in operating losses was primarily due to growth in revenues outpacing increases in operating expenses, primarily associated with our pharmacy business and our vascular access services.

Corporate level charges

Stock-based compensation. Stock-based compensation of approximately $44 million for 2009 increased by approximately $3 million from 2008. Stock-based compensation for 2008 increased by approximately $7 million from 2007. The increases in both periods resulted from an increase in the aggregate quantity of grants that contributed expense to each of these years.

Debt expense. Debt expense for 2009, 2008, and 2007 consisted of interest expense of approximately $176 million, $215 million, and $243 million, respectively, and amortization of deferred financing costs of approximately $10 million for each year presented. Debt expense for 2007 also included the write-off of approximately $4 million of deferred financing costs associated with the principal prepayments on our term loans. The decrease in interest expense in 2009 as compared to 2008 was primarily attributable to decreases in the LIBOR-based variable interest rates on the unhedged portion of our debt and the result of lower notional amounts of fixed rate swap agreements that contained higher rates. As of December 31, 2009, the notional amounts of our fixed rate swaps were approximately $389 million as compared to approximately $790 million at December 31, 2008. Our overall weighted average effective interest rate in 2009 was 4.86% as compared to 5.82% in 2008. The decrease in interest expense in 2008 as compared to 2007 was primarily attributable to decreases in the LIBOR-based variable interest rates on the unhedged portion of our debt. Our overall weighted average interest rate in 2008 was 5.82% as compared to 6.49% in 2007.

Equity investment income. Equity investment income was approximately $2.4 million in 2009 as compared to $0.8 million in 2008. The increase in equity investment income in 2009 was primarily due to an increase in the number of equity investments and improved profitability at several joint ventures. Equity investment income in 2008 remained flat as compared to 2007.

Other income. Other income was approximately $4 million, $12 million, and $22 million in 2009, 2008, and 2007, respectively, and consisted principally of interest income. The decrease in other income in 2009 was primarily the result of lower average interest rates, partially offset by higher average cash balances. The decrease in other income in 2008 as compared to 2007, was primarily due to the fact that 2007 included gains on the sale of investments of approximately $6 million resulting from the sale of our investment in NxStage Medical Inc. and a decrease in interest rates as well as lower average cash and investment balances.

Provision for income taxes. The provision for income taxes for 2009 represented an effective annualized tax rate of 36.7%, compared with 35.9% and 36.4% in 2008 and 2007, respectively. The effective tax rate in 2008 was lower primarily due to nonrecurring tax benefits associated with transactions occurring in 2008. We currently project the effective income tax rate for 2010 to be in the range of 36.5% to 37.5%.

Impairments and valuation adjustments. We perform impairment or valuation reviews for our property and equipment, amortizable intangible assets with finite useful lives, equity investments in non-consolidated businesses, and our investments in ancillary services and strategic initiatives at least annually and whenever a change in condition indicates that an impairment review is warranted. Such changes include shifts in our business strategy or plans, the quality or structure of our relationships with our partners, or when a center experiences deteriorating operating performance. Goodwill is also assessed at least annually for possible valuation impairment using fair value methodologies. These types of adjustments are charged directly to the corresponding operating segment that incurred the charge. No significant impairments or valuation adjustments were recognized during the periods presented.

Noncontrolling interests

Net income attributable to noncontrolling interests for 2009, 2008 and 2007 were approximately $57 million, $47 million and $47 million, respectively. The increase in noncontrolling interests in 2009 was primarily due to an increase in new dialysis centers having minority partners and growth in the earnings of our existing dialysis joint ventures. The percentage of dialysis and related lab services net operating revenues generated from dialysis related joint ventures was approximately 16% in 2009 compared to 15% in 2008.

Accounts receivable

Our accounts receivable balances at December 31, 2009 and 2008 represented approximately 68 and 70 days of revenue, respectively, net of bad debt allowance. The relative decrease in the days of net revenue in accounts receivable as of December 31, 2009 was a result of improved cash collections on current outstanding balances. Accounts receivable balances of approximately 70 days of revenue is more consistent with our past experience levels and expected trends.

As of December 31, 2009 and 2008, approximately $201 million and $102 million in unreserved accounts receivable, respectively, representing approximately 18% and 9% of our total accounts receivable balance, respectively, were more than six months old. During 2009, we experienced delays in cash collections from certain government payors and certain commercial payors. We anticipate that we will collect these outstanding balances since we believe the delays in collections relate primarily to the timing of payors processing our claims for payment. There were no significant unreserved balances over one year old. Less than 2% of our treatments are classified as "patient pay". Substantially all revenue realized is from government and commercial payors, as discussed above.

Amounts pending approval from third-party payors as of December 31, 2009 and 2008, other than the standard monthly billing, consisted of approximately $46 million and $39 million, respectively, associated with Medicare bad debt claims, classified as "other receivables". Currently, our Medicare bad debt claims are typically paid to us before the Medicare fiscal intermediary audits the claims. However, the payment received from Medicare is subject to adjustment based upon the actual results of the audits. Such audits typically occur one to four years after the claims are filed. As a kidney dialysis provider, our revenue is not subject to cost report settlements, except for potentially limiting the collectibility of these Medicare bad debt claims.

Liquidity and capital resources

Available liquidity. As of December 31, 2009, our cash balance was $539 million and we had undrawn credit under our Senior Secured Credit Facilities totaling $250 million, of which approximately $52 million was committed for outstanding letters of credit. We believe that we will have sufficient liquidity, operating cash flows and access to borrowings to fund our scheduled debt service and other obligations for the foreseeable future. Our primary sources of liquidity are cash from operations and cash from borrowings.

Cash flow from operations during 2009 amounted to $667 million, compared with $614 million for 2008. Cash flow from operations in 2009 included cash interest payments of approximately $186 million and cash tax payments of $162 million. Cash flow from operations in 2008 included cash interest payments of $223 million and cash tax payments of $163 million.

Non-operating cash outflows in 2009 included $275 million for capital asset expenditures, including $161 million for new center developments and relocations, and $114 million for maintenance and information technology. We also spent an additional $88 million for acquisitions. During 2009, we also received $33 million from the maturity and sale of investments. However, these proceeds were either used to repurchase other investments or were used to fund distributions from our deferred compensation plans. In addition, we received $75 million associated with stock option exercises and other share issuances and the related excess tax benefits. We also made distributions to noncontrolling interests of $68 million, and received contributions from noncontrolling interests of $13 million associated with new joint ventures and from additional equity contributions. We also repurchased 2.9 million shares of our common stock for approximately $154 million.

Non-operating cash outflows in 2008 included $318 million for capital asset expenditures, including $213 million for new center developments and relocations and $105 million for maintenance and information technology. We also spent an additional $102 million for acquisitions. During 2008, we also received $43 million from the maturity and sale of investments. However, these proceeds were either used to repurchase other investments or were used to fund distributions from our deferred compensation plans. In addition, we received

$48 million associated with stock option exercises and other share issuances and related excess tax benefits. We also made distributions to noncontrolling interests of $59 million and received contributions from noncontrolling interests of $19 million associated with new joint ventures and from additional equity contributions. We also repurchased 4.8 million shares of our common stock for approximately $233 million.

During 2009, we acquired a total of 19 dialysis centers, opened 78 new dialysis centers, sold or closed eight centers, merged 16 centers into other existing centers, made equity investments in six centers and added two centers under management and administrative service agreements. During 2008, we acquired a total of 20 dialysis centers, opened 86 new dialysis centers, sold or closed nine centers, merged eight centers into other existing centers, ceased operations at one joint venture in which we owned an equity investment and added a net two centers under management and administrative service agreements.

We currently expect to spend approximately $125 million for general maintenance capital asset expenditures in 2010, and approximately $250 million for new center development, relocations and center acquisitions depending upon the availability of certain projects and sufficient project returns which does not include any potential expenditures for our new corporate headquarters. We expect to generate approximately $675 million to $725 million of operating cash flow in 2010. Our actual expenditures for growth and cash flows in 2010 could vary significantly from these expected amounts.

2009 capital structure changes and other items

Our Senior Secured Credit Facilities are guaranteed by substantially all of our direct and indirect wholly-owned subsidiaries and are secured by substantially all of our and our subsidiary guarantors' assets. The Senior Secured Credit Facilities also contain customary affirmative and negative covenants and require compliance with financial covenants, including an interest rate coverage ratio and a leverage ratio that determines the interest rate margins on our term loan A and our revolving line of credit. The Senior Secured Credit Facilities in general also contain limits on the general amount of capital expenditures for internal growth, acquisitions and capital improvements, as described below, as well as limits on the amount of tangible net assets in non-guarantor subsidiaries.

Term Loan A

During 2009, we made mandatory principal payments totaling $61.3 million on our term loan A. As a result of these principal payments, the outstanding balance on term loan A as of December 31, 2009 was $153.1 million and bore interest at LIBOR plus a margin of 1.50%, for an overall weighted average effective rate of 1.74%. The interest rate margin is subject to adjustment depending upon certain financial conditions and could range from 1.50% to 2.25%. Term loan A matures in October 2011 and requires annual principal payments of $87.5 million in 2010 and $65.6 million in 2011, respectively.

Term Loan B

As of December 31, 2009, the outstanding balance of our term loan B was $1.7 billion and bore interest at LIBOR plus a margin of 1.50% for an overall weighted average effective rate of 2.66%, including the impact of our swap agreements. We did not make any principal payments on term loan B during 2009, nor were we required to. Term loan B matures in October 2012 and requires principal payments of $1.7 billion in 2012.

Senior and Senior Subordinated Notes

Our senior and senior subordinated notes, as of December 31, 2009, consisted of $900 million of 6 ⅞% senior notes due 2013 and $850 million of 7 ¼ % senior subordinated notes due 2015. The notes are guaranteed by substantially all of our direct and indirect wholly-owned subsidiaries and require semi-annual interest payments in March and September. We may redeem some or all of the senior notes at any time on or after March 15, 2009 and some or all of the senior subordinated notes at any time on or after March 15, 2010.

Interest rate swaps

As of December 31, 2009, we maintained a total of eight interest rate swap agreements, with amortizing notional amounts totaling $389 million. These agreements had the economic effect of modifying the LIBOR-based variable interest rate on an equivalent amount of our debt to fixed rates ranging from 3.88% to 4.70%, resulting in an overall weighted average effective interest rate of 5.78% on the hedged portion of our Senior Secured Credit Facilities, including the term loan B margin of 1.50%. The swap agreements expire in 2010 and require quarterly interest payments. During 2009, 2008, and 2007 we accrued net cash (obligations) benefits of approximately ($17.3) million, $(4.2) million, and $14.5 million, respectively, from these swaps, which are included in debt expense. We estimate that approximately $8.9 million of existing unrealized pre-tax losses in other comprehensive income at December 31, 2009 will be reclassified into income in 2010. As of December 31, 2009 and 2008, the total fair value of these swaps were liabilities of $10.8 million and $21.9 million, respectively. The 2009 amount was included in other current liabilities. The 2008 amount was primarily included in other long-term liabilities. Also during 2009, we recorded approximately $8.0 million, net of tax, as an increase to other comprehensive income for amounts reclassified into income, net of swap valuation losses. In 2008, we recorded $10.4 million, net of tax, as reductions to other comprehensive income for swap valuation losses, net of amounts reclassified into income.

As of December 31, 2009, the interest rates were economically fixed on approximately 21% of our variable rate debt and approximately 59% of our total debt.

As a result of the swap agreements, our overall weighted average effective interest rate on the Senior Secured Credit Facilities was 2.63%, based upon the current margins in effect of 1.50%, as of December 31, 2009.

Our overall weighted average effective interest rate in 2009 was 4.86% and as of December 31, 2009 was 4.68%.

Stock repurchases

During 2009, we repurchased a total of 2,902,619 shares of our common stock for $153.5 million, or an average price of $52.88 per share, pursuant to previously announced authorizations by the Board of Directors. On November 3, 2009, we announced that our Board of Directors authorized an increase of an additional $500 million of share repurchases of our common stock. As a result of these transactions the total outstanding authorization for share repurchases as of December 31, 2009 was $500 million. We have not repurchased any additional shares of our common stock from January 1, 2010 through February 25, 2010. This stock repurchase program has no expiration date.

Stock-based compensation

Stock-based compensation recognized in a period represents the amortization during that period of the estimated grant-date fair value of stock-based awards over their vesting terms, adjusted for expected forfeitures. Shares issued upon exercise of stock awards are generally issued from shares in treasury. We have utilized the Black-Scholes-Merton valuation model for estimating the grant date fair value of stock options and stock-settled stock appreciation rights granted in all prior periods. During 2009, we granted 4,211,840 stock-settled stock appreciation rights with a grant-date fair value of $50.9 million and a weighted-average expected life of approximately 3.5 years, and also granted 48,135 stock units with a grant-date fair value of $2.6 million and a weighted-average expected life of approximately 2.5 years.

For the years ended December 31, 2009 and 2008, we recognized $44.4 million and $41.2 million, respectively, in stock-based compensation expense for stock options, stock-settled stock appreciation rights, stock units and discounted employee stock plan purchases, which is primarily included in general and

administrative expenses. The estimated tax benefits recorded for this stock-based compensation in 2009 and 2008 were $16.8 million and $15.6 million, respectively. As of December 31, 2009, there was $80.0 million of total estimated unrecognized compensation cost related to nonvested stock-based compensation arrangements under our equity compensation and stock purchase plans. We expect to recognize this cost over a weighted average remaining period of 1.4 years.

During the years ended December 31, 2009 and 2008, we received $63.7 million and $35.6 million, respectively, in cash proceeds from stock option exercises and $18.2 million and $14.0 million, respectively, in total actual tax benefits upon the exercise of stock awards.

2008 capital structure changes

Term Loan A

During 2008, we made mandatory principal payments totaling $14.9 million on our term loan A. As a result of these principal payments, the outstanding balance on term loan A as of December 31, 2008 was $214.4 million and bore interest at LIBOR plus a margin of 1.50%, for an overall weighted average effective rate of 1.97%. The interest rate margin is subject to adjustment depending upon certain financial conditions and could range from 1.50% to 2.25%.

Term Loan B

As of December 31, 2008, the outstanding balance of our term loan B was $1.7 billion and bore interest at LIBOR plus a margin of 1.50% for an overall weighted average effective rate of 3.63%, including the impact of our swap agreements. We did not make any principal payments on term loan B during 2008, nor were we required to.

Senior and Senior Subordinated Notes

Our senior and senior subordinated notes, as of December 31, 2008, consisted of $900 million of 6⅜% senior notes due 2013 and $850 million of 7¼% senior subordinated notes due 2015. The notes are guaranteed by substantially all of our direct and indirect wholly-owned subsidiaries and require semi-annual interest payments in March and September. We may redeem some or all of the senior notes at any time on or after March 15, 2009 and some or all of the senior subordinated notes at any time on or after March 15, 2010.

Stock repurchases

During 2008, we repurchased a total of 4,788,881 shares of our common stock for $232.7 million, or an average price of $48.59 per share, pursuant to previously announced authorizations by the Board of Directors. On May 1, 2008, our Board of Directors authorized an increase of an additional $143.5 million of share repurchases of our common stock. As a result of these transactions the total outstanding authorization for share repurchases as of December 31, 2008 was $153.5 million. This stock repurchase program had no expiration date.

Interest rate swaps

As of December 31, 2008, we maintained a total of nine interest rate swap agreements, with amortizing notional amounts totaling $790 million. These agreements had the economic effect of modifying the LIBOR-based variable interest rate on an equivalent amount of our debt to fixed rates ranging from 3.08% to 4.27%, resulting in a weighted average effective interest rate of 5.54%, on the hedged portion of our Senior Secured Credit Facilities, including the term loan B margin of 1.50%.

As of December 31, 2008, the interest rates were economically fixed on approximately 41% of our variable rate debt and approximately 69% of our total debt.

As a result of the swap agreements our overall weighted average effective interest rate on our Senior Secured Credit Facilities was 3.48%, based upon the current margins in effect of 1.50%, as of December 31, 2008.

At December 31, 2008 our overall weighted average effective interest rate was 5.10%.

Off-balance sheet arrangements and aggregate contractual obligations

In addition to the debt obligations reflected on our balance sheet, we have commitments associated with operating leases and letters of credit as well as potential obligations associated with our equity investments and to dialysis centers that are wholly-owned by third parties. Substantially all of our facilities are leased. We have potential acquisition obligations for several joint ventures and for some of our non-wholly-owned subsidiaries in the form of put provisions. These put provisions, if exercised, would require us to purchase the third-party owners' noncontrolling interests at either the appraised fair market value or a predetermined multiple of earnings or cash flow attributable to the noncontrolling interests put to us, which is intended to approximate fair value. The methodology we use to estimate the fair value of the noncontrolling interests subject to put provisions assumes either the higher of a liquidation value of net assets or an average multiple of earnings, based on historical earnings, patient mix and other performance indicators, as well as other factors. The estimate of the fair values of the noncontrolling interests subject to put provisions is a critical accounting estimate that involves significant judgments and assumptions and may not be indicative of the actual values at which the noncontrolling interests may ultimately be settled, which could vary significantly from our current estimates. The estimated fair values of noncontrolling interests subject to put provisions can also fluctuate and the implicit multiple of earnings at which these noncontrolling interests obligations may be settled will vary depending upon market conditions including potential purchasers' access to the capital markets, which can impact the level of competition for dialysis and non-dialysis related businesses, the economic performance of these businesses and the restricted marketability of the third-party owners' noncontrolling interests. The amount of noncontrolling interests subject to put provisions that contractually employ a predetermined multiple of earnings rather than fair value are immaterial. For additional information see Note 22 to our consolidated financial statements.

We also have potential cash commitments to provide operating capital advances as needed to several other dialysis centers that are wholly-owned by third parties or centers in which we own an equity investment, as well as to physician–owned vascular access clinics that we operate under management and administrative services agreements.

The following is a summary of these contractual obligations and commitments as of December 31, 2009 (in millions):

	Less Than 1 year	2-3 years	4-5 years	After 5 years	Total
Scheduled payments under contractual obligations:					
Long-term debt	$ 100	$ 1,774	$ 901	$ 850	$ 3,625
Interest payments on senior and senior subordinated notes	121	243	153	31	548
Capital lease obligations	—	2	1	2	5
Operating leases	216	374	283	439	1,312
	$ 437	$ 2,393	$ 1,338	$ 1,322	$ 5,490
Potential cash requirements under existing commitments:					
Letters of credit	$ 52	$ —	$ —	$ —	$ 52
Noncontrolling interests subject to put provisions	169	56	52	55	332
Pay-fixed swaps potential obligations	11	—	—	—	11
Operating capital advances	7	—	—	—	7
Income tax liabilities for unrecognized tax benefits	19	—	—	—	19
	$ 258	$ 56	$ 52	$ 55	$ 421

Not included above are interest payments related to our Senior Secured Credit Facilities. Our Senior Secured Credit Facilities as of December 31, 2009 bear interest at LIBOR plus current margins of 1.50%. The term loan A and the revolving line of credit are adjustable depending upon our achievement of certain financial ratios. At December 31, 2009, our Senior Secured Credit Facilities had an overall weighted average effective interest rate of 2.63%, including the effects of our swap agreements. Interest payments are due at the maturity of specific debt tranches within each term loan, which can range in maturity from one month to twelve months. Future interest payments will depend upon the amount of mandatory principal payments and principal prepayments, as well as changes in the LIBOR-based interest rates and changes in the interest rate margins. Assuming no principal prepayments on our Senior Secured Credit Facilities during 2010 and no changes in the effective interest rate, including the interest rate margin, approximately $49 million of interest would be required to be paid in 2010.

The pay-fixed swap obligations represent the estimated fair market values of our interest rate swap agreements as reported by various broker dealers that are based upon relevant observable market inputs as well as other current market conditions that existed as of December 31, 2009, and represent the estimated potential obligation that we would be required to pay based upon the estimated future settlement of each specific tranche within the swap agreements. The actual amount of our obligation associated with these swaps in the future will depend upon changes in the LIBOR-based interest rates that can fluctuate significantly depending upon market conditions, and other relevant factors that can affect the fair market value of these swap agreements.

In addition to the above commitments, we are obligated to purchase a certain amount of our hemodialysis products and supplies at fixed prices through 2015 from Gambro Renal Products, Inc. in connection with the Product Supply Agreement. Our total expenditures for the years ended December 31, 2009 and 2008 on such products were approximately 2% of our total operating costs in each year. In January 2010, we entered into an agreement with Fresenius which committed us to purchase a certain amount of dialysis equipment, parts and supplies from them through 2013.

The actual amount of purchases in future years from Gambro Renal Products and Fresenius will depend upon a number of factors, including the operating requirements of our centers, the number of centers we acquire, growth of our existing centers, and in the case of the Product Supply Agreement, Gambro Renal Products' ability to meet our needs.

Settlements of approximately $15 million of existing income tax liabilities for unrecognized tax benefits are excluded from the above table as reasonably reliable estimates of their timing cannot be made.

Contingencies

The information in Note 16 of the Notes to Consolidated Financial Statements of this report is incorporated by reference in response to this item.

Critical accounting estimates and judgments

Our consolidated financial statements and accompanying notes are prepared in accordance with United States generally accepted accounting principles. These accounting principles require us to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and contingencies. All significant estimates, judgments and assumptions are developed based on the best information available to us at the time made and are regularly reviewed and updated when necessary. Actual results will generally differ from these estimates. Changes in estimates are reflected in our financial statements in the period of change based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies. Interim changes in estimates are applied prospectively within annual periods. Certain accounting estimates, including those concerning revenue recognition and accounts receivable, impairments of long-lived assets, accounting for income taxes, quarterly

variable compensation accruals, purchase accounting valuation estimates, fair value estimates and stock-based compensation are considered to be critical to evaluating and understanding our financial results because they involve inherently uncertain matters and their application requires the most difficult and complex judgments and estimates.

Revenue recognition and accounts receivable. There are significant estimating risks associated with the amount of revenue that we recognize in a given reporting period. Payment rates are often subject to significant uncertainties related to wide variations in the coverage terms of the commercial healthcare plans under which we receive payments. In addition, ongoing insurance coverage changes, geographic coverage differences, differing interpretations of contract coverage, and other payor issues complicate the billing and collection process. Net revenue recognition and allowances for uncollectible billings require the use of estimates of the amounts that will ultimately be realized considering, among other items, retroactive adjustments that may be associated with regulatory reviews, audits, billing reviews and other matters.

Revenues associated with Medicare and Medicaid programs are recognized based on (a) the payment rates that are established by statute or regulation for the portion of the payment rates paid by the government payor (e.g., 80% for Medicare patients) and (b) for the portion not paid by the primary government payor, the estimated amounts that will ultimately be collectible from other government programs paying secondary coverage (e.g., Medicaid secondary coverage), the patient's commercial health plan secondary coverage, or the patient.

Commercial healthcare plans, including contracted managed-care payors, are billed at our usual and customary rates; however, revenue is recognized based on estimated net realizable revenue for the services provided. Net realizable revenue is estimated based on contractual terms for the patients under healthcare plans with which we have formal agreements, non-contracted healthcare plan coverage terms if known, estimated secondary collections, historical collection experience, historical trends of refunds and payor payment adjustments (retractions), inefficiencies in our billing and collection processes that can result in denied claims for payments, slow down in collections, a reduction in the amounts that we expect to collect and regulatory compliance issues. Determining applicable primary and secondary coverage for our more than 118,000 patients at any point in time, together with the changes in patient coverages that occur each month, requires complex, resource-intensive processes. Collections, refunds and payor retractions typically continue to occur for up to three years or longer after services are provided.

We generally expect our range of dialysis and related lab services revenues estimating risk to be within 1% of its revenue, which can represent as much as 6% of consolidated operating income. Changes in estimates are reflected in the then-current financial statements based on on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies. Changes in revenue estimates for prior periods are separately disclosed and reported if material to the current reporting period and longer term trend analyses, and have not been significant.

Lab service revenues for current period dates of services are recognized at the estimated net realizable amounts to be received.

Impairments of long-lived assets. We account for impairments of long-lived assets, which include property and equipment, equity investments in non-consolidated businesses, amortizable intangible assets with finite useful lives and goodwill, in accordance with the provisions of applicable accounting guidance. Impairment reviews are performed at least annually and whenever a change in condition occurs which indicates that the carrying amounts of assets may not be recoverable.

Such changes include changes in our business strategies and plans, changes in the quality or structure of our relationships with our partners and deteriorating operating performance of individual dialysis centers or other operations. We use a variety of factors to assess the realizable value of assets depending on their nature and use. Such assessments are primarily based upon the sum of expected future undiscounted net cash flows over the

expected period the asset will be utilized, as well as market values and conditions. The computation of expected future undiscounted net cash flows can be complex and involves a number of subjective assumptions. Any changes in these factors or assumptions could impact the assessed value of an asset and result in an impairment charge equal to the amount by which its carrying value exceeds its actual or estimated fair value.

Accounting for income taxes. We estimate our income tax provision to recognize our tax expense for the current year, and our deferred tax liabilities and assets for future tax consequences of events that have been recognized in our financial statements, measured using enacted tax rates and laws expected to apply in the periods when the deferred tax liabilities or assets are expected to be realized. We are required to assess our tax positions on a more-likely-than-not criteria and to also determine the actual amount of benefit to recognize in the financial statements. Deferred tax assets are assessed based upon the likelihood of recoverability from future taxable income and, to the extent that recovery is not likely, a valuation allowance is established. The allowance is regularly reviewed and updated for changes in circumstances that would cause a change in judgment about the realizability of the related deferred tax assets. These calculations and assessments involve complex estimates and judgments because the ultimate tax outcome can be uncertain and future events unpredictable.

Variable compensation accruals. We estimate variable compensation accruals quarterly based upon the annual amounts expected to be earned and paid out resulting from the achievement of certain teammate-specific and/or corporate financial and operating goals. Our estimates, which include compensation incentives for bonuses, and other awards, are updated periodically based on changes in our economic condition or cash flows that could ultimately impact the actual final award. Actual results reflected in each fiscal quarter may vary due to the subjectivity involved in anticipating fulfillment of specific and/or corporate goals, as well as the final determination and approval of amounts by our Board of Directors.

Purchase accounting valuation estimates. We make various assumptions and estimates regarding the valuation of tangible and intangible assets, liabilities and contractual as well as non-contractual contingencies associated with our acquisitions. These assumptions can have a material effect on our balance sheet valuations and the related amount of depreciation and amortization expense that will be recognized in the future. Long-lived tangible and intangible assets are subject to our regular ongoing impairment assessments.

Fair value estimates. We have recorded certain assets, liabilities and noncontrolling interests subject to put provisions at fair value. The FASB defines fair value which is measured based upon certain valuation techniques that include inputs and assumptions that market participants would use in pricing assets, liabilities and noncontrolling interests subject to put provisions. We have measured the fair values of our applicable assets, liabilities and noncontrolling interests subject to put provisions based upon certain market inputs and assumptions that are either observable or unobservable in determining fair values and have also classified these assets, liabilities and noncontrolling interests subject to put provisions into the appropriate fair value hierarchy levels. The fair value of our investments available for sale are based upon quoted market prices from active markets and the fair value of our swap agreements are based upon valuation models and a variety of techniques as reported by various broker dealers that are based upon relevant observable market inputs such as current interest rates, forward yield curves, and other credit and liquidity market conditions. For our noncontrolling interests subject to put provisions we have estimated the fair values of these based upon either the higher of a liquidation value of net assets or an average multiple of earnings based on historical earnings, patient mix and other performance indicators, as well as other factors. The estimate of the fair values of the noncontrolling interests subject to put provisions involves significant judgments and assumptions and may not be indicative of the actual values at which the noncontrolling interests may ultimately be settled, which could vary significantly from our current estimates. The estimated fair values of the noncontrolling interests subject to put provisions can also fluctuate and the implicit multiple of earnings at which these noncontrolling interests obligations may be settled will vary depending upon market conditions including potential purchasers' access to the capital markets, which can impact the level of competition for dialysis and non-dialysis related businesses, the economic performance of these businesses and the restricted marketability of the third-party owners' noncontrolling interests.

Stock-based compensation. Stock-based compensation recognized in a period represents the amortization during that period of the estimated grant-date fair value of stock-based awards over their vesting terms, adjusted for expected forfeitures. Stock-based compensation recognized in our consolidated financial statements for the years ended December 31, 2009, 2008 and 2007 include compensation costs for stock-based awards granted prior to, but not fully vested as of December 31, 2006, and stock-based awards granted thereafter. We estimate the grant-date fair value of stock awards using complex option pricing models that rely heavily on estimates from us about uncertain future events, including the expected term of the awards, the expected future volatility of our stock price, and expected future risk-free interest rates.

Significant new accounting standards

On June 29, 2009, the Financial Accounting Standards Board (FASB) established the FASB Accounting Standards Codification (Codification) as the single source of authoritative U.S. generally accepted accounting principles (GAAP) for all nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) are also sources of authoritative U.S. GAAP for SEC registrants. The Codification does not change U.S. GAAP but takes previously issued FASB standards and other U.S. GAAP authoritative pronouncements, changes the way the standards are referred to, and includes them in specific topic areas. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of the Codification did not have any impact on our consolidated financial statements.

Effective for our first annual reporting period that begins after November 15, 2009, the FASB is eliminating the quantitative approach previously required for determining the primary beneficiary of a variable interest entity, and requiring additional disclosures about an enterprise's involvement in variable interest entities. An enterprise will be required to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity by having both the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and the obligation to absorb losses of the entity, or the right to receive benefits from the entity. In addition, the FASB is establishing new guidance for determining whether an entity is a variable interest entity, requiring an ongoing reassessment of whether an enterprise is the primary beneficiary of a variable interest entity, and adding an additional reconsideration event for determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights concerning those investments to direct the activities of the entity that most significantly impact the entity's economic performance. We are currently in the process of assessing the expected impact of this standard on our consolidated financial statements.

Effective May 28, 2009, the FASB issued requirements relating to the accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. These requirements set forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. These requirements do not apply to subsequent events or transactions that are within the scope of other applicable principles of GAAP that provide different guidance on the accounting treatment for subsequent events or transactions. These requirements were effective for interim and annual periods ending after June 15, 2009. See Note 1 to the consolidated financial statements for further details.

Effective January 1, 2009, we are required to provide enhanced disclosures about our derivative and hedging activities. We are required to provide additional disclosures about (a) how and why we use derivative instruments, (b) how derivative instruments and related hedged items are accounted for, and (c) how derivative instruments and related hedged items affect our financial position, financial performance, and cash flows. These requirements did not have a material impact on our consolidated financial statements. See Note 13 to the consolidated financial statements for the disclosure of these items.

Effective January 1, 2009, we are required to treat noncontrolling interests as a separate component of equity, but apart from our equity, and not as a liability or other item outside of equity. We are also required to identify and present consolidated net income attributable to us and to noncontrolling interests on the face of the consolidated statement of income. Previously, we had reported minority interests (noncontrolling interests) as a reduction to operating income. In addition, changes in our ownership interest while we retain a controlling financial interest should be accounted for as equity transactions. We were also required to expand disclosures in the financial statements to include a reconciliation of the beginning and ending balances of the equity attributable to us and the noncontrolling owners and a schedule showing the effects of changes in our ownership interest in a subsidiary on the equity attributable to us. This change did not have a material impact on our consolidated financial statements; however, it did change the presentation of minority interests (noncontrolling interests) in our consolidated financial statements. In conjunction with adopting these requirements, we are required to classify securities with redemption features that are not solely within our control such as our noncontrolling interests that are subject to put provisions outside of permanent equity and to measure these noncontrolling interests at fair value. See Note 22 to our consolidated financial statements for further details. The consolidated financial statements have been recast for all prior periods presented for the retrospective application of these presentation and disclosure requirements.

All business combinations consummated after January 1, 2009, are required to be accounted for under the acquisition method (previously referred to as the purchase method). Under the acquisition method, the acquirer recognizes the assets acquired, the liabilities assumed, contractual contingencies, as well as any noncontrolling interests in the acquiree at their fair values at the acquisition date. Noncontractual contingencies are recognized at the acquisition date at their fair values only if it is more likely than not that they meet the definition of an asset or a liability. Transaction costs are excluded from the acquisition cost and are expensed as incurred. Any contingent consideration included by the acquirer as part of the purchase price must also be measured at fair value at the acquisition date and is classified as either equity or a liability. A company that obtains control but acquires less than 100% of an acquiree is required to record 100% of the fair value of the acquiree assets, liabilities, and noncontrolling interests at the acquisition date. The adoption of these requirements did not have a material impact on our consolidated financial statements.

In December 2008, the FASB required public entities to provide additional disclosures about transfers of financial assets and required public enterprises to provide additional disclosures about their involvement in variable interest entities and certain special purpose entities. Because these requirements impact disclosures and not the accounting treatment for transfers of financial assets and interests in variable interest entities, these requirements did not impact our financial condition or results of operations.

Effective January 1, 2008, the FASB established a framework for measuring fair value and also required additional disclosures about fair value measurements. These requirements applied to assets and liabilities that are carried at fair value on a recurring basis. Effective January 1, 2009 the FASB issued additional requirements relating to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). See note 23 to our consolidated financial statements for the impact of these requirements. The adoption of these requirements relating to nonfinancial assets and liabilities did not have a material impact on our consolidated financial statements.

Effective January 1, 2008, the FASB allows companies the alternative to measure certain financial assets and liabilities at fair value on an instrument-by-instrument basis that are currently not required to be measured at fair value. This provision is also designed to reduce the volatility in earnings caused by measuring related assets and liabilities differently and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The adoption of this provision did not have a material impact on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Interest rate sensitivity

The tables below provide information about our financial instruments that are sensitive to changes in interest rates. For our debt obligations the table presents principal repayments and current weighted average interest rates on our debt obligations as of December 31, 2009. The variable rates presented reflect the weighted average LIBOR rates in effect for all debt tranches plus margins in effect at the end of 2009 including the economic effects of our swap agreements. Term loan A and revolving line of credit interest rate margins are subject to adjustment depending upon changes in certain of our financial ratios including a leverage ratio. The margins currently in effect at December 31, 2009 were 1.50% on all of the outstanding balances under our Senior Secured Credit Facilities. For our interest rate swap agreements, the table below presents the notional amounts by contract maturity date and the related interest rate terms of the agreements (to pay fixed rates, and to receive LIBOR).

	Expected maturity date						Total	Fair Value	Average interest rate
	2010	2011	2012	2013	2014	Thereafter			
	(dollars in millions)								
Long-term debt:									
Fixed rate	$ 2	$ 1	$ 1	$ 901	$ 1	$ 852	$ 1,758	$ 1,765	6.88%
Variable rate	$ 98	$ 67	$ 1,707	$ —	$ —	$ —	$ 1,872	$ 1,829	2.62%

	Notional amount	Contract maturity date					Pay fixed	Receive variable	Fair value
		2010	2011	2012	2013	2014			
	(dollars in millions)								
Swaps:									
Pay-fixed swaps	$ 389	$ 389	$ —	$ —	$ —	$ —	3.88% to 4.70%	LIBOR	$ (10.8)

Our Senior Secured Credit Facilities, which include the term loan A and the term loan B, consist of various individual tranches that can range in maturity from one month to twelve months and each specific tranche bears interest at a LIBOR rate that is determined by the maturity of that specific tranche plus an interest rate margin, which is currently 1.50% at December 31, 2009. LIBOR-based interest rates are reset as each specific tranche matures and a new tranche is re-established and can fluctuate significantly depending upon market conditions including the credit and capital markets. Any increase in the LIBOR-based interest rates on the unhedged portion of our Senior Secured Credit Facilities, which totaled approximately $1.5 billion as of December 31, 2009 will have a negative impact on our overall earnings.

As of December 31, 2009, we maintained a total of eight interest rate swap agreements, with amortizing notional amounts totaling $389 million. These agreements had the economic effect of modifying the LIBOR-based variable interest rate on an equivalent amount of our debt to fixed rates ranging from 3.88% to 4.70%, resulting in an overall weighted average effective interest rate of 5.78% on the hedged portion of our Senior Secured Credit Facilities, including the term loan B margin of 1.50%. The swap agreements expire in 2010 and require quarterly interest payments. During 2009, we accrued net cash obligations of $17.3 million from these swaps, which are included in debt expense. As of December 31, 2009, the total fair value of these swaps was a liability of $10.8 million. During 2009, we recorded $8.0 million, net of tax, as an increase to other comprehensive income for amounts reclassified into income, net of swap valuation losses.

As of December 31, 2009, the interest rates were economically fixed on approximately 21% of our variable rate debt and approximately 59% of our total debt.

As a result of the swap agreements, our overall weighted average effective interest rate on the Senior Secured Credit Facilities was 2.63%, based upon the current margins in effect of 1.50% as of December 31, 2009.

Our overall weighted average effective interest rate in 2009 was 4.86% and as of December 31, 2009 was 4.68%.

One means of assessing exposure to debt-related interest rate changes is a duration-based analysis that measures the potential loss in net income resulting from a hypothetical increase in interest rates of 100 basis points across all variable rate maturities (referred to as a "parallel shift in the yield curve"). Under this model, with all else constant, it is estimated that such an increase would have reduced net income by approximately $8.5 million, $7.1 million, and $5.5 million, net of tax, for the years ended December 31, 2009, 2008, and 2007, respectively.

Exchange rate sensitivity

We are currently not exposed to any foreign currency exchange rate risk.

Item 8. Financial Statements and Supplementary Data.

See the Index to Financial Statements and Index to Financial Statement Schedules included at "Item 15. Exhibits, Financial Statement Schedules."

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Management has established and maintains disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that it files or submits pursuant to the Securities Exchange Act of 1934, as amended, or Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management including our Chief Executive Officer and Chief Financial Officer as appropriate to allow for timely decisions regarding required disclosures.

At the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures in accordance with the Exchange Act requirements. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective for timely identification and review of material information required to be included in our Exchange Act reports, including this report on Form 10-K. Management recognizes that these controls and procedures can provide only reasonable assurance of desired outcomes, and that estimates and judgments are still inherent in the process of maintaining effective controls and procedures.

There has not been any change in our internal control over financial reporting that was identified during the evaluation that occurred during the fourth fiscal quarter and that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

In 2002, we adopted a Corporate Governance Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, and to all of our financial accounting and legal professionals who are directly or indirectly involved in the preparation, reporting and fair presentation of our financial statements and Exchange Act Reports. The Code of Ethics is posted on our website, located at http://www.davita.com . We also maintain a Corporate Code of Conduct that applies to all of our employees, which is posted on our website.

Under our Corporate Governance Guidelines all Board Committees including the Audit Committee, Nominating and Governance Committee and the Compensation Committee, which are comprised solely of Independent Directors as defined within the listing standards of the New York Stock Exchange, have written charters that outline the committee's purpose, goals, membership requirements and responsibilities. These charters are regularly reviewed and updated as necessary by our Board of Directors. All Board Committee charters as well as the Corporate Governance Guidelines are posted on our website located at http://www.davita.com .

The other information required to be disclosed by this item will appear in, and is incorporated by reference from, the sections entitled "Proposal No. 1. Election of Directors", "Corporate Governance", and "Security Ownership of Certain Beneficial Owners and Management" included in our definitive proxy statement relating to our 2010 annual stockholder meeting.

Item 11. Executive Compensation.

The information required by this item will appear in, and is incorporated by reference from, the sections entitled "Executive Compensation" and "Compensation Committee Interlocks and Insider Participations" included in our definitive proxy statement relating to our 2010 annual stockholder meeting. The information required by Item 407(e)(5) of Regulation S-K will appear in and is incorporated by reference from the section entitled "Compensation Committee Report" included in our definitive proxy statement relating to our 2010 annual stockholder meeting; however, this information shall not be deemed to be "filed".

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table provides information about our common stock that may be issued upon the exercise of stock options, stock-settled stock appreciation rights, restricted stock units and other rights under all of our existing equity compensation plans as of December 31, 2009, including our omnibus 2002 Equity Compensation Plan and our Employee Stock Purchase Plan, and the terminated 1999 Non-Executive Officer and Non-Director Equity Compensation Plan. The material terms of these plans are described in Note 17 to the Consolidated Financial Statements. The 1999 Non-Executive Officer and Non-Director Equity Compensation Plan was not required to be approved by our shareholders.

Plan category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)	Total of shares reflected in columns (a) and (c) (d)
Equity compensation plans approved by shareholders	13,472,013	$ 49.15	5,004,344	18,476,357
Equity compensation plans not requiring shareholder approval	20,084	$ 50.98	—	20,084
Total	13,492,097	$ 49.16	5,004,344	18,496,441

Other information required to be disclosed by Item 12 will appear in, and is incorporated by reference from, the section entitled "Security Ownership of Certain Beneficial Owners and Management" included in our definitive proxy statement relating to our 2010 annual stockholder meeting.

Item 13. Certain Relationships and Related Transactions and Director Independence.

The information required by this item will appear in, and is incorporated by reference from, the section entitled "Certain Relationships and Related Transactions" and the section entitled "Corporate Governance" included in our definitive proxy statement relating to our 2010 annual stockholder meeting.

Item 14. Principal Accounting Fees and Services.

The information required by this item will appear in, and is incorporated by reference from, the section entitled "Ratification of Appointment of Independent Registered Public Accounting Firm" included in our definitive proxy statement relating to our 2010 annual stockholder meeting.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents filed as part of this Report:

(1) *Index to Financial Statements:*

(2) *Index to Financial Statement Schedules:*

(3) *Exhibits:*

2.1	Stock Purchase Agreement dated as of December 6, 2004, among Gambro AB, Gambro, Inc. and DaVita Inc.(9)
2.2	Amended and Restated Asset Purchase Agreement effective as of July 28, 2005, by and among DaVita Inc., Gambro Healthcare, Inc. and Renal Advantage Inc., a Delaware corporation, formerly known as RenalAmerica, Inc.(12)
3.1	Amended and Restated Certificate of Incorporation of Total Renal Care Holdings, Inc., or TRCH, dated December 4, 1995.(1)
3.2	Certificate of Amendment of Certificate of Incorporation of TRCH, dated February 26, 1998.(2)
3.3	Certificate of Amendment of Certificate of Incorporation of DaVita Inc. (formerly Total Renal Care Holdings, Inc.), dated October 5, 2000.(4)
3.4	Certificate of Amendment of Amended and Restated Certificate of Incorporation of DaVita Inc., as amended dated May 30, 2007.(23)
3.5	Amended and Restated Bylaws for DaVita Inc. dated as of March 2, 2007.(25)
4.1	Indenture for the 6⅝% Senior Notes due 2013 dated as of March 22, 2005.(3)
4.2	Indenture for the 7¼% Senior Subordinated Notes due 2015 dated as of March 22, 2005.(3)

4.3	First Supplemental Indenture, dated October 5, 2005, by and among DaVita Inc., the Guarantors, the persons named as Additional Guarantors and The Bank of New York Trust Company, N.A., as Trustee.(11)
4.4	First Supplemental Indenture, dated October 5, 2005, by and among DaVita Inc., the Guarantors, the persons named as Additional Guarantors and The Bank of New York Trust Company, N.A., as Trustee.(13)
4.5	Rights Agreement, dated as of November 14, 2002, between DaVita Inc. and the Bank of New York, as Rights Agent.(21)
4.6	Second Supplemental Indenture (Senior), dated February 9, 2007, by and among DaVita Inc., the Guarantors, the persons named as Additional Guarantors and The Bank of New York Trust Company, N.A., as Trustee.(22)
4.7	Second Supplemental Indenture (Senior Subordinated), dated February 9, 2007, by and among DaVita Inc., the Guarantors, the persons named as Additional Guarantors and The Bank of New York Trust Company, N.A., as Trustee.(22)
4.8	Registration Rights Agreement for the 6⅝% Senior Notes due 2013 dated as of February 23, 2007.(26)
10.1	Employment Agreement, dated as of October 19, 2009, by and between DaVita Inc. and Kim M. Rivera.✓*
10.2	Employment Agreement, dated as of June 15, 2000, by and between DaVita Inc. and Joseph C. Mello.(6)*
10.3	Second Amendment to Mr. Mello's Employment Agreement, effective December 12, 2008.(33)*
10.4	Employment Agreement, effective as of August 16, 2004, by and between DaVita Inc. and Tom Usilton.(7)*
10.5	Amendment to Mr. Usilton's Employment Agreement, dated February 12, 2007.(24)*
10.6	Second Amendment to Mr. Usilton's Employment Agreement, effective December 12, 2008.(32)*
10.7	Employment Agreement, effective as of November 18, 2004, by and between DaVita Inc. and Joseph Schohl.(14)*
10.8	Amendment to Mr. Schohl's Employment Agreement, effective December 30, 2008.(32)*
10.9	Employment Agreement, dated as of October 31, 2005, effective October 24, 2005, by and between DaVita Inc. and Dennis Kogod.(13)*
10.10	Amendment to Mr. Kogod's Employment Agreement, effective December 12, 2008.(32)*
10.11	Employment Agreement, effective September 22, 2005, by and between DaVita Inc. and James Hilger.(15)*
10.12	Amendment to Mr. Hilger's Employment Agreement, effective December 12, 2008.(32)*
10.13	Employment Agreement effective February 13, 2008, by and between DaVita Inc. and Richard K. Whitney.(28)*
10.14	Amendment to Equity Award Agreement, entered into on December 11, 2009, between DaVita Inc. and Richard K. Whitney.✓*
10.15	Employment Agreement, effective July 25, 2008, between DaVita Inc. and Kent J. Thiry.(29)*
10.16	Employment Agreement, effective August 1, 2008, between DaVita Inc. and Allen Nissenson.(30)*
10.17	Employment Agreement, effective March 3, 2008, between DaVita Inc. and David Shapiro.(32)*
10.18	Amendment to Mr. Shapiro's Employment Agreement, effective December 4, 2008.(32)*
10.19	Form of Indemnity Agreement.(20)*

10.20	Form of Indemnity Agreement.(14)*
10.21	Executive Incentive Plan (as Amended and Restated effective January 1, 2009).(34)*
10.22	Executive Retirement Plan.(32)*
10.23	Post-Retirement Deferred Compensation Arrangement.(14)*
10.24	Amendment No. 1 to Post Retirement Deferred Compensation Arrangement.(32)*
10.25	DaVita Voluntary Deferral Plan.(11)*
10.26	Deferred Bonus Plan (Prosperity Plan).(31)
10.27	Amendment No. 1 to Deferred Bonus Plan (Prosperity Plan).(32)*
10.28	Amended and Restated Employee Stock Purchase Plan.(27)*
10.29	Severance Plan.(33)*
10.30	Change in Control Bonus Program.(32)*
10.31	First Amended and Restated Total Renal Care Holdings, Inc. 1999 Non-Executive Officer and Non-Director Equity Compensation Plan.(5)
10.32	Non-Management Director Compensation Philosophy and Plan.(28)*
10.33	Amended and Restated 2002 Equity Compensation Plan.(10)*
10.34	Amended and Restated 2002 Equity Compensation Plan.(19)*
10.35	Amended and Restated 2002 Equity Compensation Plan.(27)*
10.36	Amended and Restated 2002 Equity Compensation Plan.(32)*
10.37	Form of Non-Qualified Stock Option Agreement—Employee (DaVita Inc. 1999 Non-Executive Officer and Non-Director Equity Compensation Plan.(18)*
10.38	Form of Non-Qualified Stock Option Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(7)*
10.39	Form of Non-Qualified Stock Option Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(16)*
10.40	Form of Non-Qualified Stock Option Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(18)*
10.41	Form of Restricted Stock Units Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(7)*
10.42	Form of Restricted Stock Units Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(16)*
10.43	Form of Restricted Stock Units Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(18)*
10.44	Form of Restricted Stock Units Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(32)*
10.45	Form of Stock Appreciation Rights Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(16)*
10.46	Form of Stock Appreciation Rights Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(18)*
10.47	Form of Stock Appreciation Rights Agreement—Board (DaVita Inc. 2002 Equity Compensation Plan).(30)*
10.48	Form of Restricted Stock Units Agreement—Board (DaVita Inc. 2002 Equity Compensation Plan).(30)*

10.49	Form of Non-Qualified Stock Option Agreement—Board (DaVita Inc. 2002 Equity Compensation Plan).(30)*
10.50	Credit Agreement, dated as of October 5, 2005, among DaVita Inc., the Guarantors party thereto, the Lenders party thereto, Bank of America, N.A., Wachovia Bank, National Association, Bear Stearns Corporate Lending Inc., The Bank of New York, The Bank of Nova Scotia, The Royal Bank of Scotland plc, WestLB AG, New York Branch as Co-Documentation Agents, Credit Suisse, Cayman Islands Branch, as Syndication Agent, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, JPMorgan Securities Inc., as Sole Lead Arranger and Bookrunner and Credit Suisse, Cayman Islands Branch, as Co-Arranger.(11)
10.51	Credit Agreement, dated as of October 5, 2005, as Amended and Restated as of February 23, 2007, by and among DaVita Inc., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A.(26)
10.52	Amendment Agreement, dated February 23, 2007, by and among DaVita Inc., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A.(26)
10.53	Security Agreement, dated as of October 5, 2005, by DaVita Inc., the Guarantors party thereto and JPMorgan Chase Bank, N.A., as Collateral Agent.(11)
10.54	Corporate Integrity Agreement between the Office of Inspector General of the Department of Health and Human Services and Gambro Healthcare, Inc. effective as of December 1, 2004.(11)
10.55	Amended and Restated Alliance and Product Supply Agreement, dated as of August 25, 2006, among Gambro Renal Products, Inc., DaVita Inc. and Gambro AB.(17)**
10.56	Letter dated March 19, 2007 from Willard W. Brittain, Jr. to Peter T. Grauer, Lead Independent Director of the Company.(22)
10.57	Dialysis Organization Agreement between DaVita Inc. and Amgen USA Inc. dated December 20, 2007.(31)**
12.1	Computation of Ratio of Earnings to Fixed Charges.✓
14.1	DaVita Inc. Corporate Governance Code of Ethics.(8)
21.1	List of our subsidiaries.✓
23.1	Consent of KPMG LLP, independent registered public accounting firm.✓
24.1	Powers of Attorney with respect to DaVita. (Included on Page II-1).
31.1	Certification of the Chief Executive Officer, dated February 25, 2010, pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. ✓
31.2	Certification of the Chief Financial Officer, dated February 25, 2010, pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. ✓
32.1	Certification of the Chief Executive Officer, dated February 25, 2010, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ✓
32.2	Certification of the Chief Financial Officer, dated February 25, 2010, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ✓
101.INS	XBRL Instance Document.***
101.SCH	XBRL Taxonomy Extension Schema Document.***
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.***
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.***
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.***
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.***

✓ Included in this filing.

* Management contract or executive compensation plan or arrangement.

** Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the SEC.

*** XBRL information is furnished and not filed as a part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities and Exchange Act of 1933, is deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

(1) Filed on March 18, 1996 as an exhibit to the Company's Transitional Report on Form 10-K for the transition period from June 1, 1995 to December 31, 1995.

(2) Filed on March 31, 1998 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
(3) Filed on March 25, 2005 as an exhibit to the Company's Current Report on Form 8-K.
(4) Filed on March 20, 2001 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.
(5) Filed on February 28, 2003 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2002.
(6) Filed on August 15, 2001 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
(7) Filed on November 8, 2004 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
(8) Filed on February 27, 2004 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2003.
(9) Filed on December 8, 2004 as an exhibit to the Company's Current Report on Form 8-K.
(10) Filed on May 4, 2005 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
(11) Filed on November 8, 2005 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
(12) Filed on October 11, 2005 as an exhibit to the Company's Current Report on Form 8-K.
(13) Filed on November 4, 2005 as an exhibit to the Company's Current Report on Form 8-K.
(14) Filed on March 3, 2005 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2004.
(15) Filed on August 7, 2006 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ending June 30, 2006.
(16) Filed on July 6, 2006 as an exhibit to the Company's Current Report on Form 8-K.
(17) Filed on November 3, 2006 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.
(18) Filed on October 18, 2006 as an exhibit to the Company's Current Report on Form 8-K.
(19) Filed on July 31, 2006 as an exhibit to the Company's Current Report on Form 8-K.
(20) Filed on December 20, 2006 as an exhibit to the Company's Current Report on Form 8-K.
(21) Filed on November 19, 2002 as an exhibit to the Company's Current Report on Form 8-K.
(22) Filed on May 3, 2007 as an exhibit to the Company's Quarterly Report as Form 10-Q for the quarter ended March 31, 2007.
(23) Filed on August 6, 2007 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.
(24) Filed on February 16, 2007 as an exhibit to the Company's Current Report on Form 8-K.
(25) Filed on March 8, 2007 as an exhibit to the Company's Current Report on Form 8-K.
(26) Filed on February 28, 2007 as an exhibit to the Company's Current Report on Form 8-K.
(27) Filed on June 4, 2007 as an exhibit to the Company's Current Report on Form 8-K.
(28) Filed on May 8, 2008 as an exhibit to the Company's Quarterly Report on Form 10-Q for the first quarter ended March 31, 2008.
(29) Filed on July 31, 2008 as an exhibit to the Company's Current Report on Form 8-K.

(30) Filed on November 6, 2008 as an exhibit to the Company's Quarterly Report on Form 10-Q for the third quarter ended September 30, 2008.
(31) Filed on February 29, 2008 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.
(32) Filed on February 27, 2009 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2008
(33) Filed on May 7, 2009 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
(34) Filed on June 18, 2009 as an exhibit to the Company's Current Report on Form 8-K.

DAVITA INC.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and which includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

During the last fiscal year, the Company conducted an evaluation, under the oversight of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's internal control over financial reporting. This evaluation was completed based on the criteria established in the report titled "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based upon our evaluation under the COSO framework, we have concluded that the Company's internal control over financial reporting was effective as of December 31, 2009.

The Company's independent registered public accounting firm, KPMG LLP, has issued an attestation report on the Company's internal control over financial reporting, which report is included in this Annual Report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
DaVita Inc.:

We have audited the accompanying consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DaVita Inc. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements (included in FASB ASC Topic 810, Consolidation), on a prospective basis except for the presentation and disclosure requirements which were applied retrospectively for all periods presented effective January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), DaVita Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Seattle, Washington
February 25, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
DaVita Inc.:

We have audited DaVita Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). DaVita Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, DaVita Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2009, and our report dated February 25, 2010 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Seattle, Washington
February 25, 2010

DAVITA INC.

CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share data)

	Year ended December 31,		
	2009	2008	2007
Net operating revenues	$ 6,108,800	$ 5,660,173	$ 5,264,151
Operating expenses and charges:			
Patient care costs	4,248,668	3,920,487	3,590,344
General and administrative	531,531	508,240	491,236
Depreciation and amortization	228,986	216,917	193,470
Provision for uncollectible accounts	161,786	146,229	136,682
Equity investment income	(2,442)	(796)	(1,217)
Valuation gain on alliance and product supply agreement	—	—	(55,275)
Total operating expenses and charges	5,168,529	4,791,077	4,355,240
Operating income	940,271	869,096	908,911
Debt expense	(185,755)	(224,716)	(257,147)
Other income, net	3,708	12,411	22,460
Income before income taxes	758,224	656,791	674,224
Income tax expense	278,465	235,471	245,581
Net income	479,759	421,320	428,643
Less: Net income attributable to noncontrolling interests	(57,075)	(47,160)	(46,865)
Net income attributable to DaVita Inc.	$ 422,684	$ 374,160	$ 381,778
Earnings per share:			
Basic earnings per share attributable to DaVita Inc.	$ 4.08	$ 3.56	$ 3.61
Diluted earnings per share attributable to DaVita Inc.	$ 4.06	$ 3.53	$ 3.55
Weighted average shares for earnings per share:			
Basic	103,603,885	105,149,448	105,893,052
Diluted	104,167,685	105,939,725	107,418,240

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	December 31, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	$ 539,459	$ 410,881
Short-term investments	26,475	35,532
Accounts receivable, less allowance of $229,317 and $211,222	1,105,903	1,075,457
Inventories	70,041	84,174
Other receivables	263,456	239,165
Other current assets	40,234	33,761
Income tax receivable	—	32,130
Deferred income taxes	256,953	217,196
Total current assets	2,302,521	2,128,296
Property and equipment, net	1,104,925	1,048,075
Amortizable intangibles, net	136,732	160,521
Equity investments	22,631	19,274
Long-term investments	7,616	5,656
Other long-term assets	32,615	47,330
Goodwill	3,951,196	3,876,931
	$ 7,558,236	$ 7,286,083
LIABILITIES AND EQUITY		
Accounts payable	$ 176,657	$ 282,883
Other liabilities	461,092	495,239
Accrued compensation and benefits	286,121	312,216
Current portion of long-term debt	100,007	72,725
Income taxes payable	23,064	—
Total current liabilities	1,046,941	1,163,063
Long-term debt	3,532,217	3,622,421
Other long-term liabilities	87,692	101,442
Alliance and product supply agreement, net	30,647	35,977
Deferred income taxes	334,855	244,884
Total liabilities	5,032,352	5,167,787
Commitments and contingencies		
Noncontrolling interests subject to put provisions	331,725	291,397
Equity:		
Preferred stock ($0.001 par value, 5,000,000 shares authorized; none issued)		
Common stock ($0.001 par value, 450,000,000 shares authorized; 134,862,283 shares issued; 103,062,698 and 103,753,673 shares outstanding)	135	135
Additional paid-in capital	621,685	584,358
Retained earnings	2,312,134	1,889,450
Treasury stock, at cost (31,799,585 and 31,108,610 shares)	(793,340)	(691,857)
Accumulated other comprehensive loss	(5,548)	(14,339)
Total DaVita Inc. shareholders' equity	2,135,066	1,767,747
Noncontrolling interests not subject to put provisions	59,093	59,152
Total equity	2,194,159	1,826,899
	$ 7,558,236	$ 7,286,083

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED STATEMENTS OF CASH FLOW
(dollars in thousands)

	Year ended December 31,		
	2009	2008	2007
Cash flows from operating activities:			
Net income.	$ 479,759	$ 421,320	$ 428,643
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	228,986	216,917	193,470
Valuation gain on alliance and product supply agreement	—	—	(55,275)
Stock-based compensation expense	44,422	41,235	34,149
Tax benefits from stock award exercises	18,241	13,988	32,788
Excess tax benefits from stock award exercises	(6,950)	(8,013)	(25,541)
Deferred income taxes	50,869	94,912	18,601
Equity investment income, net	(204)	(796)	(1,217)
Loss (gain) on disposal of assets	9,761	15,216	(2,825)
Non-cash debt expense and non-cash rent charges	11,184	11,794	12,713
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:			
Accounts receivable	(32,313)	(149,939)	15,911
Inventories	15,115	(2,715)	11,271
Other receivables and other current assets	(35,104)	(40,960)	(61,049)
Other long-term assets	7,288	(11,929)	(14,528)
Accounts payable	(104,879)	57,422	(9,216)
Accrued compensation and benefits	(9,138)	(31,602)	9,691
Other current liabilities	(43,543)	8,871	657
Income taxes	44,578	(30,087)	(12,942)
Other long-term liabilities	(11,362)	8,067	5,764
Net cash provided by operating activities	666,710	613,701	581,065
Cash flows from investing activities:			
Additions of property and equipment	(274,605)	(317,962)	(272,212)
Acquisitions	(87,617)	(101,959)	(127,094)
Proceeds from asset sales	7,697	530	12,289
Purchase of investments available-for-sale	(2,062)	(2,009)	(52,085)
Purchase of investments held-to-maturity	(22,664)	(21,048)	(23,061)
Proceeds from the sale of investments available-for-sale	16,693	21,291	32,274
Proceeds from maturities of investments held-to-maturity	16,380	21,355	4,795
Purchase of equity investments	(2,100)	—	(17,550)
Distributions received on equity investments	2,547	908	1,134
Purchase of intangible assets	(329)	(65)	(2,291)
Other investment activity	—	1,220	(2,942)
Net cash used in investing activities	(346,060)	(397,739)	(446,743)
Cash flows from financing activities:			
Borrowings	18,767,592	17,089,018	13,113,640
Payments on long-term debt	(18,828,824)	(17,102,569)	(13,160,942)
Deferred financing costs	(42)	(130)	(4,511)
Purchase of treasury stock	(153,495)	(232,715)	(6,350)
Excess tax benefits from stock award exercises	6,950	8,013	25,541
Stock award exercises and other share issuances, net	67,908	40,247	62,902
Distributions to noncontrolling interests	(67,748)	(59,357)	(48,029)
Contributions from noncontrolling interests	13,071	19,074	14,735
Proceeds from sales of additional noncontrolling interests	9,375	10,701	5,536
Purchases from noncontrolling interests	(6,859)	(24,409)	—
Net cash (used in) provided by financing activities	(192,072)	(252,127)	2,522
Net increase (decrease) in cash and cash equivalents	128,578	(36,165)	136,844
Cash and cash equivalents at beginning of year	410,881	447,046	310,202
Cash and cash equivalents at end of year	$ 539,459	$ 410,881	$ 447,046

See notes to consolidated financial statements.

DAVITA INC.

CONSOLIDATED STATEMENTS OF EQUITY
AND
COMPREHENSIVE INCOME
(dollars and shares in thousands)

	Non-controlling interests subject to put provisions	DaVita Inc. Shareholders' Equity								Non-controlling interests not subject to put provisions	Comprehensive income
		Common stock		Additional paid-in capital	Retained earnings	Treasury stock		Accumulated other comprehensive income (loss)	Total		
		Shares	Amount			Shares	Amount				
Balance at December 31, 2006	$ 191,871	134,862	$ 135	$ 523,500	$ 1,129,621	(30,226)	$ (526,920)	$ 12,997	$ 1,139,333	$ 37,079	
Comprehensive income:											
Net income	30,157				381,778				381,778	16,708	$ 428,643
Unrealized losses on interest rate swaps, net of tax								(7,169)	(7,169)		(7,169)
Less reclassification of net swap realized gains into net income, net of tax								(8,858)	(8,858)		(8,858)
Unrealized gains on investments, net of tax								4,211	4,211		4,211
Less reclassification of net investment realized gains into net income, net of tax								(3,692)	(3,692)		(3,692)
Total comprehensive income											$ 413,135
Cumulative effect of change in accounting principle SFAS Interpretation No (FIN) 48					3,891				3,891		
Stock purchase shares issued				3,831		124	2,160		5,991		
Stock unit shares issued				(1,848)		120	2,098		250		
Stock options and SSARs exercised				13,429		2,361	41,268		54,697		
Stock-based compensation expense				34,149					34,149		
Excess tax benefits from stock awards exercised				27,428					27,428		
Distributions to noncontrolling interests	(28,553)									(19,476)	
Contributions from noncontrolling interests	9,124									5,611	
Sales and assumptions of additional noncontrolling interests	6,061									7,281	

Changes in fair value of noncontrolling interests	121,374			(121,374)						(121,374)	—		
Other adjustments to noncontrolling interests	433										975		
Purchase of treasury stock						(111)	(6,350)		(6,350)				
Balance at December 31, 2007	$ 330,467	134,862	$ 135	$ 479,115	$ 1,515,290	(27,732)	$ (487,744)	$ (2,511)	$ 1,504,285	$ 48,178			
Comprehensive income:													
Net income	30,401				374,160				374,160	16,759	$	421,320	
Unrealized losses on interest rate swaps, net of tax								(12,947)	(12,947)			(12,947)	
Less reclassification of net swap realized losses into net income, net of tax								2,590	2,590			2,590	
Unrealized losses on investments, net of tax								(1,174)	(1,174)			(1,174)	
Less reclassification of net investment realized gains into net income, net of tax								(297)	(297)			(297)	
Total comprehensive income											$	409,492	

DAVITA INC.

CONSOLIDATED STATEMENTS OF EQUITY
AND
COMPREHENSIVE INCOME—(Continued)
(dollars and shares in thousands)

	Non-controlling interests subject to put provisions	DaVita Inc. Shareholders' Equity								Non-controlling interests not subject to put provisions	Comprehensive income
		Common stock		Additional paid-in capital	Retained earnings	Treasury stock		Accumulated other comprehensive income (loss)	Total		
		Shares	Amount			Shares	Amount				
Stock purchase shares issued				2,981		98	1,730		4,711		
Stock unit shares issued				(2,670)		181	3,544		874		
Stock options and SSARs exercised				12,278		1,133	23,328		35,606		
Stock-based compensation expense				41,235					41,235		
Excess tax benefits from stock awards exercised				8,165					8,165		
Distributions to noncontrolling interests	(40,016)									(19,341)	
Contributions from noncontrolling interests	7,305									11,769	
Sales and assumptions of additional noncontrolling interests	9,389									4,726	
Purchases from noncontrolling interests	(2,347)									(2,334)	
Changes in fair value of noncontrolling interests	(43,254)			43,254					43,254	—	
Other adjustments to noncontrolling interests	(548)									(605)	
Purchase of treasury stock						(4,789)	(232,715)		(232,715)		
Balance at December 31, 2008	$ 291,397	134,862	$ 135	$ 584,358	$ 1,889,450	(31,109)	$ (691,857)	$ (14,339)	$ 1,767,747	$ 59,152	
Comprehensive income:											
Net income	38,381				422,684				422,684	18,694	$ 479,759
Unrealized losses on interest rate swaps, net of tax								(2,578)	(2,578)		(2,578)
Less reclassification of net swap realized losses into net income, net of tax								10,542	10,542		10,542
Unrealized gains on investments, net of tax								986	986		986
Less reclassification of net investment realized gains into net income, net of tax								(159)	(159)		(159)

Total comprehensive income										$ 488,550
Stock purchase shares issued				2,135		107	2,387		4,522	
Stock unit shares issued				(1,570)		69	1,570		—	
Stock options and SSARs exercised				15,598		2,036	48,055		63,653	
Stock-based compensation expense				44,422					44,422	
Excess tax benefits from stock awards exercised				6,150					6,150	
Distributions to noncontrolling interests	(44,277)									(23,471)
Contributions from noncontrolling interests	10,502									2,569
Sales and assumptions of additional noncontrolling interests	13,483			(529)					(529)	4,039
Purchases from noncontrolling interests	(2,594)			(3,721)					(3,721)	(544)
Changes in fair value of noncontrolling interests	24,819			(24,819)					(24,819)	—
Other adjustments	14			(339)					(339)	(1,346)
Purchase of treasury stock						(2,903)	(153,495)		(153,495)	
Balance at December 31, 2009	$ 331,725	134,862	$ 135	$ 621,685	$ 2,312,134	(31,800)	$ (793,340)	$ (5,548)	$ 2,135,066	$ 59,093

See notes to consolidated financial statements.

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

1. Organization and summary of significant accounting policies

Organization

DaVita Inc. principally operates kidney dialysis centers and provides related lab services primarily in dialysis centers and in contracted hospitals across the United States. The Company also operates other ancillary services and strategic initiatives which relate primarily to its core business of providing renal care services. As of December 31, 2009, the Company operated or provided administrative services to 1,530 outpatient dialysis centers located in 43 states and the District of Columbia, serving approximately 118,000 patients. The Company's dialysis and related lab services business qualifies as a separately reportable segment and all other ancillary services and strategic initiatives have been combined and disclosed in the other segments category.

Basis of presentation

These consolidated financial statements are prepared in accordance with United States generally accepted accounting principles. The financial statements include DaVita and its subsidiaries, partnerships and other entities in which it maintains a 100%, majority voting, or other controlling financial interest (collectively, the Company). All significant intercompany transactions and balances have been eliminated. Non-marketable equity investments are recorded under the equity or cost method of accounting based upon whether the Company has significant influence over the investee. The Company has evaluated subsequent events through February 25, 2010, which is the date these consolidated financial statements were issued.

Use of estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and contingencies. Although actual results in subsequent periods will differ from these estimates, such estimates are developed based on the best information available to management and management's best judgments at the time made. All significant assumptions and estimates underlying the amounts reported in the financial statements and accompanying notes are regularly reviewed and updated. Changes in estimates are reflected in the financial statements based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies. Interim changes in estimates related to annual operating costs are applied prospectively within annual periods.

The most significant assumptions and estimates underlying these financial statements and accompanying notes involve revenue recognition and provisions for uncollectible accounts, impairments and valuation adjustments, accounting for income taxes, quarterly variable compensation accruals, purchase accounting valuation estimates, fair value estimates and stock-based compensation. Specific estimating risks and contingencies are further addressed within these notes to the consolidated financial statements.

Net operating revenues and accounts receivable

Revenues associated with Medicare and Medicaid programs are recognized based on: (a) the payment rates that are established by statute or regulation for the portion of the payment rates paid by the government payor (e.g., 80% for Medicare patients) and (b) for the portion not paid by the primary government payor, estimates of the amounts ultimately collectible from other government programs paying secondary coverage (e.g., Medicaid

secondary coverage), the patient's commercial health plan secondary coverage, or the patient. Revenues associated with commercial health plans are estimated based on contractual terms for the patients under healthcare plans with which the Company has formal agreements, non-contracted health plan coverage terms if known, estimated secondary collections, historical collection experience, historical trends of refunds and payor payment adjustments (retractions), inefficiencies in the Company's billing and collection processes that can result in denied claims for payments, and regulatory compliance issues.

Operating revenues are recognized in the period services are provided. Revenues consist primarily of payments from Medicare, Medicaid and commercial health plans for dialysis and ancillary services provided to patients. A usual and customary fee schedule is maintained for the Company's dialysis treatments and other patient services; however, actual collectible revenue is normally recognized at a discount from the fee schedule.

Commercial revenue recognition involves significant estimating risks. With many larger, commercial insurers the Company has several different contracts and payment arrangements, and these contracts often include only a subset of the Company's centers. It is often not possible to determine which contract, if any, should be applied prior to billing. In addition, for services provided by non- contracted centers, final collection may require specific negotiation of a payment amount, typically at a significant discount from the Company's usual and customary rates.

Services covered by Medicare and Medicaid are less subject to estimating risk. Both Medicare and Medicaid rates use prospective payment methods established in advance with definitive terms. Medicare payments for bad debt claims are subject to individual center profitability, as established by cost reports, and require evidence of collection efforts. As a result, billing and collection of Medicare bad debt claims are often delayed significantly, and final payment is subject to audit.

Medicaid payments, when Medicaid coverage is secondary, can also be difficult to estimate. For many states, Medicaid payment terms and methods differ from Medicare, and may prevent accurate estimation of individual payment amounts prior to billing.

Net revenue recognition and allowances for uncollectible billings require the use of estimates of the amounts that will ultimately be realized considering, among other items, retroactive adjustments that may be associated with regulatory reviews, audits, billing reviews and other matters.

The Company's range of revenue estimating risk for the dialysis and related lab services segment is generally expected to be within 1% of its revenue. Changes in revenue estimates for prior periods are separately disclosed, if material.

Management and administrative support services are provided to dialysis centers and physician practices and clinics that the Company does not own or in which the Company does not maintain a controlling ownership interest. The management fees are principally determined as a percentage of the managed operations' revenues or cash collections and in some cases an additional component based upon a percentage of operating income. Management fees are included in net operating revenues as earned, and represent less than 1% of total consolidated operating revenues.

Other income, net

Other income includes interest income on cash investments and other non-operating gains and losses from investment transactions.

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

Cash and cash equivalents

Cash equivalents are highly liquid investments with maturities of three months or less at date of purchase.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and consist principally of pharmaceuticals and dialysis-related supplies. Rebates related to inventory purchases are recorded when earned and are based on certain achievement factors such as process improvements, data submission and some combination of these factors.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and amortization and is further reduced by any impairments. Maintenance and repairs are charged to expense as incurred. Depreciation and amortization expenses are computed using the straight-line method over the useful lives of the assets estimated as follows: buildings, 20 to 40 years; leasehold improvements, the shorter of their economic useful life or the expected lease term; and equipment and information systems, principally 3 to 8 years. Disposition gains and losses are included in current operating expenses.

Investments

Based upon the Company's intentions and ability to hold certain assets until maturity, the Company classifies certain debt securities as held-to-maturity and measures them at amortized cost. Based upon the Company's other strategies involving investments, the Company classifies equity securities that have readily determinable fair values and certain other debt securities as available for sale and measures them at fair value. Unrealized gains or losses from available for sale investments are recorded in other comprehensive income until realized.

Amortizable intangibles

Amortizable intangible assets and liabilities include non-competition and similar agreements, lease agreements, hospital acute services contracts, deferred debt issuance costs and the Alliance and Product Supply Agreement, each of which have finite useful lives. Non-competition and similar agreements are amortized over the terms of the agreements, typically ten years, using the straight-line method. Lease agreements and hospital acute service contracts are amortized straight-line over the term of the lease and the contract period, respectively. Deferred debt issuance costs are amortized to debt expense over the term of the related debt using the effective interest method. The Alliance and Product Supply Agreement intangible liability is being amortized using the straight-line method over the term of the agreement, which is ten years.

Goodwill

Goodwill represents the difference between the fair value of acquired businesses and the fair value of the identifiable tangible and intangible net assets acquired. Goodwill is not amortized, but is assessed for valuation impairment as circumstances warrant and at least annually. An impairment charge would be recorded to the extent the book value of goodwill exceeds its fair value. The Company operates several reporting units for goodwill impairment assessments.

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

Impairment of long-lived assets

Long-lived assets, including property and equipment, equity investments in non-consolidated businesses, and amortizable intangible assets with finite useful lives, are reviewed for possible impairment at least annually and whenever significant events or changes in circumstances indicate that an impairment may have occurred, including changes in our business strategy and plans, changes in the quality or structure of our relationships with our partners and deteriorating operating performance of individual dialysis centers or other operations. An impairment is indicated when the sum of the expected future undiscounted net cash flows identifiable to an asset or asset group is less than its carrying value. Impairment losses are determined from actual or estimated fair values, which are based on market values, net realizable values or projections of discounted net cash flows, as appropriate. Impairment charges are included in operating expenses.

Income taxes

Federal and state income taxes are computed at current enacted tax rates, less tax credits using the asset and liability method. Deferred taxes are adjusted both for items that do not have tax consequences and for the cumulative effect of any changes in tax rates from those previously used to determine deferred tax assets or liabilities. Tax provisions include amounts that are currently payable, changes in deferred tax assets and liabilities that arise because of temporary differences between the timing of when items of income and expense are recognized for financial reporting and income tax purposes, changes in the recognition of tax positions and any changes in the valuation allowance caused by a change in judgment about the realizability of the related deferred tax assets. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

The Company uses a recognition threshold of more-likely-than not and a measurement attribute on all tax positions taken or expected to be taken in a tax return in order to be recognized in the financial statements. Once the recognition threshold is met, the tax position is then measured to determine the actual amount of benefit to recognize in the financial statements.

Self insurance

The Company maintains insurance reserves for professional and general liability and workers' compensation in excess of certain individual and or aggregate amounts not covered by third-party carriers. The Company estimates the self-insured retention portion of professional and general liability and workers' compensation risks using third-party actuarial calculations that are based upon historical claims experience and expectations for future claims.

Noncontrolling interests

Noncontrolling interests represent the equity interests of third-party owners in consolidated entities which are majority-owned. As of December 31, 2009, third parties held noncontrolling ownership interests in 137 consolidated entities. See discussion below on the retrospective application of adopting the presentation and disclosure requirements relating to noncontrolling interests.

Stock-based compensation

The Company's stock-based compensation awards are measured at their estimated fair value on the date of grant and recognized as compensation expense on the straight-line method over their individual requisite service periods. The Company implemented these requirements for all stock-based awards using the modified prospective transition method.

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

Interest rate swap agreements

The Company has entered into several interest rate swap agreements as a means of hedging its exposure to and volatility from variable-based interest rate changes. These agreements are designated as cash flow hedges and are not held for trading or speculative purposes, and have the economic effect of converting portions of the Company's variable rate debt to a fixed rate. See Note 13 to the consolidated financial statements for further details.

Fair value estimates

The Company measures the fair value of certain assets, liabilities and noncontrolling interests subject to put provisions based upon certain valuation techniques that include observable or unobservable market inputs and assumptions that market participants would use in pricing these assets, liabilities and noncontrolling interests subject to put provisions. The Company also has classified its assets, liabilities and noncontrolling interests subject to put provisions into the appropriate fair value hierarchy levels as defined by the FASB. See Note 23 to the consolidated financial statements for further details.

New accounting standards

On June 29, 2009, the Financial Accounting Standards Board (FASB) established the FASB Accounting Standards Codification (Codification) as the single source of authoritative U.S. generally accepted accounting principles (GAAP) for all nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) are also sources of authoritative U.S. GAAP for SEC registrants. The Codification does not change U.S. GAAP but takes previously issued FASB standards and other U.S. GAAP authoritative pronouncements, changes the way the standards are referred to, and includes them in specific topic areas. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of the Codification did not have any impact on the Company's consolidated financial statements.

Effective January 1, 2009, the Company is required to treat noncontrolling interests as a separate component of equity, but apart from the Company's equity, and not as a liability or other item outside of equity. The Company is also required to identify and present consolidated net income attributable to the Company and to noncontrolling interests on the face of the consolidated statement of income. Previously, the Company had reported minority interests (noncontrolling interests) as a reduction to operating income. In addition, changes in the Company's ownership interest while the Company retains a controlling financial interest should be accounted for as equity transactions. The Company was also required to expand disclosures in the financial statements to include a reconciliation of the beginning and ending balances of the equity attributable to the Company and the noncontrolling owners and a schedule showing the effects of changes in the Company's ownership interest in a subsidiary on the equity attributable to the Company. This change did not have a material impact on the Company's consolidated financial statements; however, it did change the presentation of minority interests (noncontrolling interests) in the Company's consolidated financial statements. In conjunction with adopting these requirements, the Company was required to classify securities with redemption features that are not solely within the Company's control such as the Company's noncontrolling interests that are subject to put provisions outside of permanent equity and to measure these noncontrolling interests at fair value. See Note 22 to the Company's consolidated financial statements for further details. These consolidated financial statements have been recast for all prior periods presented for the retrospective application of these presentation and disclosure requirements.

(dollars in thousands, except per share data)

The effects of the change upon the retrospective application of these presentation and disclosure requirements were as follows:

Consolidated income statements:

	2008	2007
Operating income:		
Operating income as previously reported	$ 821,765	$ 862,209
Reclassification of noncontrolling interests	47,331	46,702
Operating income as adjusted	$ 869,096	$ 908,911
Income taxes:		
Income taxes as previously reported	$ 235,300	$ 245,744
Income taxes associated with noncontrolling interests	171	(163)
Income taxes as adjusted	$ 235,471	$ 245,581

Consolidated balance sheet:

	2008				
	Income tax receivable	Minority interest	Noncontrolling interests not subject to put provisions	Noncontrolling interests subject to put provisions	Additional paid in capital
Balances as previously reported	$ 32,138	$ 165,846	$ —	$ —	$ 769,069
Net change	(8)	(165,846)	59,152	291,397	(184,711)
Balances as adjusted	$ 32,130	$ —	$ 59,152	$ 291,397	$ 584,358

Consolidated statements of cash flow:

	2008	2007
Cash flows from operating activities:		
Net cash provided by operating activities as previously reported	$ 555,931	$ 533,036
Reclassification of distributions to noncontrolling interests to cash flows from financing activities	57,770	48,029
Net cash provided by operating activities as adjusted	$ 613,701	$ 581,065

2. Earnings per share

Basic net income per share is calculated by dividing net income by the weighted average number of common shares and vested stock units outstanding. Diluted net income per share includes the dilutive effect of stock options, stock-settled stock appreciation rights and unvested stock units under the treasury stock method.

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

The reconciliations of the numerators and denominators used to calculate basic and diluted net income per share are as follows:

	Year ended December 31,		
	2009	2008	2007
	(shares in thousands)		
Basic:			
Net income attributable to DaVita Inc.	$ 422,684	$ 374,160	$ 381,778
Weighted average shares outstanding during the year	103,595	105,140	105,848
Vested stock units	9	9	45
Weighted average shares for basic earnings per share calculation	103,604	105,149	105,893
Basic net income per share attributable to DaVita Inc	$ 4.08	$ 3.56	$ 3.61
Diluted:			
Net income attributable to DaVita Inc.	$ 422,684	$ 374,160	$ 381,778
Weighted average shares outstanding during the year	103,595	105,140	105,848
Vested stock units	9	9	45
Assumed incremental shares from stock plans	564	791	1,525
Weighted average shares for diluted earnings per share calculation	104,168	105,940	107,418
Diluted net income per share attributable to DaVita Inc	$ 4.06	$ 3.53	$ 3.55
Shares subject to anti-dilutive awards excluded from calculation(1)	9,912	10,053	260

(1) Shares associated with stock options and stock-settled stock appreciation rights that are excluded from the diluted denominator calculation because they are anti-dilutive under the treasury stock method.

3. Accounts receivable

Approximately 18% and 9% of the accounts receivable balances as of December 31, 2009 and 2008, respectively, were more than six months old, and there were no significant balances over one year old. Approximately 2% and 1% of our accounts receivable as of December 31, 2009 and 2008, respectively, relate to amounts due from patients. Accounts receivable are principally from Medicare and Medicaid programs and commercial insurance plans.

4. Other receivables

Other receivables were comprised of the following:

	December 31,	
	2009	2008
Supplier rebates and other non-trade receivables	$ 195,753	$ 172,604
Medicare bad debt claims	45,600	38,700
Operating advances under management and administrative services agreements	22,103	27,861
	$ 263,456	$ 239,165

Operating advances under management and administrative services agreements are generally unsecured.

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

5. Other current assets

Other current assets consist principally of prepaid expenses and operating deposits.

6. Property and equipment

Property and equipment were comprised of the following:

	December 31, 2009	December 31, 2008
Land	$ 11,771	$ 11,771
Buildings	34,294	33,833
Leasehold improvements	997,668	873,306
Equipment and information systems	999,305	928,795
New center and capital asset projects in progress	32,280	36,875
	2,075,318	1,884,580
Less accumulated depreciation and amortization	(970,393)	(836,505)
	$ 1,104,925	$ 1,048,075

Depreciation and amortization expense on property and equipment was $214,515, $201,006 and $178,990 for 2009, 2008 and 2007, respectively.

Interest on debt incurred during the development of new centers and other capital asset projects is capitalized as a component of the asset cost based on the respective in-process capital asset balances. Interest capitalized was $3,627, $4,189 and $3,878 for 2009, 2008 and 2007, respectively.

7. Amortizable intangibles

Amortizable intangible assets were comprised of the following:

	December 31, 2009	December 31, 2008
Noncompetition and other agreements	$ 291,022	$ 285,270
Lease agreements	8,156	8,637
Deferred debt issuance costs	72,656	72,748
	371,834	366,655
Less accumulated amortization	(235,102)	(206,134)
Total amortizable intangible assets	$ 136,732	$ 160,521

Amortizable intangible liabilities were comprised of the following:

	December 31, 2009	December 31, 2008
Alliance and product supply agreement commitment (See Note 22)	$ 68,200	$ 68,200
Less accumulated amortization	(37,553)	(32,223)
	$ 30,647	$ 35,977

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

Net amortization expense from noncompetition and other agreements and the amortizable intangible liabilities was $14,471, $15,911 and $14,480 for 2009, 2008 and 2007, respectively. Lease agreements which are amortized to rent expense were $565 in 2009, $1,420 in 2008 and $2,240 in 2007, respectively. Deferred debt issuance costs are amortized to debt expense as described in Note 13 to the consolidated financial statements.

Scheduled amortization charges from intangible assets and liabilities as of December 31, 2009 were as follows:

	Noncompetition and other agreements	Deferred debt issuance costs	Alliance and Product Supply Agreement liability
2010	$ 20,100	$ 9,390	$ (5,330)
2011	19,660	8,922	(5,330)
2012	18,935	6,423	(5,330)
2013	16,817	2,741	(5,330)
2014	15,133	2,290	(5,330)
Thereafter	15,844	477	(3,997)

8. Equity investments

Equity investments in non-consolidated businesses were $22,631 and $19,274 at December 31, 2009 and 2008, respectively. During 2009, 2008 and 2007, the Company recognized income of $2,442, $796 and $1,217, respectively, relating to equity investments in non-consolidated businesses under the equity method of accounting. See Note 17, section *Changes in DaVita Inc.'s ownership interest in consolidated subsidiaries* to the consolidated financial statements for additional information regarding equity investment transactions.

In 2009, the Company also contributed $1,100 to an existing joint venture in which the Company owns a 50% equity investment. On December 31, 2007, the Company acquired a 50% equity investment in a joint venture that operated six dialysis centers for $17,550.

9. Investments in debt and equity securities

Based on the Company's intentions and strategy involving investments, the Company classifies certain debt securities as held-to-maturity and records them at amortized cost. Equity securities that have readily determinable fair values and other debt securities classified as available for sale are recorded at fair value.

The Company's investments consist of the following:

	December 31, 2009			December 31, 2008		
	Held to maturity	Available for sale	Total	Held to maturity	Available for sale	Total
Certificates of deposit, money market funds and U.S. treasury notes due within one year	$ 25,275	$ —	$ 25,275	$ 19,355	$ —	$ 19,355
Investments in mutual funds	—	8,816	8,816	—	21,833	21,833
	$ 25,275	$ 8,816	$ 34,091	$ 19,355	$ 21,833	$ 41,188
Short-term investments	$ 25,275	$ 1,200	$ 26,475	$ 19,355	$ 16,177	$ 35,532
Long-term investments	—	7,616	7,616	—	5,656	5,656
	$ 25,275	$ 8,816	$ 34,091	$ 19,355	$ 21,833	$ 41,188

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

The cost of the certificates of deposit, money market funds and U.S. treasury notes at December 31, 2009 and 2008 approximates fair value. As of December 31, 2009 and 2008, the available for sale investments included $205 and $1,558, respectively, of gross pre-tax unrealized losses. During 2009 and 2008 the Company recorded gross pre-tax unrealized gains (losses) of $1,614 and $(1,922), respectively, in other comprehensive income associated with changes in the fair value of these investments. During 2009, the Company sold investments in mutual funds for net proceeds of $16,693, and recognized a pre-tax gain of $261, or $159 after tax, that was previously recorded in other comprehensive income. In 2009, the Company also purchased approximately $6,300 of investments that are classified as held to maturity, net of investments routinely reinvested as required for VillageHealth, see discussion below. During 2008, the Company sold investments in mutual funds for net proceeds of $21,291 and recognized a pre-tax gain of $486, or $297 after-tax, that was also previously recorded in other comprehensive income. These pre-tax gains are included in other income. See Note 18 to the consolidated financial statements for further details.

As of December 31, 2009, investments totaling $22,275 classified as held to maturity are used to maintain certain capital requirements of the special needs plans of VillageHealth, which is a wholly-owned subsidiary of the Company. As of December 31, 2009, the Company discontinued the VillageHealth special needs plans and is in process of paying out all incurred claims. The Company also expects to liquidate its investments that are currently held to maintain certain capital requirements as soon as all of the claims are paid and the various state regulatory agencies approve the release of these investments. The investments in mutual funds classified as available for sale are held within a trust to fund existing obligations associated with several of the Company's non-qualified deferred compensation plans.

During 2007, the Company sold its investment of $20,000, or two million shares in NxStage Medical, Inc., for net proceeds of $25,868 and recognized a pre-tax gain of $5,868, or $3,628 after tax, that was previously recorded in other comprehensive income. The pre-tax gain is included in other income.

10. Goodwill

Changes in the book value of goodwill were as follows:

	Year ended December 31,	
	2009	2008
Balance at January 1	$ 3,876,931	$ 3,767,933
Acquisitions	78,199	89,234
Sales of and purchases from noncontrolling interests	(3,293)	20,141
Divestitures	(641)	—
DVA Renal Healthcare income tax adjustments	—	(642)
Other adjustments	—	265
Balance at December 31	$ 3,951,196	$ 3,876,931

As of December 31, 2009, there was $3,882,254 and $68,942 of goodwill associated with the dialysis and related lab services business and the ancillary services and strategic initiatives, respectively.

As of December 31, 2008, there was $3,808,942 and $67,989 of goodwill associated with the dialysis and related lab services business and the ancillary services and strategic initiatives, respectively.

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

11. Other liabilities

Other accrued liabilities were comprised of the following:

	December 31,	
	2009	2008
Payor refunds and retractions	$ 320,187	$ 361,205
Insurance and self-insurance accruals	59,734	55,844
Accrued interest	36,881	44,308
Accrued non-income tax liabilities	11,581	8,920
Interest rate swaps	10,792	18
Other	21,917	24,944
	$ 461,092	$ 495,239

12. Income taxes

A reconciliation of the beginning and ending liability for unrecognized tax benefits that do not meet the more-likely-than-not threshold were as follows:

	Year ended December 31,	
	2009	2008
Balance beginning	$ 10,887	$ 25,744
Additions for tax positions related to current year	6,939	1,934
Additions for tax positions related to prior years	14,941	463
Reductions for tax positions related to prior years	(1,738)	(17,254)
Settlements	(336)	—
Balance ending	$ 30,693	$ 10,887

As of December 31, 2009, it is reasonably possible that $18,342 of unrecognized tax benefits may be recognized within the next 12 months, primarily related to the filing of tax accounting method changes. These changes will have no impact on the Company's effective tax rate. As of December 31, 2009, unrecognized tax benefits totaling $12,351 would affect the Company's effective tax rate, if recognized.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in its income tax expense. At December 31, 2009 and 2008, the Company had approximately $3,226 and $1,402, respectively, accrued for interest and penalties related to unrecognized tax benefits, net of federal tax benefits.

The Company and its subsidiaries file U.S. federal income tax returns and various state returns. The Company is no longer subject to U.S. federal, state and local examinations by tax authorities for years before 2004.

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

Income tax expense consisted of the following:

	Year ended December 31,		
	2009	2008	2007
Current:			
Federal	$ 193,181	$ 118,764	$ 196,556
State	34,415	20,595	30,424
Deferred:			
Federal	44,376	81,306	14,945
State	6,493	14,806	3,656
	$ 278,465	$ 235,471	$ 245,581

Deferred tax assets and liabilities arising from temporary differences were as follows:

	December 31,	
	2009	2008
Receivables	$ 142,315	$ 108,275
Alliance and product supply agreement	11,922	13,995
Accrued liabilities	125,992	117,474
Other	62,208	65,635
Deferred tax assets	342,437	305,379
Valuation allowance	(14,191)	(12,588)
Net deferred tax assets	328,246	292,791
Intangible assets	(317,306)	(262,029)
Property and equipment	(84,041)	(55,747)
Other	(4,801)	(2,703)
Deferred tax liabilities	(406,148)	(320,479)
Net deferred tax liabilities	$ (77,902)	$ (27,688)

At December 31, 2009, the Company had state net operating loss carryforwards of approximately $169,497 that expire through 2029, and federal net operating loss carryforwards of $10,657 that expire through 2029. The utilization of these losses may be limited in future years based on the profitability of certain separate-return entities. The valuation allowance increase of $1,603 relates to changes in the estimated tax benefit of federal and state operating losses of separate-return entities.

The reconciliation between our effective tax rate from continuing operations and the U.S. federal income tax rate is as follows:

	Year ended December 31,		
	2009	2008	2007
Federal income tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	3.7	3.7	3.5
Changes in deferred tax valuation allowances	0.2	0.3	0.2
Other	0.8	(0.3)	0.4
Impact of noncontrolling interests primarily attributable to non-tax paying entities	(3.0)	(2.8)	(2.7)
Effective tax rate	36.7%	35.9%	36.4%

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13. Long-term debt

Long-term debt was comprised of the following:

	December 31,	
	2009	2008
Senior Secured Credit Facilities:		
Term loan A	$ 153,125	$ 214,375
Term loan B	1,705,875	1,705,875
Senior and senior subordinated notes	1,750,000	1,750,000
Acquisition obligations and other notes payable	15,891	15,266
Capital lease obligations	4,635	5,873
Total principal debt outstanding	3,629,526	3,691,389
Premium on the 6 7/8% senior notes	2,698	3,757
	3,632,224	3,695,146
Less current portion	(100,007)	(72,725)
	$ 3,532,217	$ 3,622,421

Scheduled maturities of long-term debt at December 31, 2009 were as follows:

2010	100,007
2011	67,589
2012	1,707,625
2013	901,374
2014	495
Thereafter	852,436

Senior Secured Credit Facility

The Senior Secured Credit Facilities are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and are secured by substantially all of the Company's and its subsidiary guarantors' assets. The Senior Secured Credit Facilities also contain customary affirmative and negative covenants and require compliance with financial covenants, including an interest rate coverage ratio, and a leverage ratio that determines the interest rate margins on term loan A and the revolving line of credit. The Senior Secured Credit Facilities in general also contain limits on the general amount of capital expenditures for internal growth, acquisitions and capital improvements, redemptions or acquisitions of capital stock, the payment of dividends and distributions in cash as well as limits on the amount of tangible net assets in non-guarantor subsidiaries. However, the limitations on capital expenditures for internal growth will not apply during the periods in which the Company's leverage ratio is less than 3.5:1. The Company's leverage ratio at December 31, 2009 was less than 3.5:1.

Term Loans

Term loan A and term loan B total outstanding borrowings each consist of various individual tranche amounts that can range in maturity from one month to twelve months. Each specific tranche bears interest at a LIBOR rate determined by the maturity of that specific tranche and the interest rates are reset as each specific tranche matures. The overall weighted average interest rate for each term loan is determined based upon the LIBOR interest rates in effect for all of the individual tranches plus the interest rate margin.

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Term Loan A

Term loan A currently bears interest at LIBOR plus a margin of 1.50%, for an overall weighted average effective rate of 1.74% at December 31, 2009. The interest rate margin is subject to adjustment depending upon certain financial conditions and could range from 1.50% to 2.25%. Term loan A matures in October 2011 and requires annual principal payments of $87,500 in 2010 and $65,625 in 2011, respectively.

During 2009 and 2008, the Company made principal payments totaling $61,250 and $14,875, respectively, on term loan A.

Term Loan B

Term loan B bears interest at LIBOR plus a margin of 1.50% for an overall weighted average effective rate of 2.66%, including the impact of the Company's swap agreements at December 31, 2009. Term loan B matures in October 2012 and requires principal payments of $1,705,875 in year 2012. During 2009 and 2008, the Company did not make, nor was the Company required to make, any principal payments on Term loan B.

Revolving Lines of Credit

The Company has an undrawn revolving line under the Senior Secured Credit Facilities totaling $250,000, of which approximately $51,889 was committed for outstanding letters of credit. The Company also has other undrawn revolving lines of credit totaling $3,300 associated with several of its joint ventures.

Senior and Senior Subordinated Notes

The Company's senior and senior subordinated notes, as of December 31, 2009 and 2008, consisted of $900,000 of 6 1/8% senior notes due 2013 and $850,000 of 7 1/4% senior subordinated notes due 2015. The effective interest rate for $400,000 of the 6 1/8% senior notes is 6.45%. The notes are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and require semi-annual interest payments in March and September. The Company may redeem some or all of the senior notes at any time on or after March 15, 2009 and some or all of the senior subordinated notes at any time on or after March 15, 2010.

Interest rate swaps

Effective January 1, 2009, the Company was required to provide enhanced disclosures about the Company's derivative and hedging activities. The Company is required to provide additional disclosures about (a) how and why the Company uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for, and (c) how derivative instruments and related hedged items affect the Company's financial position, financial performance, and cash flows. These requirements did not have a material impact on the Company's consolidated financial statements. The Company has elected to provide comparative disclosures for the prior period presented.

The Company has entered into several interest rate swap agreements as a means of hedging its exposure to and volatility from variable-based interest rate changes as part of its overall risk management strategy. These agreements are not held for trading or speculative purposes, and have the economic effect of converting portions of our variable rate debt to a fixed rate. These agreements are designated as cash flow hedges, and as a result, hedge-effective gains or losses resulting from changes in the fair values of these swaps are reported in other comprehensive income until such time as each specific swap tranche is realized, at which time the amounts are reclassified into net income. Net amounts paid or received for each specific swap tranche that have settled have been reflected as adjustments to debt expense. These agreements do not contain credit-risk contingent features.

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As of December 31, 2009, the Company maintained a total of eight interest rate swap agreements with amortizing notional amounts totaling $388,900. These agreements had the economic effect of modifying the LIBOR-based variable interest rate on an equivalent amount of the Company's debt to fixed rates ranging from 3.88% to 4.70%, resulting in an overall weighted average effective interest rate of 5.78% on the hedged portion of the Company's Senior Secured Credit Facilities, including the term loan B margin of 1.50%. The swap agreements expire in 2010 and require quarterly interest payments. The Company estimates that approximately $8,900 of existing unrealized pre-tax losses in other comprehensive income at December 31, 2009 will be reclassified into income over the next twelve months.

The following table summarizes our derivative instruments as of December 31, 2009 and 2008:

	Interest rate swap liabilities			
	December 31, 2009		December 31, 2008	
Derivatives designated as hedging instruments	Balance sheet location	Fair value	Balance sheet location	Fair value
Current settlement of interest rate swap agreements	Other current liabilities	$ 10,792	Other current liabilities	$ 18
Interest rate swap agreements	Other long-term liabilities	—	Other long-term liabilities	21,886
Total		$ 10,792		$ 21,904

The following table summarizes the effects of our interest rate swap agreements for the years ended December 31, 2009, 2008 and 2007:

	Amount of gains (losses) recognized in OCI on interest rate swap agreements			Location of (losses) gains reclassified from accumulated OCI into income	Amount of gains (losses) reclassified from accumulated OCI into income		
	Years ended December 31,				Years ended December 31,		
Derivatives designated as cash flow hedges	2009	2008	2007		2009	2008	2007
Interest rate swap agreements	$ (4,220)	$ (21,190)	$ (11,733)	Debt expense	$ (17,253)	$ (4,239)	$ 14,498
Tax expense benefit (expense)	1,642	8,243	4,564		6,711	1,649	(5,640)
Total	$ (2,578)	$ (12,947)	$ (7,169)		$ (10,542)	$ (2,590)	$ 8,858

As of December 31, 2009, the Company's interest rates were economically fixed on approximately 21% of its variable rate debt and approximately 59% of its total debt.

As a result of the swap agreements, the Company's overall weighted average effective interest rate on the Senior Secured Credit Facilities was 2.63%, based upon the current margins in effect of 1.50%, as of December 31, 2009.

The Company's overall weighted average effective interest rate in 2009 was 4.86% and as of December 31, 2009 was 4.68%.

Debt expense

Debt expense consisted of interest expense of $176,100, $214,944 and $242,720, amortization of deferred financing costs of $9,655, $9,772 and $9,808 for 2009, 2008 and 2007, respectively, and in 2007 included the

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write-off of $4,371 of deferred financing costs. Debt expense in 2007 also included $248 of other costs associated with the amendment and reinstatement of the Senior Secured Credit Facilities. The interest expense amounts are net of capitalized interest.

14. Leases

The majority of the Company's facilities are leased under non-cancelable operating leases, ranging in terms from five to 15 years, which contain renewal options of five to ten years at the fair rental value at the time of renewal. The Company leases are generally subject to periodic consumer price index increases or contain fixed escalation clauses. The Company also leases certain equipment under capital leases.

Future minimum lease payments under non-cancelable operating leases and capital leases are as follows:

	Operating leases	Capital leases
2010	$ 215,993	$ 851
2011	197,042	852
2012	176,378	870
2013	152,512	835
2014	130,718	579
Thereafter	439,217	2,801
	$ 1,311,860	6,788
Less portion representing interest		(2,153)
Total capital lease obligations, including current portion		$ 4,635

Rent expense under all operating leases for 2009, 2008, and 2007 was $248,792, $225,531 and $200,626, respectively. Rent expense is recorded on a straight-line basis, over the term of the lease, for leases that contain fixed escalation clauses or include abatement provisions. Leasehold improvement incentives are deferred and amortized to rent expense over the term of the lease. The net book value of property and equipment under capital leases was $5,432, $6,612 and $7,191 at December 31, 2009, 2008 and 2007, respectively. Capital lease obligations are included in long-term debt. See Note 13 to the consolidated financial statements.

15. Employee benefit plans

The Company has a savings plan for substantially all employees which has been established pursuant to the provisions of Section 401(k) of the Internal Revenue Code, or IRC. The plan allows for employees to contribute a percentage of their base annual salaries on a tax-deferred basis not to exceed IRC limitations. The Company does not provide any matching contributions.

The Company also maintains a voluntary compensation deferral plan, the DaVita Voluntary Deferral Plan. This plan is non-qualified and permits certain employees whose annualized base salary equals or exceeds a minimum annual threshold amount as set by the Company to elect to defer all or a portion of their annual bonus payment and up to 50% of their base salary into a deferral account maintained by the Company. Total contributions to this plan in 2009 and 2008 were $2,062, and $1,993, respectively. Deferred amounts are generally paid out in cash at the participant's election either in the first or second year following retirement or in a specified future period at least three to four years after the deferral election was effective. During 2009 and

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2008, the Company distributed $601 and $764, respectively, to participants. Participants are credited with their proportional amount of annual earnings from the plan. The assets of this plan are held in a "rabbi trust" and as such are subject to the claims of the Company's general creditors in the event of its bankruptcy. As of December 31, 2009 and 2008, the total fair value of assets held in trust were $7,246 and $4,556, respectively.

As part of the acquisition of DVA Renal Healthcare on October 5, 2005, the Company acquired an Executive Retirement Plan for certain members of management. This plan is non-qualified and contributions to the plan were made at the discretion of DVA Renal Healthcare based upon a pre-determined percentage of a participant's base salary. Effective November 2005, all contributions to this plan were discontinued and the balance of the plan assets will be paid out upon termination of each individual participant. During 2009 and 2008, the Company distributed $241 and $142, respectively, to participants. As of December 31, 2009 and 2008, the total fair value of assets held in trust was $1,570 and $1,490, respectively.

The Company maintained a non-qualified deferred compensation plan for key employees. Company contributions were discretionary and were deposited into a rabbi trust. Participants in the plan were subject to a vesting period and typically receive annual distributions from the plan commencing one year after grant date, although in certain situations distributions are paid upon termination or retirement. Participants also had the option to direct their balances into certain investment funds and were credited with their proportional amount of earnings from the investments. The assets of this plan were held in the rabbi trust and were subject to the claims of the Company's general creditors in the event of its bankruptcy. There were no contributions to this plan in 2009. In 2008, the Company contributed $16 to this plan. During 2009, the Company distributed $15,851, including earnings, to eligible participants, which were the total assets held in trust. In 2008, the Company distributed $5,263 to eligible participants.

The Company also maintained another non-qualified deferred compensation plan for certain employees. Company contributions to the plan were discretionary and were deposited into a rabbi trust that was not subject to general creditors claims in the event of bankruptcy by the Company. Participants in the plan were subject to a vesting period and were credited with their proportional amount of earnings from the investments within the plan. In 2008, the Company distributed $15,122, including earnings to all eligible participants. The distribution was the total assets held by trust.

The fair value of all of the assets held in plan trusts as of December 31, 2009, and 2008 totaled $8,816 and $21,833, respectively. These assets are available for sale and as such are recorded at fair market value with changes in the fair market values being recorded in other comprehensive income. Any fair market value changes to the corresponding liability balance will be recorded as compensation expense. See Note 9 to the consolidated financial statements.

Most of the Company's outstanding employee stock plan awards include a provision accelerating the vesting of the award in the event of a change of control. The Company also maintains a change of control protection program for its employees who do not have a significant number of stock awards, which has been in place since 2001, and which provides for cash bonuses to employees in the event of a change of control. Based on the market price of the Company's common stock and shares outstanding on December 31, 2009, these cash bonuses would total approximately $235,000 if a control transaction occurred at that price and the Company's Board of Directors did not modify the program. This amount has not been accrued at December 31, 2009, and would only be accrued upon a change of control. These change of control provisions may affect the price an acquirer would be willing to pay for the Company.

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16. Contingencies

The majority of the Company's revenues are from government programs and may be subject to adjustment as a result of: (1) examination by government agencies or contractors, for which the resolution of any matters raised may take extended periods of time to finalize; (2) differing interpretations of government regulations by different fiscal intermediaries or regulatory authorities; (3) differing opinions regarding a patient's medical diagnosis or the medical necessity of services provided; and (4) retroactive applications or interpretations of governmental requirements. In addition, the Company's revenues from commercial payors may be subject to adjustment as a result of potential claims for refunds, as a result of government actions or as a result of other claims by commercial payors.

Inquiries by the Federal Government

In December 2008, the Company received a subpoena for documents from the Office of Inspector General, U.S. Department of Health and Human Services, or OIG, relating to the pharmaceutical products Zemplar, Hectorol, Venofer, Ferrlecit and Epogen® , or EPO, as well as other related matters. The subpoena covers the period from January 2003 to the present. The Company has been in contact with the United States Attorney's Office, or U.S. Attorney's Office, for the Northern District of Georgia and the U.S. Department of Justice in Washington, DC, since November 2008 relating to this matter, and has been advised that this is a civil inquiry. On June 17, 2009, the Company learned that the allegations were made as part of a civil qui tam complaint filed by individuals and brought pursuant to the federal False Claims Act. The case remains under seal in the United States District Court for the Northern District of Georgia. The Company is cooperating with the inquiry and is producing the requested records. To the Company's knowledge, no proceedings have been initiated by the federal government against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated, or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against the Company and exclusion from future participation in the Medicare and Medicaid programs.

In February 2007, the Company received a request for information from the OIG for records relating to EPO claims submitted to Medicare. In August 2007, the Company received a subpoena from the OIG seeking similar documents. The requested documents relate to services provided from 2001 to 2004 by a number of the Company's centers. The request and subpoena were sent from the OIG's offices in Houston and Dallas, Texas. The Company is cooperating with the inquiry and is producing the requested records. The Company has been in contact with the U.S. Attorney's Office for the Eastern District of Texas, which has stated that this is a civil inquiry related to EPO claims. On July 6, 2009, the United States District Court for the Eastern District of Texas lifted the seal on the civil qui tam complaint related to these allegations and the Company was subsequently served with a complaint by the relator. We believe that there is some overlap between this issue and the ongoing review of EPO utilization and claims by the U.S. Attorney's Office, for the Eastern District of Missouri in St. Louis described below. To the Company's knowledge, no proceedings have been initiated by the federal government against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to these inquiries will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against the Company and exclusion from future participation in the Medicare and Medicaid programs.

In March 2005, the Company received a subpoena from the U.S. Attorney's Office for the Eastern District of Missouri in St. Louis. The subpoena requires production of a wide range of documents relating to our

operations, including documents related to, among other things, pharmaceutical and other services provided to patients, relationships with pharmaceutical companies, and financial relationships with physicians and joint ventures. The subpoena covers the period from December 1, 1996 through the present. In October 2005, the Company received a follow-up request for additional documents related to specific medical director and joint venture arrangements. In February 2006, the Company received an additional subpoena for documents, including certain patient records relating to the administration and billing of EPO. In May 2007, the Company received a request for documents related to durable medical equipment and supply companies owned and operated by the Company. The Company is cooperating with the inquiry and is producing the requested records. The subpoenas have been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against the Company in connection with this inquiry. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoenas will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against the Company, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties.

Other

The Company has received several notices of claims from commercial payors and other third parties related to historical billing practices and claims against DVA Renal Healthcare (formerly known as Gambro Healthcare) related to historical Gambro Healthcare billing practices and other matters covered by their 2004 settlement agreement with the Department of Justice and certain agencies of the U.S. government. At least one commercial payor has filed an arbitration demand against the Company, as described below, and additional commercial payors have threatened litigation. The Company intends to defend against these claims vigorously; however, the Company may not be successful and these claims may lead to litigation and any such litigation may be resolved unfavorably.

Several wage and hour claims have been filed against the Company in the Superior Court of California, each of which has been styled as a class action. In February 2007, June 2008, October 2008 and December 2008, the Company was served with five separate complaints, including two in October 2008, by various former employees, each of which alleges, among other things, that the Company failed to provide rest and meal periods, failed to pay compensation in lieu of providing such rest or meal periods, failed to pay the correct amount of overtime, failed to pay the rate on the "wage statement," and failed to comply with certain other California labor code requirements. The Company has reached a tentative settlement in the complaints served in February 2007 and December 2008 and one of the complaints served in October 2008. That settlement has been partially approved by the court and the Company is waiting for final court approval of the last part of the settlement. The Company intends to vigorously defend against the remaining claims and to vigorously oppose the certification of the remaining matters as class actions.

In August 2007, Sheet Metal Workers National Health Fund and Glenn Randle filed a complaint in the United States District Court for the Central District of California against the Company. The complaint also names as defendants Amgen Inc. and Fresenuis Medical Care Holdings, Inc. The complaint is styled as a class action and alleges four claims against the Company, including violations of the federal RICO statute, California's unfair competition law, California's false advertising law and for unjust enrichment. The complaint's principal allegations against the Company are that the defendants engaged in a scheme to unlawfully promote the administration of EPO to hemodialysis patients intravenously, as opposed to subcutaneously, and to over-utilize EPO. On December 17, 2008, the Court dismissed the complaint and allegations in their entirety with permission

of plaintiffs to amend the complaint. The Company was not named as a defendant in plaintiffs' amended complaint. In June 2009, the Court dismissed the remainder of the case. Following the dismissal, plaintiffs filed a notice of appeal. The notice of appeal seeks review by the U. S. Court of Appeals for the Ninth Circuit of all of the district court's dismissal rulings, including the ruling dismissing the Company as a defendant. The Company intends to continue to vigorously defend this claim.

In October 2007, the Company was contacted by the Attorney General's Office for the State of Nevada. The Attorney General's Office informed the Company that it was conducting a civil and criminal investigation of the Company's operations in Nevada and that the investigation related to the billing of pharmaceuticals, including EPO. In February 2008, the Attorney General's Office informed the Company that the civil and criminal investigation has been discontinued. The Attorney General's Office further advised the Company that Nevada Medicaid intends to conduct audits of end stage renal disease (ESRD) dialysis providers in Nevada, including the Company, and that such audits will relate to the issues that were the subjects of the investigation. To the Company's knowledge, no court proceedings have been initiated against the Company at this time. Any negative audit findings could result in a substantial repayment by the Company.

In August 2005, Blue Cross/Blue Shield of Louisiana filed a complaint in the United States District Court for the Western District of Louisiana against Gambro AB, DVA Renal Healthcare (formerly known as Gambro Healthcare) and related entities. The plaintiff sought to bring its claims as a class action on behalf of itself and all entities that paid any of the defendants for health care goods and services from on or about January 1991 through at least December 2004. The complaint alleged, among other things, damages resulting from facts and circumstances underlying Gambro Healthcare's 2004 settlement agreement with the Department of Justice and certain agencies of the U.S. government. In March 2006, the case was dismissed and the plaintiff was compelled to seek arbitration to resolve the matter. In November 2006, the plaintiff filed a demand for class arbitration against the Company and DVA Renal Healthcare. The Company intends to vigorously defend against these claims. The Company also intends to vigorously oppose the certification of this matter as a class action. At this time, the Company cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

In June 2004, Gambro Healthcare was served with a complaint filed in the Superior Court of California by one of its former employees who worked for its California acute services program. The complaint, which is styled as a class action, alleges, among other things, that DVA Renal Healthcare failed to provide overtime wages, defined rest periods and meal periods, or compensation in lieu of such provisions and failed to comply with certain other California labor code requirements. The Company intends to vigorously defend against these claims. The Company also intends to vigorously oppose the certification of this matter as a class action. At this time, the Company cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

In addition to the foregoing, the Company is subject to claims and suits, including from time to time, contractual disputes and professional and general liability claims, as well as audits and investigations by various government entities, in the ordinary course of business. The Company believes that the ultimate resolution of any such pending proceedings, whether the underlying claims are covered by insurance or not, will not have a material adverse effect on its financial condition, results of operations or cash flows.

17. DaVita Inc. stock-based compensation and shareholders' equity

Stock-based compensation

Stock-based compensation recognized in a period represents the amortization during that period of the estimated grant-date fair value of stock-based awards over their vesting terms, adjusted for expected forfeitures. Shares issued upon exercise of stock awards are generally issued from shares held in treasury.

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Stock-based compensation plans and agreements

On May 29, 2007, the Company's stockholders approved an amendment and restatement of the Company's Employee Stock Purchase Plan to increase the number of shares of common stock available for issuance under that plan by 800,001 shares, and approved an amendment and restatement of the Company's 2002 Equity Compensation Plan to increase the number of shares of common stock available for issuance under that plan by 6,000,000 shares and, among other things, to remove certain available share recycling features, to change the limit on the maximum number of shares of common stock that may be subject to awards granted to any single recipient in any consecutive twenty-four month period so that such limit applies only to awards of stock options and stock appreciation rights, and to provide additional exceptions from the three year minimum vesting period generally applicable to grants of restricted stock units and other full share awards.

The Company's stock-based compensation plans and agreements are described below.

2002 Plan. The DaVita Inc. 2002 Equity Compensation Plan (the 2002 Plan) is the Company's omnibus equity compensation plan and provides for grants of stock-based awards to employees, directors and other individuals providing services to the Company, except that incentive stock options may only be awarded to employees. The 2002 Plan mandates a maximum award term of five years, and stipulates that stock options and stock appreciation rights be granted with prices not less than the fair market value on the date of grant. The 2002 Plan further requires that full share awards such as restricted stock units reduce shares available under the 2002 Plan at a rate of 3.0:1. The Company's nonqualified stock options, stock appreciation rights and stock units awarded under the 2002 Plan generally vest over 48 to 60 months from the date of grant. At December 31, 2009, there were 13,316,104 stock options and stock-settled stock appreciation rights and 69,696 stock units outstanding and 4,041,592 shares available for future grants under the 2002 Plan.

Predecessor plans. Various prior stock-based compensation plans were terminated upon shareholder approval of the 2002 Plan in 2002, and the 1999 Non-Executive Officer and Non-Director Equity Compensation Plan (the 1999 Plan) expired in 2009, both except with respect to option awards then outstanding. Stock options granted under these terminated plans were generally issued with exercise prices equal to the market price of the stock on the date of grant, vested over four years from the date of grant, and bore maximum award terms of five to 10 years. For these terminated plans, there were only 20,084 stock options remaining outstanding under the 1999 Plan as of December 31, 2009.

Deferred stock unit agreements. During 2001 through 2003, the Company made nonqualified stock unit awards to members of the Board of Directors and certain key executive officers under stand-alone contractual deferred stock unit agreements. These awards vested over one to four years and were settled in stock when they vested or at a later date at the election of the recipient. The last 63,636 shares subject to these agreements were issued to their recipients in 2008.

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A combined summary of the status of awards under these stock-based compensation plans and agreements, including base shares for stock appreciation rights and shares subject to stock option and stock unit awards, is as follows:

	Year ended December 31, 2009				
	Stock options and stock appreciation rights			Stock units	
	Awards	Weighted average exercise price	Weighted average remaining contractual life	Awards	Weighted average remaining contractual life
Outstanding at beginning of year	12,739,134	$ 47.75		104,085	
Granted	4,211,840	46.97		48,135	
Exercised	(2,621,042)	37.31		(73,801)	
Forfeited	(993,744)	49.74		(8,723)	
Outstanding at end of period	13,336,188	$ 49.41	3.0	69,696	4.1
Awards exercisable at end of period	4,473,520	$ 50.93	2.0	8,810	4.8
Weighted-average fair value of awards granted during 2009	$ 12.08			$ 54.31	
Weighted-average fair value of awards granted during 2008	$ 11.01			$ 51.13	
Weighted-average fair value of awards granted during 2007	$ 13.89			$ 54.69	

Range of exercise prices	Awards outstanding	Weighted average exercise price	Awards exercisable	Weighted average exercise price
$ 0.00–$ 0.00	69,696	$ —	8,810	$ —
$30.01–$40.00	250	32.20	250	32.20
$40.01–$50.00	7,324,263	46.52	1,844,556	47.94
$50.01–$60.00	5,957,175	52.85	2,603,091	52.94
$60.01–$70.00	54,500	61.12	25,623	61.02
Total	13,405,884	$ 49.15	4,482,330	$ 50.83

For the years ended December 31, 2009, 2008, and 2007, the aggregate intrinsic value of stock awards exercised was $46,896, $35,957 and $86,283, respectively. At December 31, 2009, the aggregate intrinsic value of stock awards outstanding was $128,668 and the aggregate intrinsic value exercisable was $35,533.

Estimated fair value of stock-based compensation awards

The Company has estimated the grant-date fair value of stock option and stock-settled stock appreciation rights awards using the Black-Scholes-Merton valuation model and stock unit awards at intrinsic value on the date of grant. The following assumptions were used in estimating these values and determining the total stock-based compensation attributable to the current period:

Expected term of the awards: The expected term of awards granted represents the period of time that they are expected to remain outstanding from the date of grant. The Company determines the expected term of its

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stock awards based on its historical experience with similar awards, considering the Company's historical exercise and post-vesting termination patterns, and the terms expected by peer companies in near industries.

Expected volatility: Expected volatility represents the volatility anticipated over the expected term of the award. The Company determines the expected volatility for its awards based on the volatility of the price of its common stock over the most recent retrospective period commensurate with the expected term of the award, considering the volatility expectations implied by the market price of its exchange-traded options and the volatilities expected by peer companies in near industries.

Expected dividend yield: The Company has not paid dividends on its common stock and does not currently expect to pay dividends during the term of stock awards granted.

Risk-free interest rate: The Company bases the expected risk-free interest rate on the implied yield currently available on stripped interest coupons of U.S. Treasury issues with a remaining term equivalent to the expected term of the award.

A summary of the weighted average valuation inputs described above used for estimating the grant-date fair value of stock options and stock-settled stock appreciation rights granted in the periods indicated is as follows:

	Year ended December 31,		
	2009	2008	2007
Expected term	3.5 years	3.4 years	3.7 years
Expected volatility	32%	27%	25%
Expected dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	1.8%	2.4%	4.4%

The Company estimates expected forfeitures based upon historical experience with separate groups of employees that have exhibited similar forfeiture behavior in the past. Stock-based compensation expense is recorded only for awards that are expected to vest.

Employee stock purchase plan

The Employee Stock Purchase Plan entitles qualifying employees to purchase up to $25 of the Company's common stock during each calendar year. The amounts used to purchase stock are accumulated through payroll withholdings or through optional lump sum payments made in advance of the first day of the purchase right period. This compensatory plan allows employees to purchase stock for the lesser of 100% of the fair market value on the first day of the purchase right period or 85% of the fair market value on the last day of the purchase right period. Purchase right periods begin on January 1 and July 1, and end on December 31. Payroll withholdings and lump-sum payments related to the plan, included in accrued compensation and benefits that were used to purchase the Company's common stock were $4,280, $4,522, and $4,711 at December 31, 2009, 2008 and 2007, respectively. Subsequent to December 31, 2009, 2008 and 2007, 86,213, 107,340 and 98,353 shares, respectively, were issued to satisfy obligations under the plan. At December 31, 2009, there were 962,752 shares available for future grants under this plan.

The fair value of employees' purchase rights was estimated as of the beginning dates of the purchase right periods using the Black-Scholes-Merton valuation model with the following weighted average assumptions for purchase right periods in 2009, 2008 and 2007, respectively: expected volatility of 34%, 24% and 23%; risk-free interest rate of 0.2%, 2.5% and 4.9%, and no dividends. Using these assumptions, the weighted average estimated fair value of these purchase rights was $13.90, $13.65 and $13.96 for 2009, 2008 and 2007, respectively.

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Stock-based compensation expense and proceeds

For the years ended December 31, 2009, 2008 and 2007, the Company recognized $44,422, $41,235 and $34,149, respectively, in stock-based compensation expense for stock options, stock settled stock appreciation rights, stock units and discounted employee stock plan purchases, which is primarily included in general and administrative expenses. The estimated tax benefits recorded for this stock-based compensation in 2009, 2008 and 2007 were $16,810, $15,609 and $12,820, respectively. As of December 31, 2009, there was $79,957 of total estimated unrecognized compensation cost related to nonvested stock-based compensation arrangements under the Company's equity compensation and stock purchase plans. The Company expects to recognize this cost over a weighted average remaining period of 1.4 years.

During the years ended December 31, 2009, 2008 and 2007, the Company received $63,653, $35,606 and $54,697 in cash proceeds from stock option exercises and $18,241, $13,988 and $32,788 in total actual tax benefits upon the exercise of stock awards, respectively.

Stock repurchases

During 2009 and 2008, the Company repurchased a total of 2,902,619 and 4,788,881 shares of its common stock for $153,495 and $232,715, or an average price of $52.88 and $48.59 per share respectively, pursuant to previously announced authorizations by the Board of Directors. On November 3, 2009, the Company announced that its Board of Directors authorized an increase of an additional $500,000 of share repurchases of its common stock. As a result of these transactions the total outstanding authorization for share repurchases as of December 31, 2009 was $500,000. The Company has not repurchased any additional shares of its common stock through February 25, 2010. This stock repurchase program has no expiration date.

Shareholder rights plan

The Company's Board of Directors approved a shareholder rights plan on November 14, 2002. This plan is designed to assure that DaVita's shareholders receive fair treatment in the event of any proposed takeover of DaVita.

Pursuant to this plan, the Board approved the declaration of a dividend distribution of one common stock purchase right for each outstanding share of its common stock payable on December 10, 2002 to holders of record of DaVita common stock on November 29, 2002. This rights distribution was not taxable to DaVita shareholders. As a result of the stock split that occurred during the second quarter of 2004, two-thirds of a right are now attached to each share of the Company's common stock. Two-thirds of a right will also attach to each newly issued or reissued share of common stock. These rights will become exercisable if a person or group acquires, or announces a tender offer for, 15% or more of DaVita's outstanding common stock. The triggering person's stock purchase rights will become void at that time and will not become exercisable.

Each right initially entitles its holder to purchase one share of common stock from the Company at a price of $125.00. If the rights become exercisable, and subject to adjustment for authorized shares available, each purchase right will then entitle its holder to purchase $125.00 of common stock at a price per share equal to 50% of the average daily closing price of the Company's common stock for the immediately preceding 30 consecutive trading days. If DaVita is acquired in a merger or other business combination transaction after the rights become exercisable, provisions will be made to allow the holder of each right to purchase $125.00 of common stock from the acquiring company at a price equal to 50% of the average daily closing price of that company's common stock for the immediately preceding 30 consecutive trading days.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

The Board of Directors may elect to redeem the rights at $0.01 per purchase right at any time prior to, or exchange common stock for the rights at an exchange ratio of one share per right at any time after, a person or group acquires or announces a tender offer for 15% or more of DaVita's outstanding common stock. The exercise price, number of shares, redemption price or exchange ratio associated with each right may be adjusted as appropriate upon the occurrence of certain events, including any stock split, stock dividend or similar transaction. These purchase rights will expire no later than November 14, 2012.

Charter documents & Delaware law

The Company's charter documents include provisions that may deter hostile takeovers, delay or prevent changes of control or changes in management, or limit the ability of stockholders to approve transactions that they may otherwise determine to be in their best interests. These include provisions prohibiting stockholders from acting by written consent, requiring 90 days advance notice of stockholder proposals or nominations to the Board of Directors and granting the Board of Directors the authority to issue up to five million shares of preferred stock and to determine the rights and preferences of the preferred stock without the need for further stockholder approval.

The Company is also subject to Section 203 of the Delaware General Corporation Law that, subject to exceptions, would prohibit the Company from engaging in any business combinations with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder. These restrictions may discourage, delay or prevent a change in the control of the Company.

Changes in DaVita Inc.'s ownership interest in consolidated subsidiaries

The effects of changes in DaVita Inc.'s ownership interest on the Company's equity are as follows:

	Year ended December 31, 2009
Net income attributable to DaVita Inc.	$ 422,684
Decrease in paid-in capital for sales of noncontrolling interest in eleven joint ventures, respectively	(529)
Decrease in paid-in capital for the purchase of a noncontrolling interest in six joint ventures, respectively	(3,721)
Net transfer from noncontrolling interests	(4,250)
Change from net income attributable to DaVita Inc. and transfers (to) from noncontrolling interests	$ 418,434

During 2009, the Company contributed cash and assets in two centers that were previously wholly-owned in exchange for an equity investment of 40% in a newly formed joint venture valued at $3,600. The Company recognized a pre-tax loss of $1,928 and deconsolidated these centers as a result of the transaction. In 2009, the Company also sold its controlling financial interest in one entity that contained one center which was previously wholly-owned to an existing joint venture in which the Company owns a 50% equity investment for $1,750 and recognized a pre-tax loss of $1,408. The Company deconsolidated this entity as a result of this transaction. The Company was also required to contribute $1,000 to the joint venture. The estimated fair values of the retained equity investments for both of these transactions were based upon valuation techniques as determined by an outside appraiser. The recognized pre-tax losses for both transactions were recorded in patient care costs in the consolidated statement of income.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

18. Other comprehensive income

Charges and credits to other comprehensive income have been as follows:

	2007		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized losses on interest rate swaps	$ (11,733)	$ 4,564	$ (7,169)
Less reclassification of net swap realized gains into net income	(14,498)	5,640	(8,858)
Net swap activity	(26,231)	10,204	(16,027)
Unrealized gains on investments	6,892	(2,681)	4,211
Less reclassification of net investment realized gains into net income	(6,042)	2,350	(3,692)
Net investment activity	850	(331)	519
Total	$ (25,381)	$ 9,873	$ (15,508)

	2008		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized losses on interest rate swaps	$ (21,190)	$ 8,243	$ (12,947)
Less reclassification of net swap realized losses into net income	4,239	(1,649)	2,590
Net swap activity	(16,951)	6,594	(10,357)
Unrealized losses on investments	(1,922)	748	(1,174)
Less reclassification of net investment realized gains into net income	(486)	189	(297)
Net investment activity	(2,408)	937	(1,471)
Total	$ (19,359)	$ 7,531	$ (11,828)

	2009		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized losses on interest rate swaps	$ (4,220)	$ 1,642	$ (2,578)
Less reclassification of net swap realized losses into net income	17,253	(6,711)	10,542
Net swap activity	13,033	(5,069)	7,964
Unrealized gains on investments	1,614	(628)	986
Less reclassification of net investment realized gains into net income	(261)	102	(159)
Net investment activity	1,353	(526)	827
Total	$ 14,386	$ (5,595)	$ 8,791

(dollars in thousands, except per share data)

Changes in accumulated other comprehensive income (loss) has been as follows:

	Interest rate swaps	Investment securities	Accumulated other comprehensive income
Balance December 31, 2007	(3,030)	519	(2,511)
Net activity	(10,357)	(1,471)	(11,828)
Balance December 31, 2008	$ (13,387)	$ (952)	$ (14,339)
Net activity	7,964	827	8,791
Balance December 31, 2009	$ (5,423)	$ (125)	$ (5,548)

19. Acquisitions and divestitures

Acquisitions

All business combinations consummated after January 1, 2009, are required to be accounted for under the acquisition method (previously referred to as the purchase method). Under the acquisition method, the acquirer recognizes the assets acquired, the liabilities assumed, contractual contingencies, as well as any noncontrolling interests in the acquiree at their fair values at the acquisition date. Noncontractual contingencies are recognized at the acquisition date at their fair values only if it is more likely than not that they meet the definition of an asset or a liability. Transaction costs are excluded from the acquisition cost and are expensed as incurred. Any contingent consideration included by the acquirer as part of the purchase price must also be measured at fair value at the acquisition date and is classified as either equity or a liability. A Company that obtains control but acquires less than 100% of an acquiree is required to record 100% of the fair value of the acquiree assets, liabilities, and noncontrolling interests at the acquisition date. The adoption of these requirements did not have a material impact on the Company's consolidated financial statements.

The total acquisition amounts were as follows:

	Year ended December 31,		
	2009	2008	2007
Cash paid, net of cash acquired	$ 87,617	$ 101,959	$ 127,094
Deferred purchase price and other acquisition obligations	338	2,286	1,195
Aggregate purchase cost	$ 87,955	$ 104,245	$ 128,289
Number of chronic dialysis centers acquired	19	20	16

During 2009, 2008, and 2007, the Company acquired dialysis businesses consisting of 19 centers, 20 centers and 16 centers for a total of $87,955, $93,024 and $57,783, respectively, in cash and deferred purchase price obligations. In 2009, the Company also acquired additional ownership interests in several existing majority-owned joint ventures for $6,859. In 2008, the Company also acquired an 80% ownership interest in one vascular access clinic for $11,221 and in addition, purchased additional ownership interests in several existing majority-owned joint ventures for $24,409. In 2007, the Company also acquired an 85% ownership interest in HomeChoice Partners for $70,506 in cash and deferred purchase price obligations. HCP provides infusion therapy services to patients with acute or chronic conditions that can be treated at home or at an ambulatory infusion site. The assets and liabilities for all acquisitions were recorded at their estimated fair values at the dates of the acquisitions and are included in the Company's financial statements and operating results from the designated effective dates of the acquisitions.

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(dollars in thousands, except per share data)

The initial purchase cost allocations for acquired businesses are recorded at fair values based upon the best information available to management and are finalized when identified pre-acquisition contingencies have been resolved and other information arranged to be obtained has been received, but in no case in excess of one year from the acquisition date. Adjustments to purchase accounting for prior acquisitions and payments for acquisitions in process have been included in the periods recognized.

The aggregate purchase cost allocations for dialysis and other related businesses were as follows:

	Year ended December 31,		
	2009	2008	2007
Tangible assets, principally leasehold improvements and equipment	$ 11,140	$ 7,972	$ 20,085
Amortizable intangible assets	6,703	9,988	12,271
Goodwill	78,199	89,234	105,609
Noncontrolling interest, net purchased (assumed)	(7,567)	(2,732)	(7,987)
Liabilities assumed	(520)	(217)	(1,689)
Aggregate purchase cost	$ 87,955	$ 104,245	$ 128,289

Amortizable intangible assets acquired during 2009, 2008 and 2007 had weighted-average estimated useful lives of seven, nine and eight years, respectively. The total amount of goodwill deductible for tax purposes associated with these acquisitions for 2009, 2008, and 2007 was approximately $72,000, $109,000 and $106,000, respectively.

Pro forma financial information

The following summary, prepared on a pro forma basis, combines the results of operations as if all acquisitions in 2009 and 2008 had been consummated as of the beginning of 2008, after including the impact of certain adjustments such as amortization of intangibles, interest expense on acquisition financing and income tax effects.

	Year ended December 31,	
	2009	2008
	(unaudited)	
Pro forma net revenues	$ 6,141,217	$ 5,761,318
Pro forma net income attributable to DaVita Inc.	424,493	379,132
Pro forma income from continuing operations attributable to DaVita Inc.	424,493	379,132
Pro forma basic net income per share attributable to DaVita Inc.	4.10	3.61
Pro forma diluted net income per share attributable to DaVita Inc.	4.08	3.58

20. Variable interest entities

Effective for the Company's first annual reporting period that begins after November 15, 2009, the FASB is eliminating the quantitative approach previously required for determining the primary beneficiary of a variable interest entity, and requiring additional disclosures about an enterprise's involvement in variable interest entities. An enterprise will be required to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity by having both the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and the obligation to absorb losses of the entity, or the right to receive benefits from the entity. In addition, the FASB is establishing new guidance for determining whether an entity is a variable interest entity, requiring an ongoing

reassessment of whether an enterprise is the primary beneficiary of a variable interest entity, and adding an additional reconsideration event for determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights concerning those investments to direct the activities of the entity that most significantly impact the entity's economic performance. The Company is currently in the process of assessing the expected impact of this standard on its consolidated financial statements.

In December 2008, the FASB required public entities to provide additional disclosures about transfers of financial assets and required public enterprises to provide additional disclosures about their involvement in variable interest entities and certain special purpose entities. Because these requirements impact disclosures and not the accounting treatment for transfers of financial assets and interests in variable interest entities, these requirements did not impact the Company's consolidated financial condition or results of operations.

The Company is deemed to be the primary beneficiary of all of the variable interest entities ("VIEs") with which it is associated. These VIEs are principally operating subsidiaries owned by related party nominee owners for the Company's benefit in jurisdictions in which the Company does not qualify for direct ownership under applicable regulations or joint ventures that require subordinated support in addition to their equity capital to finance operations. These include dialysis operating entities in New York and other states and physician practice management entities in various states.

Under the terms of the applicable arrangements, the Company bears most of the economic risks and rewards of ownership for these operating VIEs. The Company has contractual arrangements with its respective related party nominee owners which indemnify them from the economic losses, and entitle the Company to the economic benefits, that may result from ownership of such VIEs. DaVita manages these VIE subsidiaries and provides operating and capital funding as necessary to accomplish its operational and strategic objectives. Accordingly, since the Company bears the majority of the risks and rewards attendant to their ownership, the Company consolidates these variable interest entities as their primary beneficiary.

Total assets of these consolidated operating VIEs were approximately $21,000 and their liabilities to unrelated third parties were approximately $18,000 at December 31, 2009.

The Company also sponsors certain deferred compensation plans whose trusts qualify as VIEs and as their primary beneficiary the Company consolidates each of these plans. The assets of these plans are recorded in short-term or long-term investments with matching offsetting liabilities in accrued compensation and benefits and other long-term liabilities. See Note 9 to the consolidated financial statements for disclosures on the assets of these consolidated non-qualified deferred compensation plans.

21. Concentrations

Approximately 65% of the Company's total dialysis and related lab services revenues in 2009, 65% in 2008 and 64% in 2007 are from government-based programs, principally Medicare and Medicaid. Accounts receivable, and other receivables, from Medicare and Medicaid-assigned plans were approximately $467,900 and $467,400, respectively as of December 31, 2009 and 2008. No other single payor accounted for more than 5% of total accounts receivable.

A significant physician-prescribed pharmaceutical administered during dialysis, EPO, is provided by a sole supplier and accounted for approximately 20% of net operating revenues. Although the Company currently receives discounted prices for EPO, the supplier has unilateral pricing discretion and in the future the Company may not be able to achieve the same cost levels historically obtained.

22. Noncontrolling interests subject to put provisions and other commitments

Noncontrolling interests subject to put provisions

The Company has potential obligations to purchase the interests held by third parties in several of its joint ventures and non-wholly-owned subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Company would be required to purchase the third-party owners' noncontrolling interests at either the appraised fair market value or a predetermined multiple of earnings or cash flow attributable to the noncontrolling interests put to the Company, which is intended to approximate fair value. The methodology the Company uses to estimate the fair values of the noncontrolling interests subject to put provisions assumes either the higher of a liquidation value of net assets or an average multiple of earnings, based on historical earnings, patient mix and other performance indicators, as well as other factors. The estimated fair values of the noncontrolling interests subject to put provisions can fluctuate and the implicit multiple of earnings at which these noncontrolling interest obligations may be settled will vary significantly depending upon market conditions including potential purchasers' access to the capital markets, which can impact the level of competition for dialysis and non-dialysis related businesses, the economic performance of these businesses and the restricted marketability of the third-party owners' noncontrolling interests. The amounts of noncontrolling interests subject to put provisions that contractually employ a predetermined multiple of earnings rather than fair value are immaterial.

Additionally, the Company has certain other potential commitments to provide operating capital to several dialysis centers that are wholly-owned by third parties or centers in which the Company owns an equity investment as well as to physician-owned vascular access clinics that the Company operates under management and administrative service agreements of approximately $7,200.

Certain consolidated joint ventures are contractually scheduled to dissolve after terms ranging from ten to fifty years. Accordingly, the noncontrolling interests in these joint ventures are considered mandatorily redeemable instruments, for which the classification and measurement requirements as defined by FASB have been indefinitely deferred. Future distributions upon dissolution of these entities would be valued below the related noncontrolling interest carrying balances in the consolidated balance sheet.

Other commitments

In conjunction with the acquisition of DVA Renal Healthcare, Inc., formerly known as Gambro Healthcare, Inc., which occurred in October 2005, the Company entered into an Alliance and Product Supply Agreement (the Product Supply Agreement) with Gambro AB and Gambro Renal Products, Inc (Gambro Renal Products). The Product Supply Agreement has an initial term of seven years and will automatically renew for three additional one-year periods if the Company has not negotiated the terms of an extension during the initial term. Because the Product Supply Agreement results in higher costs for most of the products covered by the Product Supply Agreement than would otherwise be available to the Company, the Product Supply Agreement represented an intangible liability initially valued at $162,100 as of the acquisition date.

The Product Supply Agreement committed the Company to purchase a significant majority of its hemodialysis products, supplies and equipment at fixed prices through 2015. The agreement was amended in 2006 (the Amended Product Supply Agreement) to reduce the Company's purchase obligations for certain hemodialysis product supplies and equipment, and in 2007, the Company terminated its obligation to purchase certain dialysis machines under the Amended Product Supply Agreement. As a result of this termination the Company recorded a net valuation gain of $55,275 in 2007. This valuation gain represents the difference in the amortized original fair value of the Amended Product Supply Agreement and that of the Amended Product

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Supply Agreement as adjusted for the termination of the obligation to purchase certain dialysis machines as of June 30, 2007. We continue to be subject to the Product Supply Agreement's requirements to purchase a significant majority of our hemodialysis non-equipment product supplies, such as dialyzers, from Gambro at fixed prices.

During 2009, 2008 and 2007, the Company purchased $87,983, $83,360 and $90,696 of hemodialysis product supplies from Gambro Renal Products, representing 2% of the Company's total operating costs, for all years presented.

The centers acquired from Gambro Healthcare were subject to a five-year Corporate Integrity Agreement in connection with its December 2004 settlement with the U.S. Government that imposed significant specific compliance operating and reporting requirements, and requires an annual audit by an independent reporting organization. The corporate integrity agreement expired on November 30, 2009. The Company submitted its final annual report to the Office of the Inspector General, U.S. Department of Health and Human Services on January 14, 2010. On February 16, 2010, the Company was informed by the OIG that it has received the Company's final annual report and determined that DVA Renal Healthcare, a wholly-owned subsidiary of the Company, complied with the terms of the corporate integrity agreement during the final reporting period and that the Fifth Annual Report is complete. The five year term of the corporate integrity agreement has now concluded and DVA Renal Healthcare is no longer subject to its terms.

In January 2010, the Company entered into an agreement with Fresenius which committed the Company to purchase a certain amount of dialysis equipment, parts and supplies from them through 2013.

Other than operating leases, disclosed in Note 14 to the consolidated financial statements, and the letters of credit and the interest rate swap agreements, disclosed in Note 13 to the consolidated financial statements, or as described above the Company has no off balance sheet financing arrangements as of December 31, 2009.

23. Fair values of financial instruments

Effective January 1, 2008, the FASB established a framework for measuring assets and liabilities at fair value and also required additional disclosures about fair value measurements. These requirements applied to assets and liabilities that are carried at fair value on a recurring basis. Effective January 1, 2009 the FASB issued additional requirements relating to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis at least annually. The adoption of these requirements relating to nonfinancial assets and liabilities did not have a material impact on the Company's consolidated financial statements.

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Available for sale securities	$ 8,816	$ 8,816	$ —	$ —
Liabilities				
Interest rate swap agreements	$ 10,792	$ —	$ 10,792	$ —
Temporary equity				
Noncontrolling interests subject to put provisions	$ 331,725	$ —	$ —	$ 331,725

The available for sale securities represent investments in various open-ended registered investment companies, or mutual funds, and are recorded at fair value based upon the quoted market prices as reported by each mutual fund. See Note 9 to the consolidated financial statements for further discussion.

The interest rate swap agreements are recorded at fair value based upon valuation models and a variety of techniques as reported by various broker dealers that are based upon relevant observable market inputs such as current interest rates, forward yield curves, and other credit and liquidity market conditions. The Company does not believe the ultimate amount that could be realized upon settlement of these interest rate swap agreements would be materially different than the fair values currently reported. See Note 13 to the consolidated financial statements for further discussion.

See Note 22 to the consolidated financial statements for a discussion of the Company's methodology for estimating the fair value of noncontrolling interests subject to put obligations.

Effective January 1, 2008, the FASB allowed companies the alternative to measure certain financial assets and liabilities at fair value on an instrument-by-instrument basis that are currently not required to be measured at fair value. This provision was also designed to reduce the volatility in earnings caused by measuring related assets and liabilities differently and established presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The Company did not elect to measure certain assets and liabilities at fair value on an instrument-by-instrument basis.

Other financial instruments consist primarily of cash, accounts receivable, notes receivable, accounts payable, other accrued liabilities and debt. The balances of the non-debt financial instruments are presented in the consolidated financial statements at December 31, 2009 and 2008 at their approximate fair values due to the short-term nature of their settlements. Borrowings under the Company's Senior Secured Credit Facilities totaled $1,859,000 as of December 31, 2009, and the fair value was $1,817,173 based upon quoted market prices. The fair value of the Company's senior and senior subordinated notes was approximately $1,756,625 at December 31, 2009 based upon quoted market prices, as compared to the carrying amount of $1,750,000.

24. Segment reporting

The Company operates principally as a dialysis and related lab services business but also operates other ancillary services and strategic initiatives. These ancillary services and strategic initiatives consist primarily of pharmacy services, infusion therapy services, disease management services, vascular access services, ESRD clinical research programs and physician services. For internal management reporting the dialysis and related lab services business and each of the ancillary services and strategic initiatives have been defined as separate operating segments by management since separate financial information is regularly produced and reviewed by the Company's chief operating decision maker in making decisions about allocating resources and assessing financial results. The Company's chief operating decision maker is its Chief Executive Officer. The dialysis and related lab services business qualifies as a separately reportable segment and all of the other ancillary services and strategic initiatives operating segments have been combined and disclosed in the other segments category.

The Company's operating segment financial information is prepared on an internal management reporting basis that the Chief Executive Officer uses to allocate resources and analyze the performance of the operating segments. For internal management reporting, segment operations include direct segment operating expenses with the exception of stock-based compensation expense and equity investment income.

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The following is a summary of segment revenues, segment operating margin (loss), and a reconciliation of segment margin to income before income taxes:

	Years ended December 31,		
	2009	2008(2)	2007(2)
Segment revenues:			
Dialysis and related lab services(1)	$ 5,791,698	$ 5,415,363	$ 5,130,181
Other—Ancillary services and strategic initiatives	317,102	244,810	133,970
Consolidated revenues	$ 6,108,800	$ 5,660,173	$ 5,264,151
Segment operating margin (loss):			
Dialysis and related lab services	$ 999,961	$ 939,391	$ 990,049
Other—Ancillary services and strategic initiatives	(17,710)	(29,856)	(48,206)
Total segment margin	982,251	909,535	941,843
Reconciliation of segment margin to income before income taxes:			
Stock-based compensation	(44,422)	(41,235)	(34,149)
Equity investment income	2,442	796	1,217
Consolidated operating income	940,271	869,096	908,911
Debt expense	(185,755)	(224,716)	(257,147)
Other income	3,708	12,411	22,460
Consolidated income before income taxes	$ 758,224	$ 656,791	$ 674,224

(1) Includes management fees for providing management and administrative services to dialysis centers in which the Company either owns an equity investment or are wholly-owned by third parties.

(2) Certain costs previously reported in the Ancillary Services and Strategic Initiatives have been reclassified to the dialysis and related lab services to conform to the current year presentation.

Depreciation and amortization expense for the dialysis and related lab services for 2009, 2008 and 2007 were $221,907, $210,143 and $189,215, respectively, and were $7,079, $6,774 and $4,255, respectively, for the ancillary services and strategic initiatives.

Summary of assets by segment is as follows:

	December 31,	
	2009	2008
Segment assets		
Dialysis and related lab services	$ 7,334,235	$ 7,031,550
Other—Ancillary services and strategic initiatives	224,001	254,533
Consolidated assets	$ 7,558,236	$ 7,286,083

In 2009 and 2008, the total amount of expenditures for property and equipment for the dialysis and related lab services were $271,817 and $313,414, respectively, and were $2,788 and $4,548, respectively, for the ancillary services and strategic initiatives.

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(dollars in thousands, except per share data)

25. Supplemental cash flow information

The table below provides supplemental cash flow information:

	Year ended December 31,		
	2009	2008	2007
Cash paid:			
Income taxes	$ 161,671	$ 163,147	$ 205,955
Interest	186,280	222,558	245,325
Non-cash investing and financing activities:			
Fixed assets acquired under capital lease obligations	—	—	2,769
Liabilities assumed in conjunction with common stock acquisitions	—	—	1,653
Assets exchanged for equity investments	2,618	—	—
Assets received for additional noncontrolling interests	51	—	—

26. Selected quarterly financial data (unaudited)

	2009				2008			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Net operating revenues	$ 1,568,204	$ 1,573,915	$ 1,519,041	$ 1,447,640	$ 1,461,010	$ 1,447,135	$ 1,407,304	$ 1,344,724
Operating income	238,712	245,001	235,954	220,604	223,109	221,772	218,434	205,781
Income before income taxes	194,563	200,465	190,139	173,057	169,364	169,748	166,101	151,578
Net income attributable to DaVita Inc.	109,724	110,930	105,819	96,211	98,365	93,910	94,951	86,934
Basic earnings per share attributable to DaVita Inc.	1.07	1.07	1.02	0.93	0.95	0.90	0.91	0.81
Diluted earnings per share attributable to DaVita Inc.	$ 1.06	$ 1.06	$ 1.02	$ 0.92	$ 0.94	$ 0.89	$ 0.90	$ 0.80

27. Condensed consolidating financial statements

The following information is presented in accordance with Rule 3-10 of Regulation S-X. The operating and investing activities of the separate legal entities included in the Company's consolidated financial statements are fully interdependent and integrated. Revenues and operating expenses of the separate legal entities include intercompany charges for management and other services. The senior notes and the senior subordinated notes were issued by the Company and are guaranteed by substantially all of its direct and indirect wholly-owned subsidiaries. Each of the guarantor subsidiaries has guaranteed the notes on a joint and several, full and unconditional basis. Non-wholly-owned subsidiaries, joint ventures, partnerships and third parties are not guarantors of these obligations.

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

Condensed Consolidating Statements of Income

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
For the year ended December 31, 2009					
Net operating revenues	$ 401,058	$ 5,100,716	$ 1,032,676	$ (425,650)	$ 6,108,800
Operating expenses	246,578	4,484,083	863,518	(425,650)	5,168,529
Operating income	154,480	616,633	169,158	—	940,271
Debt (expense)	(188,109)	(179,294)	(1,304)	182,952	(185,755)
Other income, net	186,189	—	471	(182,952)	3,708
Income tax expense	60,414	212,571	5,480	—	278,465
Equity earnings in subsidiaries	330,538	103,430	—	(433,968)	—
Net income	422,684	328,198	162,845	(433,968)	479,759
Less: Net income attributable to noncontrolling interests	—	—	—	(57,075)	(57,075)
Net income attributable to DaVita Inc.	$ 422,684	$ 328,198	$ 162,845	$ (491,043)	$ 422,684
For the year ended December 31, 2008					
Net operating revenues	$ 363,112	$ 4,808,324	$ 881,810	$ (393,073)	$ 5,660,173
Operating expenses	228,729	4,208,769	746,652	(393,073)	4,791,077
Operating income	134,383	599,555	135,158	—	869,096
Debt (expense)	(227,535)	(189,506)	(2,520)	194,845	(224,716)
Other income, net	206,527	—	729	(194,845)	12,411
Income tax expense	43,763	188,888	2,820	—	235,471
Equity earnings in subsidiaries	304,548	81,459	—	(386,007)	—
Net income	374,160	302,620	130,547	(386,007)	421,320
Less: Net income attributable to noncontrolling interests	—	—	—	(47,160)	(47,160)
Net income attributable to DaVita Inc.	$ 374,160	$ 302,620	$ 130,547	$ (433,167)	$ 374,160
For the year ended December 31, 2007					
Net operating revenues	$ 365,728	$ 4,534,153	$ 754,163	$ (389,893)	$ 5,264,151
Operating expenses	208,042	3,919,932	617,159	(389,893)	4,355,240
Operating income	157,686	614,221	137,004	—	908,911
Debt (expense)	(259,745)	(256,050)	(4,002)	262,650	(257,147)
Other income, net	284,038	—	1,072	(262,650)	22,460
Income tax expense (benefit)	70,972	175,691	(1,082)	—	245,581
Equity earnings in subsidiaries	270,771	87,185	—	(357,956)	—
Net income	381,778	269,665	135,156	(357,956)	428,643
Less: Net income attributable to noncontrolling interests	—	—	—	(46,865)	(46,865)
Net income attributable to DaVita Inc.	$ 381,778	$ 269,665	$ 135,156	$ (404,821)	$ 381,778

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

Condensed Consolidating Balance Sheets

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
As of December 31, 2009					
Cash and cash equivalents	$ 534,550	$ —	$ 4,909	$ —	$ 539,459
Accounts receivable, net	—	961,946	143,957	—	1,105,903
Other current assets	15,619	597,086	44,454	—	657,159
Total current assets	550,169	1,559,032	193,320	—	2,302,521
Property and equipment, net	11,232	900,969	192,724	—	1,104,925
Amortizable intangible assets, net	30,212	101,931	4,589	—	136,732
Investments in subsidiaries	5,130,035	509,733	—	(5,639,768)	—
Receivables from subsidiaries	293,062	—	138,482	(431,544)	—
Other long-term assets and investments	7,700	19,528	35,634	—	62,862
Goodwill	—	3,622,885	328,311	—	3,951,196
Total assets	$ 6,022,410	$ 6,714,078	$ 893,060	$ (6,071,312)	$ 7,558,236
Current liabilities	$ 170,061	$ 781,870	$ 95,010	$ —	$ 1,046,941
Payables to parent	—	418,529	13,015	(431,544)	—
Long-term debt and other long-term liabilities	3,507,753	458,779	18,879	—	3,985,411
Noncontrolling interests subject to put provisions	209,530	—	—	122,195	331,725
Total DaVita Inc. shareholders' equity	2,135,066	5,054,900	584,868	(5,639,768)	2,135,066
Noncontrolling interest not subject to put provisions	—	—	181,288	(122,195)	59,093
Total equity	2,135,066	5,054,900	766,156	(5,761,963)	2,194,159
Total liabilities and equity	$ 6,022,410	$ 6,714,078	$ 893,060	$ (6,071,312)	$ 7,558,236
As of December 31, 2008					
Cash and cash equivalents	$ 397,576	$ —	$ 13,305	$ —	$ 410,881
Accounts receivable, net	—	933,906	141,551	—	1,075,457
Other current assets	22,112	573,070	46,776	—	641,958
Total current assets	419,688	1,506,976	201,632	—	2,128,296
Property and equipment, net	15,175	864,725	168,175	—	1,048,075
Amortizable intangible assets, net	39,990	114,237	6,294	—	160,521
Investments in subsidiaries	4,866,399	464,377	—	(5,330,776)	—
Receivables from subsidiaries	320,338	—	90,754	(411,092)	—
Other long-term assets and investments	13,320	14,815	44,125	—	72,260
Goodwill	—	3,571,669	305,262	—	3,876,931
Total assets	$ 5,674,910	$ 6,536,799	$ 816,242	$ (5,741,868)	$ 7,286,083
Current liabilities	$ 106,370	$ 990,024	$ 66,669	$ —	$ 1,163,063
Payables to parent	—	386,460	24,632	(411,092)	—
Long-term debt and other long-term liabilities	3,616,082	368,774	19,868	—	4,004,724
Noncontrolling interests subject to put provisions	184,711	—	—	106,686	291,397
Total DaVita Inc. shareholders' equity	1,767,747	4,791,541	539,235	(5,330,776)	1,767,747
Noncontrolling interest not subject to put provisions	—	—	165,838	(106,686)	59,152
Total equity	1,767,747	4,791,541	705,073	(5,437,462)	1,826,899
Total liabilities and equity	$ 5,674,910	$ 6,536,799	$ 816,242	$ (5,741,868)	$ 7,286,083

DAVITA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(dollars in thousands, except per share data)

Condensed Consolidating Statements of Cash Flows

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
For the year ended December 31, 2009					
Cash flows from operating activities					
Net income.	$ 422,684	$ 328,198	$ 162,845	$ (433,968)	$ 479,759
Changes in operating assets and liabilities and non cash items included in net income	(115,305)	(72,610)	(59,102)	433,968	186,951
Net cash provided by operating activities	307,379	255,588	103,743	—	666,710
Cash flows from investing activities					
Additions of property and equipment	(1,748)	(213,046)	(59,811)	—	(274,605)
Acquisitions	—	(87,617)	—	—	(87,617)
Proceeds from asset sales	—	7,697	—	—	7,697
Other items	11,631	(3,166)	—	—	8,465
Net cash provided by (used in) by investing activities	9,883	(296,132)	(59,811)	—	(346,060)
Cash flows from financing activities					
Long-term debt	(60,619)	(1,512)	899	—	(61,232)
Intercompany borrowing	(41,032)	100,429	(59,397)	—	—
Other items	(78,637)	(58,373)	6,170	—	(130,840)
Net cash (used in) provided by financing activities	(180,288)	40,544	(52,328)	—	(192,072)
Net increase (decrease) in cash and cash equivalents	136,974	—	(8,396)	—	128,578
Cash and cash equivalents at beginning of the year	397,576	—	13,305	—	410,881
Cash and cash equivalents at the end of the year	$ 534,550	$ —	$ 4,909	$ —	$ 539,459
For the year ended December 31, 2008					
Cash flows from operating activities					
Net income.	$ 374,160	$ 302,620	$ 130,547	$ (386,007)	$ 421,320
Changes in operating assets and liabilities and non cash items included in net income	(614,540)	431,232	(10,318)	386,007	192,381
Net cash (used in) provided by operating activities	(240,380)	733,852	120,229	—	613,701
Cash flows from investing activities					
Additions of property and equipment	(2,546)	(271,561)	(43,855)	—	(317,962)
Acquisitions	(439)	(92,299)	(9,221)	—	(101,959)
Proceeds from asset sales	—	530	—	—	530
Other items	19,281	2,371	—	—	21,652
Net cash provided by (used in) investing activities	16,296	(360,959)	(53,076)	—	(397,739)
Cash flows from financing activities					
Long-term debt	(17,675)	(424)	4,548	—	(13,551)
Intercompany borrowing	380,763	(358,761)	(22,002)	—	—
Other items	(184,585)	(13,708)	(40,283)	—	(238,576)
Net cash provided by (used in) financing activities	178,503	(372,893)	(57,737)	—	(252,127)
Net (decrease) increase in cash and cash equivalents	(45,581)	—	9,416	—	(36,165)
Cash and cash equivalents at beginning of the year	443,157	—	3,889	—	447,046
Cash and cash equivalents at the end of the year	$ 397,576	$ —	$ 13,305	$ —	$ 410,881
For the year ended December 31, 2007					
Cash flows from operating activities					
Net income	$ 381,778	$ 269,665	$ 135,156	$ (357,956)	$ 428,643
Changes in operating assets and liabilities and non cash items included in net income	(283,596)	108,534	(30,472)	357,956	152,422
Net cash provided by operating activities	98,182	378,199	104,684	—	581,065
Cash flows from investing activities				—	
Additions of property and equipment	(3,501)	(220,264)	(48,447)	—	(272,212)
Acquisitions	(69,701)	(57,393)	—	—	(127,094)
Proceeds from asset sales	—	12,289	—	—	12,289
Other items	(19,811)	(39,915)	—	—	(59,726)
Net cash used in investing activities	(93,013)	(305,283)	(48,447)	—	(446,743)

Cash flows from financing activities				—	
Long-term debt	(49,961)	2,212	447	—	(47,302)
Intercompany borrowing	110,937	(80,664)	(30,273)	—	—
Other items	77,582	5,536	(33,294)	—	49,824
Net cash provided by (used in) financing activities	138,558	(72,916)	(63,120)	—	2,522
Net increase (decrease) in cash and cash equivalents	143,727	—	(6,883)	—	136,844
Cash and cash equivalents at the beginning of the year	299,430	—	10,772		310,202
Cash and cash equivalents at the end of the year	$ 443,157	$ —	$ 3,889	$ —	$ 447,046

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, we have duly caused this Annual Report on Form 10-K to be signed on our behalf by the undersigned, thereunto duly authorized, in the City of El Segundo, State of California, on February 25, 2010.

DAVITA INC.

By: /s/ KENT J. THIRY
Kent J. Thiry
Chairman and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENT, that each person whose signature appears below constitutes and appoints Kent J. Thiry, Richard K. Whitney, and Kim M. Rivera, and each of them his or her true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ KENT J. THIRY Kent J. Thiry	Chairman and Chief Executive Officer (Principal Executive Officer)	February 25, 2010
/s/ RICHARD K. WHITNEY Richard K. Whitney	Chief Financial Officer (Principal Financial Officer)	February 25, 2010
/s/ JAMES K. HILGER James K. Hilger	Vice President and Controller (Principal Accounting Officer)	February 25, 2010
/s/ PAMELA M. ARWAY Pamela M. Arway	Director	February 25, 2010
/s/ CHARLES G. BERG Charles G. Berg	Director	February 25, 2010
/s/ WILLARD W. BRITTAIN Willard W. Brittain	Director	February 25, 2010
/s/ PAUL J. DIAZ Paul J. Diaz	Director	February 25, 2010
/s/ PETER T. GRAUER Peter T. Grauer	Director	February 25, 2010
/s/ JOHN M. NEHRA John M. Nehra	Director	February 25, 2010
/s/ WILLIAM L. ROPER William L. Roper	Director	February 25, 2010
/s/ ROGER J. VALINE Roger J. Valine	Director	February 25, 2010
/s/ RICHARD C. VAUGHAN Richard C. Vaughan	Director	February 25, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
DaVita Inc.:

Under date of February 25, 2010, we reported on the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2009, which are included in the Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement Schedule II-Valuation and Qualifying Accounts included in the Annual Report on Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements (included in FASB ASC Topic 810, Consolidation), on a prospective basis except for the presentation and disclosure requirements which were applied retrospectively for all periods presented effective January 1, 2009.

/s/ KPMG LLP

Seattle, Washington
February 25, 2010

DAVITA INC.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of year	Amounts charged to income	Amounts written off	Balance at end of year
		(in thousands)		
Allowance for uncollectible accounts:				
Year ended December 31, 2007	$ 171,757	$ 136,682	$ 112,486	$ 195,953
Year ended December 31, 2008	$ 195,953	$ 146,229	$ 130,960	$ 211,222
Year ended December 31, 2009	$ 211,222	$ 161,786	$ 143,691	$ 229,317

EXHIBIT INDEX

2.1	Stock Purchase Agreement dated as of December 6, 2004, among Gambro AB, Gambro, Inc. and DaVita Inc.(9)
2.2	Amended and Restated Asset Purchase Agreement effective as of July 28, 2005, by and among DaVita Inc., Gambro Healthcare, Inc. and Renal Advantage Inc., a Delaware corporation, formerly known as RenalAmerica, Inc.(12)
3.1	Amended and Restated Certificate of Incorporation of Total Renal Care Holdings, Inc., or TRCH, dated December 4, 1995.(1)
3.2	Certificate of Amendment of Certificate of Incorporation of TRCH, dated February 26, 1998.(2)
3.3	Certificate of Amendment of Certificate of Incorporation of DaVita Inc. (formerly Total Renal Care Holdings, Inc.), dated October 5, 2000.(4)
3.4	Certificate of Amendment of Amended and Restated Certificate of Incorporation of DaVita Inc., as amended dated May 30, 2007.(23)
3.5	Amended and Restated Bylaws for DaVita Inc. dated as of March 2, 2007.(25)
4.1	Indenture for the 6⅝% Senior Notes due 2013 dated as of March 22, 2005.(3)
4.2	Indenture for the 7¼% Senior Subordinated Notes due 2015 dated as of March 22, 2005.(3)
4.3	First Supplemental Indenture, dated October 5, 2005, by and among DaVita Inc., the Guarantors, the persons named as Additional Guarantors and The Bank of New York Trust Company, N.A., as Trustee.(11)
4.4	First Supplemental Indenture, dated October 5, 2005, by and among DaVita Inc., the Guarantors, the persons named as Additional Guarantors and The Bank of New York Trust Company, N.A., as Trustee.(13)
4.5	Rights Agreement, dated as of November 14, 2002, between DaVita Inc. and the Bank of New York, as Rights Agent.(21)
4.6	Second Supplemental Indenture (Senior), dated February 9, 2007, by and among DaVita Inc., the Guarantors, the persons named as Additional Guarantors and The Bank of New York Trust Company, N.A., as Trustee.(22)
4.7	Second Supplemental Indenture (Senior Subordinated), dated February 9, 2007, by and among DaVita Inc., the Guarantors, the persons named as Additional Guarantors and The Bank of New York Trust Company, N.A., as Trustee.(22)
4.8	Registration Rights Agreement for the 6⅝% Senior Notes due 2013 dated as of February 23, 2007.(26)
10.1	Employment Agreement, dated as of October 19, 2009, by and between DaVita Inc. and Kim M. Rivera.✓*
10.2	Employment Agreement, dated as of June 15, 2000, by and between DaVita Inc. and Joseph C. Mello.(6)*
10.3	Second Amendment to Mr. Mello's Employment Agreement, effective December 12, 2008.(33)*
10.4	Employment Agreement, effective as of August 16, 2004, by and between DaVita Inc. and Tom Usilton.(7)*
10.5	Amendment to Mr. Usilton's Employment Agreement, dated February 12, 2007.(24)*
10.6	Second Amendment to Mr. Usilton's Employment Agreement, effective December 12, 2008. (32)*
10.7	Employment Agreement, effective as of November 18, 2004, by and between DaVita Inc. and Joseph Schohl.(14)*
10.8	Amendment to Mr. Schohl's Employment Agreement, effective December 30, 2008. (32)*

10.9	Employment Agreement, dated as of October 31, 2005, effective October 24, 2005, by and between DaVita Inc. and Dennis Kogod.(13)*
10.10	Amendment to Mr. Kogod's Employment Agreement, effective December 12, 2008. (32)*
10.11	Employment Agreement, effective September 22, 2005, by and between DaVita Inc. and James Hilger.(15)*
10.12	Amendment to Mr. Hilger's Employment Agreement, effective December 12, 2008. (32)*
10.13	Employment Agreement effective February 13, 2008, by and between DaVita Inc. and Richard K. Whitney.(28)*
10.14	Amendment to Equity Award Agreement, entered into on December 11, 2009, between DaVita Inc. and Richard K. Whitney.✓*
10.15	Employment Agreement, effective July 25, 2008, between DaVita Inc. and Kent J. Thiry.(29)*
10.16	Employment Agreement, effective August 1, 2008, between DaVita Inc. and Allen Nissenson.(30)*
10.17	Employment Agreement, effective March 3, 2008, between DaVita Inc. and David Shapiro. (32)*
10.18	Amendment to Mr. Shapiro's Employment Agreement, effective December 4, 2008. (32)*
10.19	Form of Indemnity Agreement.(20)*
10.20	Form of Indemnity Agreement.(14)*
10.21	Executive Incentive Plan (as Amended and Restated effective January 1, 2009).(34)*
10.22	Executive Retirement Plan.(32)*
10.23	Post-Retirement Deferred Compensation Arrangement.(14)*
10.24	Amendment No. 1 to Post Retirement Deferred Compensation Arrangement.(32)*
10.25	DaVita Voluntary Deferral Plan.(11)*
10.26	Deferred Bonus Plan (Prosperity Plan).(31)
10.27	Amendment No. 1 to Deferred Bonus Plan (Prosperity Plan).(32)*
10.28	Amended and Restated Employee Stock Purchase Plan.(27)*
10.29	Severance Plan.(33)*
10.30	Change in Control Bonus Program.(32)*
10.31	First Amended and Restated Total Renal Care Holdings, Inc. 1999 Non-Executive Officer and Non-Director Equity Compensation Plan.(5)
10.32	Non-Management Director Compensation Philosophy and Plan.(28)*
10.33	Amended and Restated 2002 Equity Compensation Plan.(10)*
10.34	Amended and Restated 2002 Equity Compensation Plan.(19)*
10.35	Amended and Restated 2002 Equity Compensation Plan.(27)*
10.36	Amended and Restated 2002 Equity Compensation Plan.(32)*
10.37	Form of Non-Qualified Stock Option Agreement—Employee (DaVita Inc. 1999 Non-Executive Officer and Non-Director Equity Compensation Plan.(18)*
10.38	Form of Non-Qualified Stock Option Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(7)*
10.39	Form of Non-Qualified Stock Option Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(16)*
10.40	Form of Non-Qualified Stock Option Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(18)*

10.41	Form of Restricted Stock Units Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(7)*
10.42	Form of Restricted Stock Units Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(16)*
10.43	Form of Restricted Stock Units Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(18)*
10.44	Form of Restricted Stock Units Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(32)*
10.45	Form of Stock Appreciation Rights Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(16)*
10.46	Form of Stock Appreciation Rights Agreement—Employee (DaVita Inc. 2002 Equity Compensation Plan).(18)*
10.47	Form of Stock Appreciation Rights Agreement – Board (DaVita Inc. 2002 Equity Compensation Plan).(30)*
10.48	Form of Restricted Stock Units Agreement – Board (DaVita Inc. 2002 Equity Compensation Plan).(30)*
10.49	Form of Non-Qualified Stock Option Agreement - Board (DaVita Inc. 2002 Equity Compensation Plan).(30)*
10.50	Credit Agreement, dated as of October 5, 2005, among DaVita Inc., the Guarantors party thereto, the Lenders party thereto, Bank of America, N.A., Wachovia Bank, National Association, Bear Stearns Corporate Lending Inc., The Bank of New York, The Bank of Nova Scotia, The Royal Bank of Scotland plc, WestLB AG, New York Branch as Co-Documentation Agents, Credit Suisse, Cayman Islands Branch, as Syndication Agent, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, JPMorgan Securities Inc., as Sole Lead Arranger and Bookrunner and Credit Suisse, Cayman Islands Branch, as Co-Arranger.(11)
10.51	Credit Agreement, dated as of October 5, 2005, as Amended and Restated as of February 23, 2007, by and among DaVita Inc., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A.(26)
10.52	Amendment Agreement, dated February 23, 2007, by and among DaVita Inc., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A.(26)
10.53	Security Agreement, dated as of October 5, 2005, by DaVita Inc., the Guarantors party thereto and JPMorgan Chase Bank, N.A., as Collateral Agent.(11)
10.54	Corporate Integrity Agreement between the Office of Inspector General of the Department of Health and Human Services and Gambro Healthcare, Inc. effective as of December 1, 2004.(11)
10.55	Amended and Restated Alliance and Product Supply Agreement, dated as of August 25, 2006, among Gambro Renal Products, Inc., DaVita Inc. and Gambro AB.(17)**
10.56	Letter dated March 19, 2007 from Willard W. Brittain, Jr. to Peter T. Grauer, Lead Independent Director of the Company.(22)
10.57	Dialysis Organization Agreement between DaVita Inc. and Amgen USA Inc. dated December 20, 2007.(31)**
12.1	Computation of Ratio of Earnings to Fixed Charges.✓
14.1	DaVita Inc. Corporate Governance Code of Ethics.(8)
21.1	List of our subsidiaries.✓
23.1	Consent of KPMG LLP, independent registered public accounting firm.✓
24.1	Powers of Attorney with respect to DaVita. (Included on Page II-1).

31.1	Certification of the Chief Executive Officer, dated February 25, 2010, pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. ✓
31.2	Certification of the Chief Financial Officer, dated February 25, 2010, pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. ✓
32.1	Certification of the Chief Executive Officer, dated February 25, 2010, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ✓
32.2	Certification of the Chief Financial Officer, dated February 25, 2010, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ✓
101.INS	XBRL Instance Document.***
101.SCH	XBRL Taxonomy Extension Schema Document.***
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.***
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.***
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.***
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.***

✓ Included in this filing.

* Management contract or executive compensation plan or arrangement.

** Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the SEC.

*** XBRL information is furnished and not filed as a part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities and Exchange Act of 1933, is deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

(1) Filed on March 18, 1996 as an exhibit to the Company's Transitional Report on Form 10-K for the transition period from June 1, 1995 to December 31, 1995.

(2) Filed on March 31, 1998 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

(3) Filed on March 25, 2005 as an exhibit to the Company's Current Report on Form 8-K.

(4) Filed on March 20, 2001 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

(5) Filed on February 28, 2003 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

(6) Filed on August 15, 2001 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.

(7) Filed on November 8, 2004 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

(8) Filed on February 27, 2004 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

(9) Filed on December 8, 2004 as an exhibit to the Company's Current Report on Form 8-K.

(10) Filed on May 4, 2005 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.

(11) Filed on November 8, 2005 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.

(12) Filed on October 11, 2005 as an exhibit to the Company's Current Report on Form 8-K.

(13) Filed on November 4, 2005 as an exhibit to the Company's Current Report on Form 8-K.

(14) Filed on March 3, 2005 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

(15) Filed on August 7, 2006 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ending June 30, 2006.

(16) Filed on July 6, 2006 as an exhibit to the Company's Current Report on Form 8-K.

(17) Filed on November 3, 2006 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.
(18) Filed on October 18, 2006 as an exhibit to the Company's Current Report on Form 8-K.
(19) Filed on July 31, 2006 as an exhibit to the Company's Current Report on Form 8-K.
(20) Filed on December 20, 2006 as an exhibit to the Company's Current Report on Form 8-K.
(21) Filed on November 19, 2002 as an exhibit to the Company's Current Report on Form 8-K.
(22) Filed on May 3, 2007 as an exhibit to the Company's Quarterly Report as Form 10-Q for the quarter ended March 31, 2007.
(23) Filed on August 6, 2007 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.
(24) Filed on February 16, 2007 as an exhibit to the Company's Current Report on Form 8-K.
(25) Filed on March 8, 2007 as an exhibit to the Company's Current Report on Form 8-K.
(26) Filed on February 28, 2007 as an exhibit to the Company's Current Report on Form 8-K.
(27) Filed on June 4, 2007 as an exhibit to the Company's Current Report on Form 8-K.
(28) Filed on May 8, 2008 as an exhibit to the Company's Quarterly Report on Form 10-Q for the first quarter ended March 31, 2008.
(29) Filed on July 31, 2008 as an exhibit to the Company's Current Report on Form 8-K.
(30) Filed on November 6, 2008 as an exhibit to the Company's Quarterly Report on Form 10-Q for the third quarter ended September 30, 2008.
(31) Filed on February 29, 2008 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.
(32) Filed on February 27, 2009 as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2008
(33) Filed on May 7, 2009 as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
(34) Filed on June 18, 2009 as an exhibit to the Company's Current Report on Form 8-K.

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into effective October 19, 2009 (the "Effective Date"), by and between DaVita Inc. ("Employer") and Kim M. Rivera ("Employee").

In consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the parties hereto, intending to be legally bound hereby, agree as follows:

Section 1. Employment and Duties. Employer hereby employs Employee to serve as Vice President, General Counsel, and Secretary. Employee accepts such employment on the terms and conditions set forth in this Agreement. Employee shall perform the duties of Vice President, General Counsel, and Secretary or any additional or different duties or jobs as the Company deems appropriate. Initially, Employee shall work out of Employer's El Segundo, California headquarters, although the location is subject to change to suit business needs. Employee will be allowed to maintain a home office in northern California and work there from time to time. Employee agrees to devote substantially all of her time, energy, and ability to the business of Employer on a full-time basis and shall not engage in any other business activities during the term of this Agreement, including but not limited to providing consulting services to any investment firm, such as a hedge fund, provided however , Employee may continue to serve on the board of directors of the Latino Community Foundation, a non-profit corporation. Employee may pursue normal charitable activities so long as such activities do not require a substantial amount of time and do not interfere with her ability to perform her duties. Employee agrees that she shall not serve on the board of directors of any other not-for-profit or for-profit company without the express written approval of the Chief Executive Officer or the Board of Directors. Employee shall at all times observe and abide by the Employer's policies and procedures as in effect from time to time.

Section 2. Compensation. In consideration of the services to be performed by Employee hereunder, Employee shall receive the following compensation and benefits:

2.1 Base Salary. Employer shall pay Employee a base salary of $400,000 per annum, less standard withholdings and authorized deductions. Employee shall be paid consistent with Employer's payroll schedule. The base salary will be reviewed from time to time. Employer, in its sole discretion, may increase the base salary as a result of any such review. Employer may not reduce Employee's base salary unless the Employee authorizes it in writing or the Employer is reducing the base salary of other similarly-situated executives by a similar percentage.

2.2 Benefits. Employee and/or her family, as the case may be, shall be eligible for participation in and shall receive all benefits under Employer's health and welfare benefit plans (including, without limitation, medical, prescription, dental, disability, and life insurance) under the same terms and conditions applicable to most executives at similar levels of compensation and responsibility.

2.3 Performance Bonus.

(a) Employee shall be eligible to receive a discretionary performance bonus (the "Bonus") between zero and $300,000, payable in a manner consistent with Employer's practices and procedures. The amount of the Bonus, if any, will be decided by the Chief Executive Officer and/or the Board of Directors or the Compensation Committee of the Board in his/her/its sole discretion.

(b) In deciding on the amount of the Annual Performance Bonus, if any, the Chief Executive Officer and/or the Board of Directors or the Compensation Committee of the Board may consider the competitive market for the services provided by employees who are performing the same or similar duties as Employee is providing Employer and who have similar background and experience.

(c) Employee must be employed by Employer (or an affiliate) on the date any Bonus is paid to be eligible to receive such Bonus and, if Employee is not employed by Employer (or an affiliate) on the date any Bonus is paid for any reason whatsoever, Employee shall not be entitled to receive such Bonus.

2.4 Signing Bonus. Employer shall pay Employee a signing bonus of $50,000, less standard withholdings and authorized deductions, within her first month of employment.

2.5 Monthly Payment. Employer shall pay Employee $8,000 a month housing allowance, less standard deductions and authorized withholdings, for the first twelve months of Employee's employment to help off-set the costs of maintaining two homes during this transitional period.

2.6 Vacation. Employee shall have vacation, subject to the approval of the Chief Executive Officer.

2.7 Stock Appreciation Rights. Employer shall issue a grant to Employee of stock-settled Stock Appreciation Rights ("SSARS") on a base number of 60,000 shares of DaVita common stock, upon approval. This grant shall have a five-year term and vest 25% on the first anniversary date of the grant, 8.33% on the 20th month of the grant, and 8.33% every 4 months thereafter. The exercise price shall be the closing price as reported on the New York Stock Exchange on the Effective Date, the date on which Employee has begun her employment with Employer and has begun to perform the services set forth within this Agreement, or on the date that appropriate approval has been obtained, whichever is later. The terms of the SSARS grant will be reflected in a separate agreement to be signed by Employer and Employee.

2.8 Restricted Stock Units. On the Effective Date, on the date on which Employee has begun her employment with Employer and has begun to perform the services set forth within this Agreement, or on the date appropriate approval has been given, whichever date is later, Employee will receive 5,000 shares of Employer's restricted stock units, entitling Employee to the same number of full shares of DaVita common stock, subject to the following vesting conditions: such restricted stock units shall vest over a five-year period, one-third vesting on the third anniversary date of the grant, 11.11% at 40th month of the grant, then 11.11% every 4 months thereafter until the 60th month. The terms of the restricted stock units will be reflected in a separate Restricted Stock Units Agreement to be signed by Employer and Employee.

2.9 Management Share Ownership Policy. Employee shall review and understand the terms of the Management Share Ownership Policy with respect to all equity-based awards.

2.10 Indemnification. Employer agrees to indemnify and defend Employee against and in respect of any and all claims, actions, or demands relating to or in any way arising out of Employee's employment with Employer, to the extent permitted by the Company's By-laws and applicable law.

2.11 Reimbursement. Employer also agrees to reimburse Employee in accordance with Employer's reimbursement policies for travel and entertainment expenses, as well as other business-related expenses, incurred in the performance of her duties hereunder.

2.12 Changes to Benefit Plans. Employer reserves the right to modify, suspend, or discontinue any and all of its health and welfare benefit plans, practices, policies, and programs at any time without recourse by Employee so long as such action is taken generally with respect to all other similarly-situated peer executives and does not single out Employee.

Section 3. Provisions Relating to Termination of Employment.

3.1 Employment Is At-Will. Employee's employment with Employer is "at will" and is terminable by Employer or by Employee at any time and for any reason or no reason, subject to the notice requirements set forth below.

3.2 Termination for Material Cause. Employer may terminate Employee's employment without advanced notice for Material Cause (as defined below). Upon termination for Material Cause, Employee shall (i) be entitled to receive the Base Salary and benefits as set forth in Section 2.1 and Section 2.2 , respectively, through the effective date of such termination and (ii) not be entitled to receive any other compensation, benefits, or payments of any kind, except as otherwise required by law or by the terms of any benefit or retirement plan or other arrangement that would, by its terms, apply.

3.3 Other Termination. Employer may terminate the employment of Employee for any reason or for no reason at any time upon at least thirty (30) days' advance written notice. If Employer terminates the employment of Employee for reasons other than for death, Material Cause, or Disability, or if Employee resigns within sixty (60) days following a Good Cause Event (as defined below), and contingent upon Employee's execution of the Employer's standard Waiver and Release Agreement and Noncompetition Agreement within twenty-eight days of the termination of Employee's employment, Employee shall be entitled to (i) salary continuation for the twelve-month period following the termination of her employment (the "Severance Period"), subject to Employer's payroll practices and procedures, and (ii) if Employee's employment is terminated after April in a given year, receive a payment equal to the Bonus paid in the year prior to the termination of Employee's employment, pro-rated for the number of months served in the year Employee's employment is terminated, to be paid in equal installments over the Severance Period, subject to Employer's payroll practices and procedures (if Employee's employment is terminated within her first year, she shall receive 50 percent of her Bonus potential, pro-rated for the number of months served in the year Employee's employment is terminated). Employee's severance is made pursuant to the terms and conditions of the DaVita Inc. Severance Plan, including the Offset;Mitigation provision, as those provisions exist at the time of the termination of Employee's employment. For purposes of this provision, an Employee's employment has been terminated when Employee is no longer providing services for Employer after a specific date or the level of bona fide services that Employee would perform (as an employee or independent contractor) after a specific date would permanently decrease to no more than 20% of the average level of bona fide services performed over the immediately preceding thirty-six month period (or the full period of service if Employee was employed for less than thirty-six months).

3.4. Voluntary Resignation. Employee may resign from Employer at any time upon at least ninety (90) days' advance written notice. If Employee resigns from Employer for reasons other than a Good Cause Event, Employee shall (i) be entitled to receive the base salary and benefits as set forth in Section 2.1 and Section 2.2 , respectively, through the effective date of such termination and (ii) not be entitled to receive any other compensation, benefits, or payments of any kind, except as otherwise required by law or by the terms of any benefit or retirement plan or other arrangement that would, by its terms, apply. In the event Employee resigns from Employer at any time, Employer shall have the right to make such resignation effective as of any date before the expiration of the required notice period.

3.5 Disability. Upon thirty (30) days' advance notice (which notice may be given before the completion of the periods described herein), Employer may terminate Employee's employment for Disability (as defined below).

3.6 Definitions. For the purposes of this Agreement, the following terms shall have the meanings indicated:

(a) "Disability" shall mean the inability, for a period of six (6) months, to adequately perform Employee's regular duties, with or without reasonable accommodation, due to a physical or mental illness, condition, or disability.

(b) "Good Cause Event" shall mean the occurrence of the following events without Employee's express written consent: (i) Employer materially diminishes the scope of Employee's duties and responsibilities; or (ii) Employer materially reduces Employee's base compensation. Notwithstanding the above, the occurrence of any such condition shall not constitute Good Cause unless the Employee provides notice to Employer of the

existence of such condition not later than 90 days after the initial existence of such condition, and Employer shall have failed to remedy such condition within 30 days after receipt of such notice.

(c) "Material Cause" shall mean any of the following: (i) conviction of a felony or plea of no contest to a felony; (ii) any act of fraud or dishonesty in connection with the performance of her duties; (iii) repeated failure or refusal by Employee to follow policies or directives reasonably established by the Chief Executive Officer of Employer or his/her designee that goes uncorrected for a period of ten (10) consecutive days after written notice has been provided to Employee; (iv) a material breach of this Agreement; (v) any gross or willful misconduct or gross negligence by Employee in the performance of her duties; (vi) egregious conduct by Employee that brings Employer or any of its subsidiaries or affiliates into public disgrace or disrepute; (vii) an act of unlawful discrimination, including sexual harassment; (viii) a violation of the duty of loyalty or of any fiduciary duty; or (ix) exclusion or notice of exclusion of Employee from participating in any federal health care program. Before the Employer may discharge Employee for an act of fraud or dishonesty in connection with the performance of her duties, Employee shall have a right to contest her termination to the entire Board of Directors.

3.7 Notice of Termination. Any purported termination of Employee's employment by Employer or by Employee shall be communicated by a written Notice of Termination to the other party hereto in accordance with Section 5 hereof. A "Notice of Termination" shall mean a written notice that indicates the specific termination provision in this Agreement.

3.8 Effect of Termination. Upon termination, this Agreement shall be of no further force and effect and neither party shall have any further right or obligation hereunder; provided, however, that no termination shall modify or affect the rights and obligations of the parties that have accrued prior to termination; and provided further, that the rights and obligations of the parties under Section 3, Section 4, and Section 5 shall survive termination of this Agreement.

3.9 Notwithstanding any provision herein to the contrary, in the event that any payment to be made to Employee hereunder (whether pursuant to this Section 3 or any other Section) as a result of Employee's termination of employment is determined to constitute "deferred compensation" subject to Section 409A of the Internal Revenue Code, and Employee is a "Key Employee" under the DaVita Inc. Key Employee Policy for 409A Arrangements at the time of Employee's termination of employment, all such deferred compensation payments payable during the first six (6) months following Employee's termination of employment shall be delayed and paid in a lump sum during the seventh calendar month following the calendar month during which Employee's termination of employment occurs.

Section 4: Confidentiality and Non-Solicitation. Employee, contemporaneously herewith, shall enter into a Confidentiality and Non-Solicitation Agreement, the terms of which are incorporated herein and made a part hereof as though set forth in this Agreement. If Employee transfers to Colorado, she shall enter into a Non-Competition, Non-Solicitation, and Confidentiality Agreement.

Section 5. Miscellaneous.

5.1 Entire Agreement; Amendment. This Agreement represents the entire understanding of the parties hereto with respect to the employment of Employee and supersedes all prior agreements with respect thereto. This Agreement may not be altered or amended except in writing executed by both parties hereto.

5.2 Assignment; Benefit. This Agreement is personal and may not be assigned by Employee. This Agreement may be assigned by Employer and shall inure to the benefit of and be binding upon the successors and assigns of Employer.

5.3. Applicable Law; Venue. This Agreement shall be governed by the laws of the State of California, without regard to the principles of conflicts of laws. Both parties agree that any action relating to this Agreement

shall be brought in a state or federal court of competent jurisdiction located in the State of California and both parties agree to exclusive venue in the State of California.

5.4 Notice. Notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to Employer at its principal office and to Employee at Employee's principal residence as shown in Employer's personnel records, provided that all notices to Employer shall be directed to the attention of the Chief Executive Officer, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

5.5 Construction. Each party has cooperated in the drafting and preparation of this Agreement. Hence, in any construction to be made of this Agreement, the same shall not be construed against any party on the basis that the party was the drafter. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

5.6 Execution. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Photographic or facsimile copies of such signed counterparts may be used in lieu of the originals for any purpose.

5.7 Legal Counsel. Employee and Employer recognize that this is a legally binding contract and acknowledge and agree that they have had the opportunity to consult with legal counsel of their choice.

5.8 Waiver. The waiver by any party of a breach of any provision of this Agreement by the other shall not operate or be construed as a waiver of any other or subsequent breach of such or any provision.

5.9 Invalidity of Provision. In the event that any provision of this Agreement is determined to be illegal, invalid, or void for any reason, the remaining provisions hereof shall continue in full force and effect.

5.10 Approval by DaVita Inc. as to Form. The parties acknowledge and agree that this Agreement shall take effect and be legally binding upon the parties only upon full execution hereof by the parties and upon approval by DaVita Inc. as to the form of hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date and year first written above.

DAVITA INC.

By /s/ Kent J. Thiry
Kent J. Thiry
Chairman and Chief Executive Officer

EMPLOYEE

By /s/ Kim M. Rivera
Kim M. Rivera

Approved by DaVita Inc. as to Form:

/s/ Lisa A. Barr
Lisa Barr
Assistant General Counsel - Labor

SECOND AMENDMENT TO STOCK APPRECIATION RIGHTS AGREEMENTS

This Second Amendment to Stock Appreciation Rights Agreements is entered into this 11th day of December, 2009, by and between DaVita Inc., a Delaware corporation (the "Company"), and Richard K. Whitney (the "Employee").

WHEREAS, the Company and the Employee previously entered into five Stock Appreciation Rights Agreements (each an "SAR Agreement"), dated as of February 14, 2008, February 15, 2008, February 19, 2008, February 20, 2008 and February 21, 2008, respectively (the "Grant Dates"), copies of which are attached hereto as Exhibits 1 through 5, pursuant to the Company's 2002 Equity Compensation Plan; and

WHEREAS, each SAR Agreement was amended by that certain Amendment to Stock Appreciation Rights Agreements dated November 2008, a copy of which is attached hereto as Exhibit 6.

WHEREAS, the Company and the Employee desire to further amend each SAR Agreement pursuant to Section 10 thereof;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the parties hereto, intending to be legally bound hereby, agree as follows:

Section 2(b) of each SAR Agreement is amended in its entirety, effective as of the date first written above, to provide as follows:

"(b) In the case of the termination of the Grantee's employment with the Company ("Severance"), the SAR shall terminate on the Expiration Date."

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment to Stock Appreciation Rights Agreements as of the date and year first written above.

COMPANY

By /s/ Kent J. Thiry
Kent J. Thiry
Chief Executive Officer

EMPLOYEE

By /s/ Richard K. Whitney
Richard K. Whitney

DAVITA INC.

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges is computed by dividing earnings by fixed charges. Earnings for this purpose are defined as pretax income from continuing operations adjusted by adding back fixed charges expensed during the period less noncontrolling interests. Fixed charges include debt expense (interest expense and the amortization of deferred financing costs), the estimated interest component of rent expense on operating leases, and capitalized interest.

	Year ended December 31,				
	2009	2008	2007	2006	2005
			(dollars in thousands)		
Earnings adjusted for fixed charges:					
Income from continuing operations before income taxes(1)	$ 758,224	$ 656,791	$ 674,224	$ 513,900	$ 354,592
Add:					
Debt expense	185,755	224,716	257,147	276,706	139,586
Interest portion of rent expense	81,122	72,562	64,613	60,395	35,189
Less: Noncontrolling interests(1)	(57,803)	(47,331)	(46,702)	(38,141)	(23,495)
	209,074	249,947	275,058	298,960	151,280
	$ 967,298	$ 906,738	$ 949,282	$ 812,860	$ 505,872
Fixed charges:					
Debt expense	$ 185,755	$ 224,716	$ 257,147	$ 276,706	$ 139,586
Interest portion of rent expense	81,122	72,562	64,613	60,395	35,189
Capitalized interest	3,627	4,189	3,878	4,708	1,912
	$ 270,504	$ 301,467	$ 325,638	$ 341,809	$ 176,687
Ratio of earnings to fixed charges	3.58	3.01	2.92	2.38	2.86

(1) The Company has changed the presentation of earnings attributable to noncontrolling interests for all prior periods presented.

SUBSIDIARIES OF THE COMPANY

Name	Structure	Jurisdiction of Incorporation
Aberdeen Dialysis, LLC	Limited Liability Company	DE
Alamosa Dialysis, LLC	Limited Liability Company	DE
American Fork Dialysis, LLC	Limited Liability Company	DE
Amery Dialysis, LLC	Limited Liability Company	DE
Animas Dialysis, LLC	Limited Liability Company	DE
Arcadia Gardens Dialysis, LLC	Limited Liability Company	DE
Astro, Hobby, West Mt. Renal Care Limited Partnership	Limited Partnership	DE
Austin Dialysis Centers, L.P.	Limited Partnership	DE
Bear Creek Dialysis, L.P.	Limited Partnership	DE
Beverly Hills Dialysis Partnership	Partnership	CA
Bluegrass Dialysis, LLC	Limited Liability Company	DE
Bright Dialysis Center, LLC	Limited Liability Company	DE
Brighton Dialysis Center, LLC	Limited Liability Company	DE
Bruno Dialysis, LLC	Limited Liability Company	DE
Buford Dialysis, LLC	Limited Liability Company	DE
Canyon Springs Dialysis, LLC	Limited Liability Company	DE
Canyonlands Dialysis, LLC	Limited Liability Company	DE
Capelville Dialysis, LLC	Limited Liability Company	DE
Capital Dialysis Partnership	Partnership	CA
Carroll County Dialysis Facility, Inc.	Corporation	MD
Carroll County Dialysis Facility Limited Partnership	Limited Partnership	MD
Cascades Dialysis, LLC	Limited Liability Company	DE
Centennial LV, LLC	Limited Liability Company	DE
Central Carolina Dialysis Centers, LLC	Limited Liability Company	DE
Central Georgia Dialysis, LLC	Limited Liability Company	DE
Central Iowa Dialysis Partners, LLC	Limited Liability Company	DE
Central Kentucky Dialysis Centers, LLC	Limited Liability Company	DE
Cherry Valley Dialysis, LLC	Limited Liability Company	DE
Chicago Heights Dialysis, LLC	Limited Liability Company	DE
Chipeta Dialysis, LLC	Limited Liability Company	DE
Clinton Township Dialysis, LLC	Limited Liability Company	DE
Columbus-RNA-DaVita, LLC	Limited Liability Company	DE
Commerce Township Dialysis Center, LLC	Limited Liability Company	DE
Continental Dialysis Center, Inc.	Corporation	VA
Continental Dialysis Center of Springfield-Fairfax, Inc.	Corporation	VA
Creek Dialysis, LLC	Limited Liability Company	DE
Dallas-Fort Worth Nephrology, L.P.	Limited Partnership	DE
Dallas-Fort Worth Nephrology II, LLC	Limited Liability Company	DE
DaVita Dakota Dialysis Center, LLC	Limited Liability Company	DE
DaVita El Paso East, L.P.	Limited Partnership	DE
DaVita Nephrology Medical Associates of California, Inc.	Corporation	CA
DaVita Nephrology Medical Associates of Pennsylvania, P.C.	Professional Corporation	PA
DaVita Nephrology Medical Associates of Washington, P.C.	Professional Corporation	WA
DaVita of New York, Inc.	Corporation	NY
DaVita-Riverside, LLC	Limited Liability Company	DE

Name	Structure	Jurisdiction of Incorporation
DaVita-Riverside II, LLC	Limited Liability Company	DE
DaVita Rx, LLC	Limited Liability Company	DE
DaVita Tidewater, LLC	Limited Liability Company	DE
DaVita Tidewater-Virginia Beach, LLC	Limited Liability Company	DE
DaVita VillageHealth, Inc	Corporation	DE
DaVita VillageHealth Insurance of Alabama, Inc.	Corporation	AL
DaVita VillageHealth of Georgia, Inc.	Corporation	GA
DaVita VillageHealth of Ohio, Inc.	Corporation	OH
DaVita VillageHealth of Virginia, Inc.	Corporation	VA
DaVita-West, LLC	Limited Liability Company	DE
Decker Dialysis, LLC	Limited Liability Company	DE
Dialysis Holdings, Inc.	Corporation	DE
Dialysis of Des Moines, LLC	Limited Liability Company	DE
Dialysis of North Atlanta, LLC	Limited Liability Company	DE
Dialysis of Northern Illinois, LLC	Limited Liability Company	DE
Dialysis Specialists of Dallas, Inc.	Corporation	TX
DNP Management Company, LLC	Limited Liability Company	DE
Downriver Centers, Inc.	Corporation	MI
Downtown Houston Dialysis Center, L.P.	Limited Partnership	DE
Durango Dialysis Center, LLC	Limited Liability Company	DE
DVA Healthcare of Maryland, Inc.	Corporation	MD
DVA Healthcare of Massachusetts, Inc.	Corporation	MA
DVA Healthcare of New London, LLC	Limited Liability Company	TN
DVA Healthcare of Norwich, LLC	Limited Liability Company	TN
DVA Healthcare of Pennsylvania, Inc.	Corporation	PA
DVA Healthcare of Tuscaloosa, LLC	Limited Liability Company	TN
DVA Healthcare Procurement Services, Inc.	Corporation	CA
DVA Healthcare Renal Care, Inc.	Corporation	NV
DVA Healthcare-Southwest Ohio, LLC	Limited Liability Company	TN
DVA Laboratory Services, Inc.	Corporation	FL
DVA of New York, Inc.	Corporation	NY
DVA Renal Healthcare, Inc.	Corporation	TN
DVA/Washington University Healthcare of Greater St. Louis, LLC	Limited Liability Company	DE
East Dearborn Dialysis, LLC	Limited Liability Company	DE
East End Dialysis Center, Inc.	Corporation	VA
East Ft. Lauderdale, LLC	Limited Liability Company	DE
East Houston Kidney Center, L.P.	Limited Partnership	DE
Elberton Dialysis Facility, Inc.	Corporation	GA
Elk Grove Dialysis Center, LLC	Limited Liability Company	DE
Empire State DC, Inc.	Corporation	NY
Falcon, LLC	Limited Liability Company	DE
Fields Dialysis, LLC	Limited Liability Company	DE
Five Star Dialysis, LLC	Limited Liability Company	DE
Flamingo Park Kidney Center, Inc.	Corporation	FL
Forester Dialysis, LLC	Limited Liability Company	DE
Freehold Artificial Kidney Center, LLC	Limited Liability Company	NJ
Fullerton Dialysis Center, LLC	Limited Liability Company	DE
Give Life Dialysis, LLC	Limited Liability Company	DE

Name	Structure	Jurisdiction of Incorporation
Grand Home Dialysis, LLC	Limited Liability Company	DE
Greater Las Vegas Dialysis LLC	Limited Liability Company	DE
Greater Los Angeles Dialysis Centers, LLC	Limited Liability Company	DE
Green Desert Dialysis, LLC	Limited Liability Company	DE
Greenwood Dialysis, LLC	Limited Liability Company	DE
Griffin Dialysis, LLC	Limited Liability Company	DE
Hanford Dialysis, LLC	Limited Liability Company	DE
Hawaiian Gardens Dialysis, LLC	Limited Liability Company	DE
Hialeah Kidney Dialysis, LLC	Limited Liability Company	DE
Historic Dialysis, LLC	Limited Liability Company	DE
HomeChoice Partners, Inc	Corporation	DE
Honey Dialysis, LLC	Limited Liability Company	DE
Houston Acute Dialysis, L.P.	Limited Partnership	DE
Houston Kidney Center/Total Renal Care Integrated Service Network Limited Partnership	Limited Partnership	DE
Huntington Artificial Kidney Center, Ltd.	Limited Liability Company	NY
Huntington Park Dialysis, LLC	Limited Liability Company	DE
Indian River Dialysis Center, LLC	Limited Liability Company	DE
Ionia Dialysis, LLC	Limited Liability Company	DE
Jedburg Dialysis, LLC	Limited Liability Company	DE
Kidney Centers of Michigan, LLC	Limited Liability Company	DE
Kidney Home Center, LLC	Limited Liability Company	DE
Knickerbocker Dialysis, Inc.	Corporation	NY
Las Vegas Pediatric Dialysis, LLC	Limited Liability Company	DE
Lawrenceburg Dialysis, LLC	Limited Liability Company	DE
Liberty RC, Inc.	Corporation	NY
Limon Dialysis, LLC	Limited Liability Company	DE
Lincoln Park Dialysis Services, Inc.	Corporation	IL
Little Rock Dialysis Centers, LLC	Limited Liability Company	DE
Lockport Dialysis, LLC	Limited Liability Company	DE
Long Beach Dialysis Center, LLC	Limited Liability Company	DE
Lord Baltimore Dialysis, LLC	Limited Liability Company	DE
Los Angeles Dialysis Center	Partnership	CA
Maple Grove Dialysis, LLC	Limited Liability Company	DE
Maples Dialysis, LLC	Limited Liability Company	DE
Marysville Dialysis Center, LLC	Limited Liability Company	DE
Mason-Dixon Dialysis Facilities, Inc.	Corporation	MD
Memorial Dialysis Center, L.P.	Limited Partnership	DE
Mena Dialysis Center, LLC	Limited Liability Company	DE
Middlesex Dialysis Center, LLC	Limited Liability Company	DE
Miramar Dialysis Center, LLC	Limited Liability Company	DE
Moncrief Dialysis Center/Total Renal Care Limited Partnership	Limited Partnership	DE
Morro Dialysis, LLC	Limited Liability Company	DE
Mountain West Dialysis Services, LLC	Limited Liability Company	DE
Muskogee Dialysis, LLC	Limited Liability Company	DE
Natomas Dialysis, LLC	Limited Liability Company	DE
Nephrology Medical Associates of Georgia, LLC	Limited Liability Company	GA
Neptune Artificial Kidney Center, LLC	Limited Liability Company	NJ

Name	Structure	Jurisdiction of Incorporation
New Bay Dialysis, LLC	Limited Liability Company	DE
New Hope Dialysis, LLC	Limited Liability Company	DE
New Springs Dialysis, LLC	Limited Liability Company	DE
North Austin Dialysis, LLC	Limited Liability Company	DE
North Colorado Springs Dialysis, LLC	Limited Liability Company	DE
Ohio River Dialysis, LLC	Limited Liability Company	DE
Open Access Lifeline, LLC	Limited Liability Company	DE
Orange Dialysis, LLC	Limited Liability Company	CA
Palomar Dialysis, LLC	Limited Liability Company	DE
Patient Pathways, LLC	Limited Liability Company	DE
PDI Holdings, Inc.	Corporation	DE
Physicians Choice Dialysis of Alabama, LLC	Limited Liability Company	DE
Physicians Dialysis Acquisitions, Inc.	Corporation	DE
Physicians Dialysis, Inc.	Corporation	DE
Physicians Dialysis of Houston, LLP	Limited Liability Partnership	TX
Physicians Dialysis of Lancaster, LLC	Limited Liability Company	PA
Physicians Dialysis Ventures, Inc.	Corporation	DE
Pike Dialysis, LLC	Limited Liability Company	DE
Pittsburg Dialysis Partners, LLC	Limited Liability Company	DE
Platte Dialysis, LLC	Limited Liability Company	DE
Plumas Dialysis, LLC	Limited Liability Company	DE
Princeton Dialysis, LLC	Limited Liability Company	DE
Red Willow Dialysis, LLC	Limited Liability Company	DE
Renal Clinic Of Houston, LLC	Limited Liability Company	DE
Renal Life Link, Inc.	Corporation	DE
Renal Treatment Centers—California, Inc.	Corporation	DE
Renal Treatment Centers—Illinois, Inc.	Corporation	DE
Renal Treatment Centers, Inc.	Corporation	DE
Renal Treatment Centers—Mid-Atlantic, Inc.	Corporation	DE
Renal Treatment Centers—Northeast, Inc.	Corporation	DE
Renal Treatment Centers—Southeast, L.P.	Limited Partnership	DE
Renal Treatment Centers—West, Inc.	Corporation	DE
Riddle Dialysis, LLC	Limited Liability Company	DE
Ripley Dialysis, LLC	Limited Liability Company	DE
Rita Ranch Dialysis, LLC	Limited Liability Company	DE
River Valley Dialysis, LLC	Limited Liability Company	DE
RMS Lifeline, Inc.	Corporation	DE
RNA-DaVita Dialysis, LLC	Limited Liability Company	DE
Robinson Dialysis, LLC	Limited Liability Company	DE
Rochester Dialysis Center, LLC	Limited Liability Company	DE
Rocky Mountain Dialysis Services, LLC	Limited Liability Company	DE
Physicians Choice Dialysis of Alabama, LLC	Limited Liability Company	DE
Roose Dialysis, LLC	Limited Liability Company	DE
Ross Clark Circle Dialysis, LLC	Limited Liability Company	DE
Physicians Choice Dialysis of Alabama, LLC	Limited Liability Company	DE
Royale Dialysis, LLC	Limited Liability Company	DE
RTC Holdings, Inc.	Corporation	DE
RTC TN, Inc.	Corporation	DE
SafeHarbor Dialysis, LLC	Limited Liability Company	DE

Name	Structure	Jurisdiction of Incorporation
SAKDC-DaVita Dialysis Partners, L.P.	Limited Partnership	DE
Sandusky Dialysis, LLC	Limited Liability Company	DE
San Marcos Dialysis, LLC	Limited Liability Company	DE
Santa Fe Springs Dialysis, LLC	Limited Liability Company	DE
Seneca Dialysis, LLC	Limited Liability Company	DE
Shadow Dialysis, LLC	Limited Liability Company	DE
Shayano Dialysis, LLC	Limited Liability Company	DE
Shining Star Dialysis, Inc.	Corporation	NJ
Siena Dialysis Center, LLC	Limited liability Company	DE
Soledad Dialysis Center, LLC	Limited Liability Company	DE
Somerville Dialysis Center, LLC	Limited Liability Company	DE
South Central Florida Dialysis Partners, LLC	Limited Liability Company	DE
South Shore Dialysis Center, L.P.	Limited Partnership	DE
Southcrest Dialysis, LLC	Limited Liability Company	DE
Southeastern Indiana Dialysis, LLC	Limited Liability Company	DE
Southern Colorado Joint Ventures, LLC	Limited Liability Company	DE
Southern Hills Dialysis Center, LLC	Limited Liability Company	DE
Southwest Atlanta Dialysis Centers, LLC	Limited Liability Company	DE
St. Luke's Dialysis, LLC	Limited Liability Company	DE
Star Dialysis, LLC	Limited Liability Company	DE
Steam Dialysis, LLC	Limited Liability Company	DE
Strongsville Dialysis, LLC	Limited Liability Company	DE
Sugarloaf Dialysis, LLC	Limited Liability Company	DE
Summit Dialysis Center, L.P.	Limited Partnership	DE
Sun City Dialysis Center, LLC	Limited Liability Company	DE
Sun City West Dialysis Center LLC	Limited Liability Company	DE
Sunset Dialysis, LLC	Limited Liability Company	DE
Taylor Dialysis, LLC	Limited Liability Company	DE
Tel-Huron Dialysis, LLC	Limited Liability Company	DE
Tennessee Valley Dialysis Center, LLC	Limited Liability Company	DE
The Woodlands Dialysis Center, L.P.	Limited Partnership	DE
Total Acute Kidney Care, Inc.	Corporation	FL
Total Renal Care/Eaton Canyon Dialysis Center Partnership	Partnership	CA
Total Renal Care, Inc.	Corporation	CA
Total Renal Care North Carolina, LLC	Limited Liability Company	DE
Total Renal Care/Piedmont Dialysis Center Partnership	Partnership	CA
Total Renal Care Texas Limited Partnership	Limited Partnership	DE
Total Renal Laboratories, Inc.	Corporation	FL
Total Renal Research, Inc.	Corporation	DE
Transmountain Dialysis, L.P.	Limited Partnership	DE
TRC-Dyker Heights, L.P.	Limited Partnership	NY
TRC El Paso Limited Partnership	Limited Partnership	DE
TRC-Four Corners Dialysis Clinics, LLC	Limited Liability Company	NM
TRC-Georgetown Regional Dialysis LLC	Limited Liability Company	DC
TRC-Indiana LLC	Limited Liability Company	IN
TRC-Petersburg, LLC	Limited Liability Company	DE
TRC of New York, Inc.	Corporation	NY
TRC West, Inc.	Corporation	DE
Tree City Dialysis, LLC	Limited Liability Company	DE

Name	Structure	Jurisdiction of Incorporation
Tulsa Dialysis, LLC	Limited Liability Company	DE
Turlock Dialysis Center, LLC	Limited Liability Company	DE
Tustin Dialysis Center, LLC	Limited Liability Company	DE
University Dialysis Center, LLC	Limited Liability Company	DE
Upper Valley Dialysis, L.P	Limited Partnership	DE
Urbana Dialysis, LLC	Limited Liability Company	DE
USC-DaVita Dialysis Center, LLC	Limited Liability Company	CA
UT Southwestern DVA Healthcare, LLP	Limited Liability Partnership	TX
Valley Springs Dialysis, LLC	Limited Liability Company	DE
Verde Dialysis, LLC	Limited Liability Company	DE
VillageHealth DM, LLC	Limited Liability Company	DE
Wauscon Dialysis, LLC	Limited Liability Company	DE
Wesley Chapel Dialysis, LLC	Limited Liability Company	DE
West Broomfield Dialysis, LLC	Limited Liability Company	DE
West Elk Grove Dialysis, LLC	Limited Liability Company	DE
West Monroe Dialysis, LLC	Limited Liability Company	DE
West Pensacola Dialysis, LLC	Limited Liability Company	DE
West Sacramento Dialysis, LLC	Limited Liability Company	DE
Weston Dialysis Center, LLC	Limited Liability Company	DE
Weston Dialysis Center, LLC	Limited Liability Company	DE
Willowbrook Dialysis Center, L.P.	Limited Partnership	DE
Wood Dialysis, LLC	Limited Liability Company	DE
Wyandotte Central Dialysis, LLC	Limited Liability Company	DE
Wyler Dialysis, LLC	Limited Liability Company	DE
Ybor City Dialysis, LLC	Limited Liability Company	DE
Yucaipa Dialysis, LLC	Limited Liability Company	DE
Zephyrhills Dialysis Center, LLC	Limited Liability Company	DE

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
DaVita Inc.:

We consent to the incorporation by reference in the registration statements on Forms S-8 (No. 33-84610, No. 33-83018, No. 33-99862, No. 33-99864, No. 333-01620, No. 333-34693, No. 333-34695, No. 333-46887, No. 333-75361, No. 333-56149, No. 333-30734, No. 333-30736, No. 333-63158, No. 333-42653, No. 333-86550, No. 333-86556, No. 333-144097 and No. 333-158220) and Form S-3 (No. 333-69227) of DaVita Inc. of our reports dated February 25, 2010, with respect to the consolidated balance sheets of DaVita Inc. as of December 31, 2009 and 2008, and the related consolidated statements of income, equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2009, and related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2009, which reports appear in the December 31, 2009 annual report on Form 10-K of DaVita Inc.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements (included in FASB ASC Topic 810, Consolidation), on a prospective basis except for the presentation and disclosure requirements which were applied retrospectively for all periods presented effective January 1, 2009.

/s/ KPMG LLP

Seattle, Washington
February 25, 2010

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Kent J. Thiry, certify that:

1. I have reviewed this annual report on Form 10-K of DaVita Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ KENT J. THIRY

Kent J. Thiry
Chief Executive Officer

Date: February 25, 2010

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Richard K. Whitney, certify that:

1. I have reviewed this annual report on Form 10-K of DaVita Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ RICHARD K. WHITNEY

Richard K. Whitney
Chief Financial Officer

Date: February 25, 2010

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of DaVita Inc. (the "Company") on Form 10-K for the year ending December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Kent J. Thiry, Chief Executive Officer of the Company, certify, pursuant to 18.U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ KENT J. THIRY

Kent J. Thiry
Chief Executive Officer

February 25, 2010

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of DaVita Inc. (the "Company") on Form 10-K for the year ending December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Richard K. Whitney, Chief Financial Officer of the Company, certify, pursuant to 18.U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RICHARD K. WHITNEY

Richard K. Whitney
Chief Financial Officer

February 25, 2010

DaVita®

2008 ANNUAL REPORT

DaVita.

Dear Stakeholders:

I will first discuss our 2008 results and then provide a few thoughts about the future.

We had a solid year in 2008. A few of the highlights were:

- Clinical outcomes were once again among the best or were the best in virtually every category. We significantly advanced our clinical care initiatives,
- Once again we delivered operating profit growth[1] and our cash flows were strong,
- Although still inadequate, we did much better in reimbursement legislation than had been expected, and
- We strengthened our senior team, including a smooth and planned transition of the Chief Operating Officer role to Dennis Kogod, and the recruiting of one of the world's most respected nephrologists, Dr. Allen Nissenson, to be our chief medical officer.

Clinical Outcomes and Clinical Care Initiatives:

DaVita and its affiliated physicians collaborated to achieve outstanding clinical outcomes in 2008 and for the 8th straight year these were the best patient outcomes in our history. In the key areas where better clinical performance has been associated with improved patient outcomes (dialysis access, nutrition, adequacy of dialysis, anemia management, bone and mineral disease), we had gratifying successes. At the end of the year:

- 62% of our patients had an arteriovenous fistula placed for dialysis,
- 84% of our patients achieved an albumin level of 3.5 or better,
- 94% of our patients achieved a Kt/V of 1.2 or better,
- 79% of our patients achieved the minimum recommended hemoglobin level, and
- 70% of our patients achieved a calcium phosphorus product <55, the best results ever for management of metabolic bone disease.

These results compare quite favorably to those reported publicly for other providers, as do our gross and adjusted mortality rates.

We significantly advanced our work in DaVita Clinical Research and in DaVita Rx (our specialty pharmacy) in both cases paving the way to even better clinical outcomes and much higher levels of value-added to payors and the pharmaceutical industry.

Our large integrated care demonstration with the federal government continues to show immense promise for reducing total healthcare costs while improving quality. For example, over the most recently measured period we achieved 20 of 23 quality incentives and reduced catheter use by 35%.

In 2009, we will continue our *Relentless Pursuit of Quality* with an intense focus on further improving vascular access and survival, while continuing to improve outcomes in all important areas of patient care.

Financial:

Net income was $374 million as compared to $340 million[1] in 2007. Earnings per share were $3.53, as compared to $3.17[1] for 2007, an 11% increase[1]. Our operating results for 2007 excluded after-tax gains from insurance settlements, the after-tax valuation gain on the Gambro Product Supply Agreement and after-tax gains on the sale of investment securities.

Cash flow from operations was $556 million and free cash flow was $451 million[1]. These strong cash flows allowed us to repurchase 4.8 million shares of common stock for $233 million and spend $339 million for center developments and acquisitions. Our balance sheet is strong with an end of year leverage ratio of 2.88 times (debt to trailing 12 month earnings before interest and taxes)[1].

Public Policy:

2008 was an unprecedented year in Washington with the passage of major dialysis legislation as part of the Medicare Improvements for Patients and Providers Act. This legislation introduced a new payment system for dialysis services beginning in January 2011 and contained an important annual inflation adjustment for payments starting in 2012. In addition, we get 1% composite rate updates in 2009 and 2010 which unfortunately are offset by a 2% cut in our overall payment rate in 2011. We will work hard to innovate the approximately $1.0 billion dollars of additional cost that will now be in the bundle, to find ways to reduce costs while holding quality constant or improving it.

As in the past we continued to build strong relationships with key government stakeholders, including CMS and within Congress, and developed alternative reform proposals for consideration. In 2009, we will continue to improve the care we deliver to our patients while seeking to partner with the government to enhance the longevity of the Medicare Trust Fund.

Corporate Citizenship:

Being a leader in American health care means being a responsible corporate community. Community Care, DaVita's vision for social responsibility, is our philosophy for balancing our business responsibilities with our social, economic and environmental ones. Since we began in 1999, DaVita has had a vision for creating a true community–one that cares for our teammates as well as our patients. This investment in creating a community has inspired our teammates to realize their full potential and to deliver superior quality care to our patients.

We know that as a leader in health care we can make a lasting, positive impact on people around the world and on our environment. Our Community Care programs, including several examples below, enrich the lives of our more than 110,000 patients and 32,000 teammates and their families.

- More than 1,000 people have volunteered more than 294,000 hours to be Village Greeters in DaVita dialysis centers.
- 25,000 letters of thanks have been presented to physicians from their patients through the Thanks, Doc! Program.
- Approximately 150 DaVita teammates have volunteered to bring chronic kidney disease and dialysis care to underserved areas as part of 12 international missions led by Bridge of Life–DaVita Medical Missions™.

- DaVita Kidney Awareness Run/Walk events have raised more than $500,000 and Tour DaVita has raised more than $1,000,000 in the last two years to promote chronic kidney disease education through The Kidney TRUST™.

We invite you to review our work. Our 2008 Community Care Responsibility Report will be available on DaVita.com later this quarter.

Growth:

We provided 16.2 million dialysis treatments this year, a 5.9% increase from 2007. Our non-acquired growth was 4.3% year over year; however, in the fourth quarter growth slowed to 4% year over year.

In 2008 we opened 87 new centers and as of year end we had an additional 54 centers waiting for Medicare certification. Today, many dialysis facilities that are built and ready to treat patients stand unused due to CMS budgetary shortfalls and survey priorities set for states, as well as state surveyor shortages.

DaVita is working with the dialysis community and Congress to develop proactive policy options that would significantly reduce delays and review times by ensuring that state funding levels are sufficient to enable them to meet their program responsibilities.

The outcome of this process could have a significant impact on the number of facilities we are able to open in 2009 as well as weigh on our operating costs and margins.

Outlook:

In 2008 we advanced our objective to be the highest value provider of kidney care for patients and payors. The advancements in our Village Health and DaVita Rx businesses have allowed us to help patients live longer healthier lives and have led to reduced healthcare costs for Medicare and other payers. We hope Congress is poised to enact major legislative reform for chronic conditions and our unique capabilities will hopefully allow us to be a significant player in the collective efforts to improve care and generate savings for taxpayers.

Again this year, I would like to offer heartfelt thanks to our over 32,000 teammates. Your resilience and tenacity in simultaneously meeting the needs of so many diverse constituencies is remarkable.

Respectfully submitted,

Kent J. Thiry
Chairman and CEO

(1) These are non-GAAP amounts. For a reconciliation of non-GAAP financial measures to comparable GAAP measures, see our press release for the fourth quarter and year ended 2008 results, which is on our Website at www.davita.com.

Table of Contents

In the interest of our Stakeholders, we have kept the cost of this Annual Report to a minimum. For additional information about the Company, please visit our website at *www.davita.com* or contact LeAnne Zumwalt at DaVita's corporate address.

Management's Discussion and Analysis of Financial Condition and Results of Operation

Forward-looking statements

This Annual Report contains statements that are 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 and the impact of our related level of indebtedness on our financial performance, including earnings per share. 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 the regulatory environment in which we operate, economic and market conditions, competitive activities, other business conditions, accounting estimates, 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 and patients, a reduction in the number of patients under higher-paying commercial plans, a reduction in government payment rates or the structure of payments under the Medicare ESRD program which result in lower reimbursement for services we provide to Medicare patients, 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 and compliance with the corporate integrity agreement applicable to the dialysis centers acquired from Gambro Healthcare and assumed in connection with such acquisition, the resolution of ongoing investigations by various federal and state government agencies, and the risk factors set forth in this Annual Report. We base our forward-looking statements on information currently available to us, and we undertake no obligation to update or revise these statements, whether as a result of changes in underlying factors, new information, future events or otherwise.

The following should be read in conjunction with our consolidated financial statements.

Overview

We are a leading provider of dialysis services in the United States through a network of approximately 1,449 outpatient dialysis centers and 700 hospitals, serving approximately 112,000 patients in 43 states. In 2008, our overall network of dialysis centers increased by 90 centers primarily as a result of opening new centers and acquisitions and the overall number of patients that we serve increased by approximately 5%.

Our stated mission is to be the provider, partner and employer of choice. We believe our attention to these three stakeholders–our patients, our business partners, and our teammates–represent the major drivers of our long-term performance, although we are subject to the impact of external factors such as government policy and physician practice patterns. Accordingly, two principal non-financial metrics we track are quality clinical outcomes and teammate turnover. We have developed our own composite index for measuring improvements in our clinical outcomes, which we refer to as the DaVita Quality Index, or DQI. Our clinical outcomes as measured by DQI have improved over each of the past three years. Although it is difficult to reliably measure clinical performance across our industry, we believe our clinical outcomes compare favorably with other dialysis providers in the United States. In addition, over the past several years our teammate turnover has remained constant, which we believe has been a major contributor to our clinical performance improvements. We will continue to focus on these fundamental long-term value drivers.

Approximately 96% of our 2008 consolidated revenues were derived directly from our dialysis and related lab services business. Approximately 82% of our dialysis and related lab services revenues are derived from outpatient hemodialysis services in 1,426 centers that we consolidate which are either wholly-owned or majority-owned. Other dialysis services, which are operationally integrated with our dialysis operations, are peritoneal dialysis, home-based hemodialysis, and hospital inpatient hemodialysis services. These services collectively accounted for approximately 15% of our dialysis and related lab services revenues, and the remaining 3% of our dialysis and related lab services revenues were from laboratory services. We also generate management fees from performing management and administrative services to certain dialysis centers that represent less than 1% of our dialysis and related lab services revenues.

Our other business operations include ancillary services and strategic initiatives which are primarily aligned with our core business of providing dialysis services to our patients. These consist primarily of infusion therapy services, oral pharmacy services, vascular access services, disease management services, special needs plans, physician's services and ESRD clinical research programs. These services generated approximately 4% of our consolidated net revenues in 2008. We currently expect to continue to invest in our ancillary services and strategic initiatives as we work to develop successful new business operations. However, significant changes in market conditions, business performance or in the regulatory environment may impact the economic viability of these strategic initiatives. Any unfavorable changes could result in a write-off or an impairment of some or all of our investments in these strategic initiatives, or could also result in significant termination costs if we were to exit a certain line of business.

The principal drivers of our dialysis and related lab services revenues are:

- the number of treatments, which is primarily a function of the number of chronic patients requiring approximately three treatments per week, as well as the number of treatments for peritoneal dialysis services and home-based dialysis and hospital inpatient dialysis services;
- average dialysis revenue per treatment; and
- the number of laboratory patient tests

The total patient base is a relatively stable factor, which is influenced by a demographically growing need for dialysis services, our relationships with referring physicians together with the quality of our clinical care, and our ability to open and acquire new centers. Our year-over-year treatment volume growth was 5.9% in 2008.

Average dialysis and related lab services revenue per treatment is principally driven by our mix of commercial and government (principally Medicare and Medicaid) patients, the mix and intensity of physician-prescribed pharmaceuticals, commercial and government payment rates, and our billing and collecting operations performance.

On average, payment rates from commercial payors are significantly higher than Medicare, Medicaid and other government program payment rates, and therefore the percentage of commercial patients to total patients represents a major driver of our total average revenue per treatment.

The following table summarizes our dialysis and related lab services revenues for the year ended December 31, 2008:

	Revenues
Medicare and Medicare-assigned HMO plans	59%
Medicaid	4%
Other government-based programs	2%
Total government-based programs	65%
Commercial (including hospital dialysis services)	35%
Total dialysis and related lab services revenues	100%

Government payment rates are principally determined by federal Medicare and state Medicaid policy. These payment rates have historically had limited potential for rate increases and are sometimes at risk of reduction as federal and state governments face increasing budget pressures. Cumulative net increases in Medicare payment rates from 1990 through 2007 totaled approximately 10%, which is less than the impact of inflation over the same period. In July 2008, Congress passed the Medicare Improvements for Patients and Providers Act. This act provides for an increase in the composite rate of 1% in 2009 and 2010. In 2011, a new payment system will be established that will provide for a single bundled payment base rate with an initial rate set at 2% below the rate we would have received under the historical methodology. Beginning in 2012, the bundled payment base rate will be adjusted annually for inflation based upon a market basket index, less 1% of such index.

Dialysis payment rates from commercial payors can vary significantly and a major portion of our commercial rates are set at contracted amounts with large payors and are subject to intense negotiation pressure. Except for some rate reductions that occurred in late 2007, we have been successful in maintaining relatively stable average payment rates in the aggregate for patients with commercial plans, in addition to obtaining periodic rate increases. However, we are continuously in the process of negotiating agreements with our commercial payors and payors are increasingly aggressive in their negotiations. If our negotiations result in overall commercial rate reductions in excess of overall commercial rate increases, this would have a material adverse effect on our operating results. We also expect that some of our contracted rates with commercial payors may decrease or we may experience decreases in patient volume as our negotiations with commercial payors continue. In addition, payors have been attempting to impose restrictions and limitations on non-contracted or out-of-network providers, which could further decrease our commercial rate revenues.

Approximately 30% of our dialysis and related lab services revenues for the year ended December 31, 2008 were from physician-prescribed pharmaceuticals, with EPO accounting for approximately 20% of our dialysis and related lab services revenues. Therefore, changes in physician practice patterns, pharmaceutical protocols, pharmaceutical intensities and changes in private and governmental payment rates for EPO significantly influence our revenue. For example, in July 2007, CMS implemented a new reimbursement methodology for EPO which decreased our dialysis and related lab services revenue per treatment. In addition, effective January 2008, changes to the EPO monitoring policy went into effect which further limited reimbursements. These changes impacted the prescribing habits of our physicians, which resulted in lower pharmaceutical intensities during 2008, which negatively impacted our average dialysis and related lab services revenue per treatment in 2008.

Our operating performance with respect to dialysis services billing and collection can also be a significant factor in how much average dialysis and related lab services revenue per treatment we actually realize. Over the past several years we have invested heavily in new systems and processes that we believe have helped improve our operating performance and reduced our regulatory compliance risks and we expect to continue to improve these systems. In 2008, we made several systems upgrades and process changes and will continue to do so in 2009 as necessary to improve our billing and collection performance. However, as we implement these system upgrades, our collection performance as well as our dialysis and related lab services revenue per treatment could be negatively impacted.

Our revenue recognition involves significant estimation risks. Our estimates are developed based on the best information available to us and our best judgment as to the reasonably assured collectibility of our billings as of the reporting date. Changes in estimates are reflected in the then-current period financial statements based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies.

Our annual average dialysis and related lab services revenue per treatment was approximately $334, $334 and $330 for 2008, 2007, and 2006, respectively. In 2008, our average dialysis and related lab

services revenue per treatment decreased slightly, primarily due to the impact of some commercial rate compression that occurred in late 2007, a decrease in intensities of physician-prescribed pharmaceuticals offset by changes in mix and rates of some of our other commercial payors. In 2007, the average dialysis and related lab services revenue per treatment increased primarily due to an increase in realized rates from our commercial payors and an increase in the Medicare composite rate, partially offset by a decrease in the government reimbursement for pharmaceuticals associated with the new CMS reimbursement rates for EPO, and a decrease in intensities of physician-prescribed pharmaceuticals. Our ability to negotiate acceptable payment rates with commercial payors, changes in the mix and intensities of physician-prescribed pharmaceuticals, government payment policies regarding reimbursement amounts for dialysis treatments and pharmaceuticals, including the bundling of such services, and changes in the mix of government and commercial payors may materially impact our average dialysis and related lab services revenue per treatment in the future.

The principal drivers of our dialysis and related lab services patient care costs are clinical hours per treatment, labor rates, vendor pricing of pharmaceuticals, utilization levels of pharmaceuticals and business infrastructure and compliance costs. However, other cost categories can also represent significant cost changes, such as employee benefit costs and insurance costs. Our average clinical hours per treatment have remained relatively stable over the past few years primarily because of improved efficiencies driven by reduced clinical teammate turnover and improved training and processes. We believe there is limited opportunity for productivity improvements beyond the levels previously achieved, and changes in federal and state policies can adversely impact our ability to achieve optimal productivity levels. As an example, during the third and fourth quarters of 2008 we experienced an increase in our labor hours as we implemented new federal guidelines. In 2008 and 2007, we also experienced an increase in our labor rates of approximately 3.5% and 3.0%, respectively, as labor rates have increased consistent with general industry trends, mainly due to the demand for skilled clinical personnel, along with general inflation increases. For the past several years we have been able to negotiate relatively stable pharmaceutical pricing with our vendors. In addition, our agreement with Amgen for the purchase of EPO provides for specific rebates based on a combination of factors, including process improvement and data submission, which could negatively impact our earnings if we are unable to qualify for these rebates. In 2008, we experienced increases in our infrastructure and operating costs of our dialysis centers, primarily due to the number of new centers opened and centers constructed but pending state and/or federal certification, as well as general increases in rent, utilities and repairs and maintenance.

General and administrative expenses have remained relatively constant as a percent of consolidated revenues over the past three years. However, this reflects a substantial increase in the dollar amount of spending related to strengthening our dialysis business, improving our regulatory compliance and other operational processes, responding to certain legal matters and supporting the growth in our ancillary services and strategic initiatives. We expect that the level of general and administrative expenses will be sustained and can vary depending upon the level of investment we make in our long-term initiatives, including further investments in our ancillary services and strategic initiatives, and to support our efforts to achieve the highest levels of regulatory compliance.

Outlook for 2009. Our operating income guidance for 2009 is projected to be in the range of $820-$880 million. These projections and the underlying assumptions involve significant risks and uncertainties, and actual results may vary significantly from these current projections. These risks and uncertainties include those relating to 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 or the structure of payments under the Medicare ESRD program which result in lower reimbursement for services we provide to Medicare patients, 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 and compliance with the corporate integrity agreement applicable to the dialysis centers acquired from Gambro Healthcare and assumed in connection with such acquisition, and the resolution of ongoing investigations by various federal and state government agencies. You should read "Risk Factors" in this Annual Report and the cautionary language contained in the forward-looking statements and associated risks as discussed on page 37 for more information about these and other potential risks. We undertake no obligation to update or revise these projections, whether as a result of changes in underlying factors, new information, future events or otherwise.

Results of operations

We operate principally as a dialysis and related lab services business but also operate other ancillary services and strategic initiatives businesses. These ancillary services and strategic initiatives consist of infusion therapy services, pharmacy services, vascular access services, disease management services and full-service special needs plans, physician services, as well as clinical research programs. The dialysis and related lab services business qualifies as a separately reportable segment under SFAS No. 131, and all of the other ancillary services and strategic initiatives have been combined and disclosed in the other segments category.

Following is a summary of consolidated operating results for reference in the discussion that follows.

Continuing Operations	Year ended December 31, 2008		2007		2006	
	(dollar amounts rounded to nearest million, except per treatment data)					
Net operating revenues:						
Current period services	$ 5,660	100%	$ 5,264	100%	$ 4,881	100%
Operating expenses and charges:						
Patient care costs	3,920	69%	3,590	68%	3,390	70%
General and administrative	508	9%	491	9%	454	9%
Depreciation and amortization	217	4%	193	4%	173	4%
Provision for uncollectible accounts	146	3%	137	3%	126	2%
Minority interests and equity income, net	47	1%	45	1%	36	1%
Valuation gain on alliance and product supply agreement	–	–	(55)	(1)%	(38)	(1)%
Total operating expenses and charges	4,838	85%	4,402	84%	4,141	85%
Operating income	$ 822	15%	$ 862	16%	$ 739	15%
Dialysis treatments	16,217,107		15,318,995		14,495,796	
Average dialysis treatments per treatment day	51,663		48,942		46,372	
Average dialysis and related lab services revenue per treatment	$ 334		$ 334		$ 330	

The following table summarizes consolidated net operating revenues:

	Year ended		
	2008	2007	2006
	(dollar amounts rounded to nearest million)		
Dialysis and related lab services	$5,415	$5,130	$4,799
Other–ancillary services and strategic initiatives	245	134	82
Consolidated net operating revenues	$5,660	$5,264	$4,881

The following table summarizes consolidated operating income:

	Year ended		
	2008	2007(1)	2006(1)
	(dollar amounts rounded to nearest million)		
Dialysis and related lab services	$943	$993	$829
Other–ancillary services and strategic initiatives loss	(34)	(51)	(27)
Total segment margin	910	942	802
Reconciling items:			
Stock-based compensation	(41)	(34)	(26)
Minority interests and equity income, net	(47)	(45)	(36)
Consolidated operating income	822	862	739
Reconciliation of non-GAAP measures:			
Less: Gains on insurance settlements	–	(7)	–
Valuation gain on the alliance and product supply agreement	–	(55)	(38)
Non-GAAP consolidated operating income	$822	$800	$701

(1) We have excluded valuation gains on the alliance and product supply agreement with Gambro Renal Products Inc. (the Product Supply Agreement) in 2007 and 2006 as well as gains on insurance settlements from Hurricane Katrina in 2007 from non-GAAP adjusted consolidated operating income in 2007 and 2006, respectively, because management believes that this presentation enhances a user's understanding of our normal consolidated operating income by excluding a non-recurring non-cash gain that resulted from the termination of our purchase obligation for dialysis machines from Gambro Renal Products Inc. under the Product Supply Agreement as well as an unusual insurance gain, and as a result is both more meaningful and comparable to our current and prior period results, and more indicative of our normal consolidated operating income.

Consolidated net operating revenues

Consolidated net operating revenues for 2008 increased by approximately $396 million or approximately 7.5% from 2007. This increase was primarily due to an increase in dialysis and related lab services net revenues of approximately $285 million, principally due to increased treatments, and an increase of approximately $111 million in the ancillary services and strategic initiatives net revenues primarily from growth in our pharmacy, VillageHealth special needs plans and from our infusion therapy business.

Consolidated net operating revenues for 2007 increased by approximately $383 million or approximately 7.9% from 2006. This increase was primarily due to an increase in dialysis and related lab services net revenues of approximately $331 million, principally due to an increase in both treatments and average revenue per treatment, and an increase of approximately $52 million in the ancillary services and

strategic initiatives net revenues primarily from growth in our pharmacy and in our VillageHealth demonstration projects as well as from the acquisition of our infusion therapy business.

Consolidated operating income

Consolidated operating income was $822 million for 2008, as compared to $862 million for 2007. Consolidated operating income in 2007 included a valuation gain of $55 million on the Product Supply Agreement and the $7 million insurance settlement related to Hurricane Katrina. Excluding the valuation gain on the Product Supply Agreement and the insurance settlement in 2007, our consolidated operating income for 2008 would have increased by approximately $22 million, compared to the adjusted operating income for 2007. This increase was primarily due to treatment growth in dialysis and related lab services revenues, combined with growth in revenue in ancillary services and strategic initiatives outpacing increases in our operating expenses. Our ancillary services and strategic initiatives net operating losses were reduced by approximately $17 million in 2008. However, our consolidated operating income for 2008 was negatively affected by rising labor costs, the absence of a Medicare rate increase, the impact of some commercial rate compression that occurred in late 2007, decreases in intensities of physician-prescribed pharmaceuticals, an increase in the operating costs of our dialysis centers, driven in part by the number of new dialysis centers opened and from centers constructed but pending state and/or federal certification, an increase in pharmaceuticals costs (primarily heparin) and an increase in stock-based compensation costs.

Consolidated operating income was $862 million for 2007, as compared to $739 million for 2006. Consolidated operating income in 2007 and 2006 included valuation gains of $55 million and $38 million, respectively, on the Product Supply Agreement. 2007 also included a $7 million insurance settlement related to Hurricane Katrina. Excluding these items our adjusted consolidated operating income for 2007 would have increased by approximately $99 million compared to our adjusted consolidated operating income for 2006. The increase in adjusted consolidated operating income was primarily due to an increase in both treatment growth and revenue per treatment in the dialysis and related lab services business outpacing slower growth in operating expenses, lower self insurance and benefit costs, as well as reductions in integration expenditures. The increase in adjusted consolidated income in 2007 was primarily the result of increases in operating income in the dialysis and related lab services business, partially offset by higher operating losses in ancillary services and strategic initiatives that increased by approximately $24 million, as we made additional investments in our infrastructure and incurred additional operating expenses and professional fees associated with establishing our VillageHealth special needs plans.

Operating segments

Dialysis and Related Lab Services

	Year ended		
	2008	2007	2006
Revenues	$5,415	$5,130	$4,799
Segment margin	$ 943	$ 993	$ 829

Net operating revenues

Dialysis and related lab services net operating revenues for 2008 increased by approximately $285 million or approximately 5.6% from 2007. The increase in net operating revenues was primarily due to an increase in the number of treatments of approximately 5.9%, offset by a slight decrease in the average dialysis revenue per treatment. The increase in number of treatments was primarily due to an increase in

the number of treatment days in 2008 and non-acquired treatment growth at existing and new centers and growth through acquisitions. The decrease in the average dialysis revenue per treatment in 2008, as compared to 2007, was primarily due to the impact of some commercial rate compression that occurred in late 2007, decreases in intensity of physician-prescribed pharmaceuticals partially offset by changes in mix and rates of some of our other commercial payors.

Dialysis and related lab services net operating revenues for 2007 increased by approximately $331 million or 6.9% from 2006. The increase in net operating revenues in 2007 was principally due to an increase in the number of treatments of approximately 5.7% and an increase in the average revenue per treatment of approximately 1.2%. The increase in the number of treatments was primarily attributable to non-acquired annual treatment growth at existing and new centers and growth through acquisitions. Our average dialysis revenue per treatment increased from $330 in 2006 to $334 in 2007. This increase in average dialysis revenue per treatment was due primarily to an increase in realized rates from our commercial payors and an increase in the Medicare composite rate, partially offset by a decrease in the government reimbursement for pharmaceuticals associated with the new CMS reimbursement rates for EPO, and a decrease in intensities of physician-prescribed pharmaceuticals.

The following table summarizes our dialysis and related lab services revenues by source for the year ended December 31, 2008:

	Revenue percentages
Outpatient hemodialysis centers	82%
Peritoneal dialysis and home-based hemodialysis	10%
Hospital inpatient hemodialysis	5%
Laboratory services	3%
Total dialysis and related lab services revenues	100%

In addition to reimbursements for dialysis treatments, the other major component of dialysis and related lab services revenues is the administration of EPO and other pharmaceuticals as part of the dialysis treatment, which represents slightly more than 30% of total dialysis and related lab services revenues.

Approximately 65% of our total dialysis and related lab services revenues for the year ended December 31, 2008 were from government-based programs, principally Medicare, Medicaid, and Medicare Advantage Plans, representing approximately 87% of our total patients. Approximately 35% of our dialysis and related lab services revenues and 13% of our patients are associated with commercial payors. Less than 1% of our dialysis and related lab services payments are due directly from patients. No single commercial payor accounted for more than 5% of total dialysis and related lab services revenues for the year ended December 31, 2008.

On average we are paid significantly more for services provided to patients covered by commercial healthcare plans than we are for patients covered by Medicare, Medicaid or other government plans. Patients covered by employer group health plans transition to Medicare coverage after a maximum of 33 months. As a patient transitions from commercial coverage to Medicare or Medicaid coverage, the payment rates normally decline substantially. As of December 31, 2008, the Medicare ESRD dialysis treatment rates for our patients were between $149 and $165 per treatment, or an overall average of $157 per treatment, excluding the administration of separately billed pharmaceuticals. Medicare payment rates are insufficient to cover our costs associated with providing dialysis treatments, and therefore we lose money on each Medicare treatment.

Our net earnings from dialysis and related lab services are derived from commercial payors, some of which pay at negotiated payment rates and others of which pay based on our usual and customary fee

schedule. We are continuously in negotiations with commercial payors for contracted rates and some of these payment rates are under downward pressure as we negotiate these rates with large HMOs and insurance carriers and we expect this trend to continue into 2009. We also expect that we may experience decreases in patient volume as our negotiations with commercial payors continue. If we experience a net overall reduction in our contracted commercial rates as a result of these negotiations, it could have a material adverse effect on our operating results.

Our average dialysis and related lab services revenue per treatment can be significantly impacted by several major factors, including our ability to negotiate acceptable payment rates with contracted and non-contracted commercial payors, changes in the mix and intensities of physician-prescribed pharmaceuticals, government payment policies regarding reimbursement amounts for dialysis treatments and pharmaceuticals, including the bundling of such services and changes in the mix of government and non-government payments.

Operating expenses and charges

Patient care costs. Dialysis and related lab services patient care costs are those costs directly associated with operating and supporting our dialysis centers and consist principally of labor, pharmaceuticals, medical supplies and operating costs of the dialysis centers. The dialysis and related lab services patient care costs on a per treatment basis were $230, $227 and $229 for 2008, 2007, and 2006, respectively. The $3 increase in the per treatment costs in 2008 as compared to 2007 was primarily attributable to an increase in labor rates and our labor hours were negatively impacted during the year as we implemented new federal guidelines. Additionally, we experienced an increase in the operating costs of our dialysis centers driven in part by the number of new centers opened and from centers constructed but pending state and/or federal certification, and an increase in pharmaceutical costs (primarily heparin), partially offset by a decrease in the intensities of physician-prescribed pharmaceuticals.

Dialysis and related lab services patient care costs on a per treatment basis decreased by approximately $2 in 2007 as compared to 2006. The decrease in the per treatment costs was primarily attributable to decreases in employee benefit costs, reductions in our professional and general liability costs, as well as decreases in the intensities of physician-prescribed pharmaceuticals, partially offset by an increase in labor costs and an increase in the operating costs of our dialysis centers.

General and administrative expenses. Dialysis and related lab services general and administrative expenses for the years ended 2008, 2007 and 2006 were approximately $398 million, $397 million and $391 million, respectively. The increase of approximately $1 million in 2008 as compared to 2007 was primarily due to increases in labor costs and the timing of certain other expenditures, mainly offset by lower integration costs and lower professional fees. The increase in general and administrative expenses of approximately $6 million in 2007 as compared to 2006, was primarily due to higher labor costs and the timing of certain expenditures, partially offset by lower integration expenditures related to the DVA Renal Healthcare acquisition that were completed by the end of 2007 and lower professional fees for legal and compliance initiatives.

Depreciation and amortization. Dialysis and related lab services depreciation and amortization expenses for 2008, 2007 and 2006 were approximately $210 million, $189 million and $171 million, respectively. The increase of approximately $21 million in depreciation and amortization for dialysis and related lab services in 2008 as compared to 2007 was primarily due to growth through new center developments and expansions and an increase in amortization expense as a result of reductions in the intangible liability associated with the Product Supply Agreement, as discussed below. The increase in depreciation and amortization for 2007 of approximately $18 million, as compared to 2006 was primarily due to growth through new center developments and expansions.

Provision for uncollectible accounts receivable. The provision for uncollectible accounts receivable for dialysis and related lab services was 2.6% for all years presented. The current provision level of 2.6% may increase if we encounter problems with our billing and collection process.

Product Supply Agreement. We entered into the Alliance and Product Supply Agreement with Gambro AB and Gambro Renal Products, Inc. on October 5, 2005, in conjunction with our acquisition of DVA Renal Healthcare. The agreement committed us to purchase a significant majority of our hemodialysis products, supplies and equipment at fixed prices through 2015. The agreement was amended on August 25, 2006 (the Amended Product Supply Agreement) to reduce our purchase obligations for certain hemodialysis product supplies and equipment. As a result of the reductions, we recorded a net valuation gain of $38 million during 2006. This valuation gain represents the difference in the amortized original fair value between the Product Supply Agreement and that of the Amended Product Supply Agreement, as of the effective date of the amendment.

In 2007, we terminated our obligation to purchase certain dialysis machines under the Amended Product Supply Agreement. As a result of that termination we recorded a net valuation gain of $55 million in 2007. This valuation gain represents the difference in the amortized original fair value of the Amended Product Supply Agreement and that of the Amended Product Supply Agreement as adjusted for the termination of the obligation to purchase certain dialysis machines as of June 30, 2007. We continue to be subject to the Product Supply Agreement's requirements to purchase a significant majority of our hemodialysis non-equipment product supplies, such as dialyzers, from Gambro Renal Products at fixed prices.

Operating income

Dialysis and related lab services operating income for 2008 decreased by approximately $50 million as compared to 2007. Operating income in 2007 included a valuation gain of $55 million on the Product Supply Agreement and $7 million of insurance settlements relating to Hurricane Katrina as discussed above. Excluding these items, operating income for 2008 would have increased by approximately $12 million as compared to adjusted operating income for 2007. The increase in the operating income for 2008 as compared to adjusted operating income for 2007 was primarily due to growth in the volume of revenue outpacing increases in certain expenditures. However, operating income for 2008 was negatively affected by certain significant items such as a decrease in our dialysis revenue per treatment, lower intensities of physician-prescribed pharmaceuticals, an increase in labor costs and higher operating costs of our dialysis centers primarily associated with the number of new centers that were opened and from centers constructed but pending state and/or federal certification, an increase in pharmaceutical costs (primarily heparin), and the absence of a Medicare rate increase.

Dialysis and related lab services operating income for 2007 increased by approximately $164 million as compared to 2006. 2007 and 2006 included valuation gains of $55 million and $38 million, respectively, on the product supply agreement. 2007 also included a $7 million insurance settlement as discussed above. Excluding these items, adjusted operating income for 2007 would have increased by approximately $140 million as compared to adjusted operating income for 2006. This large increase was driven primarily by growth in both treatments and revenue per treatment, along with labor productivity improvements, and reductions in certain operating expenditures such as benefit and insurance costs, as well as integration expenditures.

Other–Ancillary services and strategic initiatives

	Year ended		
	2008	2007	2006
Revenues	$245	$134	$ 82
Segment loss	$ (34)	$ (51)	$(27)

Net operating revenues

The ancillary services and strategic initiatives net operating revenues for 2008 increased by approximately $111 million or 83% as compared to 2007, primarily from growth in our pharmacy business, VillageHealth special needs plans and demonstration projects, our vascular access services business and a full year of operations of HomeChoice Partners, our infusion therapy business, which we acquired in the third quarter of 2007.

The increase in net operating revenues in 2007 of approximately $52 million or 64% from 2006 was primarily due to growth in our pharmacy business, the acquisition of HomeChoice Partners, and growth in our VillageHealth demonstration projects.

Operating expenses

Ancillary services and strategic initiatives operating expenses for 2008 increased by approximately $93 million from 2007, primarily due to an increase in volume in our pharmacy business, an increase in fixed operating expenses, an increase in labor costs and a full year of operations of our infusion therapy services, partially offset by lower professional fees in our VillageHealth business, as described below.

Ancillary services and strategic initiatives operating expenses for 2007 increased by approximately $76 million from 2006, primarily due to the acquisition of HomeChoice Partners, volume growth in our pharmacy business, additional operating expenses and professional fees associated with establishing the VillageHealth special needs plans that became effective in early 2007, and higher labor and benefit costs.

Operating loss

Ancillary services and strategic initiatives operating losses for 2008 decreased by approximately $17 million from 2007. The decrease in operating losses was primarily due to growth in revenues outpacing increases in operating expenses, primarily associated with our pharmacy business and our vascular access services. Ancillary services and strategic initiatives operating losses for 2007 increased by approximately $24 million from 2006. The increase in operating losses was primarily related to the cost of establishing the VillageHealth special needs plans.

Corporate level charges

Stock-based compensation. Stock-based compensation of approximately $41 million for 2008 increased by approximately $7 million from 2007. Stock-based compensation for 2007 increased by approximately $8 million from 2006. The increases in both periods resulted from increases in both the average grant-date fair value and aggregate quantity, of grants that contributed expense to each of these years.

Minority interests and equity income, net. Minority interests and equity income, net, increased by approximately $1.1 million in 2008, and increased by approximately $9.7 million in 2007. The increases for both years were primarily due to an increase in new dialysis centers having minority partners, growth in the earnings of our existing dialysis joint ventures and an increase in the number of other non-wholly-owned subsidiaries.

Debt expense. Debt expense for 2008, 2007, and 2006 consisted of interest expense of approximately $215 million, $243 million, and $263 million, respectively, amortization of deferred financing costs of approximately $10 million for each year presented. 2007 and 2006 also included the write-off of approximately $4 million and $3 million, respectively, of deferred financing costs associated with the principal prepayments on our term loans. The decrease in interest expense in 2008 as compared to 2007 was primarily attributable to decreases in the LIBOR-based variable interest rates on the unhedged

portion of our debt. Our overall weighted average interest rate in 2008 was 5.82% as compared to 6.49% in 2007. The decrease in interest expense in 2007 as compared to 2006 was primarily attributable to lower average outstanding principal balances during 2007 under our Senior Secured Credit Facilities as a result of principal prepayments, and decreases in the LIBOR-based variable interest rates on the unhedged portion of our debt. Our overall weighted average interest rate in 2007 was 6.49% as compared to 6.64% in 2006.

Other income. Other income was approximately $12 million, $22 million, and $13 million in 2008, 2007, and 2006, respectively, and consisted principally of interest income. The decrease in other income in 2008 was primarily due to the fact that 2007 other income included gains on the sale of investments of approximately $6 million resulting from the sale of our NxStage shares as discussed below and a decrease in interest rates as well as lower average cash and investment balances.

Provision for income taxes. The provision for income taxes for 2008 represented an effective annualized tax rate of 38.6%, compared with 39.2% and 39.2% in 2007 and 2006, respectively. The decrease in the effective tax rate in 2008 was primarily due to nonrecurring tax benefits associated with transactions occurring in 2008. We currently project the effective income tax rate for 2009 to be in the range of 39.5% to 40.5%.

Impairments and valuation adjustments. We perform impairment or valuation reviews for our property and equipment, amortizable intangibles, investments in and advances to third-party dialysis businesses, and our investments in ancillary services and strategic initiatives at least annually and whenever a change in condition indicates that a review is warranted. Such changes include shifts in our business strategy or plans, the quality or structure of our relationships with our partners, or when a center experiences deteriorating operating performance. Goodwill is also assessed at least annually for possible valuation impairment using fair value methodologies. No significant impairments or valuation adjustments were recognized during the periods presented. These types of adjustments are charged directly to the corresponding operating segment that incurred the charge.

Accounts receivable

Our accounts receivable balances at December 31, 2008 and 2007 represented approximately 70 and 66 days of revenue, respectively, net of bad debt provision. The relative increase in the days of net revenue in accounts receivable as of December 31, 2008 was a result of growth and slower cash collections. In 2007, we experienced high cash collections, which significantly decreased the number of days of net revenue in our account receivable balances. Accounts receivable balances of 70 days of revenue is more consistent with our past and expected trends.

As of December 31, 2008 approximately $102 million in unreserved accounts receivable, representing approximately 9% of our total accounts receivable balance, were more than six months old. There were no significant unreserved balances over one year old. Less than 1% of our treatments are classified as "patient pay". Substantially all revenue realized is from government and commercial payors, as discussed above.

Amounts pending approval from third-party payors as of December 31, 2008 and 2007, other than the standard monthly processing, consisted of approximately $39 million and $31 million, respectively, associated with Medicare bad debt claims, classified as "other receivables". Currently, our Medicare bad debt claims are typically paid to us before the Medicare fiscal intermediary audits the claims. However, the payment received from Medicare is subject to adjustment based upon the actual results of the audits. Such audits typically occur one to four years after the claims are filed. As a kidney dialysis provider, our revenue is not subject to cost report settlements, except for potentially limiting the collectibility of these Medicare bad debt claims.

Liquidity and capital resources

Available liquidity. As of December 31, 2008, our cash balance was $411 million and we had undrawn credit under our Senior Secured Credit Facilities totaling $250 million, of which approximately $51 million was committed for outstanding letters of credit. We believe that we will have sufficient liquidity, operating cash flows and access to borrowings to fund our scheduled debt service and other obligations for the foreseeable future. Our primary sources of liquidity are cash from operations and cash from borrowings.

Cash flow from operations during 2008 amounted to $556 million, compared with $533 million for 2007. Cash flow from operations in 2008 included cash interest payments of approximately $223 million and cash tax payments of $163 million. Cash flow from operations in 2007 included cash interest payments of $245 million and cash tax payments of $206 million.

Non-operating cash outflows in 2008 included $318 million for capital asset expenditures, including $213 million for new center developments and relocations, and $105 million for maintenance and information technology. We also spent an additional $126 million for acquisitions. During 2008, we also received $43 million from the maturity and sale of investments. However, these proceeds were either used to repurchase other investments or were used to fund distributions from our deferred compensation plans. In addition we received $48 million associated with stock option exercises and other share issuances and the related excess tax benefits. We also repurchased 4.8 million shares of our common stock for approximately $233 million. Non-operating cash outflows in 2007 included $272 million for capital asset expenditures, including $162 million for new center developments and relocations and $110 million for maintenance and information technology. We also spent an additional $127 million for acquisitions. During 2007, we also received $37 million from the maturity and sale of investments as well as an additional $88 million associated with stock option exercises and other share issuances and related excess tax benefits. We also repurchased 0.1 million shares of our common stock for approximately $6 million. During 2008, we acquired a total of 20 dialysis centers, opened 87 new dialysis centers, sold or closed nine centers, merged eight centers into other existing centers, ceased operations at one joint venture in which we owned a noncontrolling interest and added a net one center under management and administrative service agreements. During 2007, we acquired a total of 16 dialysis centers, opened 64 new dialysis centers, sold or closed six centers and discontinued providing management and administrative services to 21 centers. We also acquired a 50% noncontrolling ownership interest in a joint venture that operated six dialysis centers.

We currently expect to spend approximately $100 million for general maintenance capital asset expenditures in 2009, and approximately $250 million for new center development, relocations and center acquisitions depending upon the availability of certain projects and sufficient project returns. We expect to generate approximately $500 million to $550 million of operating cash flow in 2009. Our actual expenditures for growth and cash flows in 2009 could vary significantly from these expected amounts.

2008 capital structure changes and other items

Our Senior Secured Credit Facilities are guaranteed by substantially all of our direct and indirect wholly-owned subsidiaries and are secured by substantially all of our and our subsidiary guarantors' assets. The Senior Secured Credit Facilities also contain customary affirmative and negative covenants and require compliance with financial covenants, including an interest rate coverage ratio and a leverage ratio that determines the interest rate margins on our term loan A and our revolving line of credit. The Senior Secured Credit Facilities in general also contain limits on the general amount of capital expenditures for internal growth, acquisitions and capital improvements, as described below, as well as limits on the amount of tangible net assets in non-guarantor subsidiaries.

Term Loan A

During 2008, we made mandatory principal payments totaling $14.9 million on the term loan A. As a result of these principal payments, the outstanding balance on our term loan A as of December 31, 2008 was $214.4 million and bore interest at LIBOR plus a margin of 1.50%, for an overall weighted average effective rate of 1.97%. The interest rate margin is subject to adjustment depending upon certain financial conditions and could range from 1.50% to 2.25%. Term loan A matures in October 2011 and requires annual principal payments of $61.3 million in 2009, $87.5 million in 2010 and $65.6 million in 2011, respectively.

Term Loan B

As of December 31, 2008, the outstanding balance of our term loan B was $1.7 billion and bore interest at LIBOR plus a margin of 1.50% for an overall weighted average effective rate of 3.63%, including the impact of our swap agreements. We did not make any principal payments on the term loan B during 2008, nor were we required to. Term loan B matures in October 2012 and requires principal payments of $1.7 billion in year 2012.

Senior and Senior Subordinated Notes

Our senior and senior subordinated notes, as of December 31, 2008, consisted of $900 million of 6 5/8% senior notes due 2013 and $850 million of 7 1/4% senior subordinated notes due 2015. The notes are guaranteed by substantially all of our direct and indirect wholly-owned subsidiaries and require semi-annual interest payments in March and September. We may redeem some or all of the senior notes at any time on or after March 15, 2009 and some or all of the senior subordinated notes at any time on or after March 15, 2010.

Interest rate swaps

As of December 31, 2008, we maintained a total of nine interest rate swap agreements with amortizing notional amounts totaling $790 million. These agreements had the economic effect of modifying the LIBOR-based variable interest rate on an equivalent amount of our debt to fixed rates ranging from 3.08% to 4.70%, resulting in an overall weighted average effective interest rate of 5.54% on the hedged portion of our Senior Secured Credit Facilities, including the term loan B margin of 1.50%. The swap agreements expire in 2009 through 2010 and require quarterly interest payments. During 2008, 2007, and 2006 we accrued net cash (obligations) benefits of approximately ($4.2) million, $14.5 million, and $15.8 million, respectively, from these swaps, which are included in debt expense. We estimate that approximately $14.3 million of existing unrealized pre-tax losses in other comprehensive income at December 31, 2008 will be reclassified into income in 2009. As of December 31, 2008 and 2007, the total fair value of these swaps was a liability of $21.9 million and a net liability of $0.5 million, respectively. The 2008 and 2007 amounts were primarily included in other long-term liabilities. Also during 2008 and 2007, we recorded approximately $10.4 million and $16.0 million, respectively, net of tax, as reductions to other comprehensive income for swap valuation losses, net of amounts reclassified into income.

As of December 31, 2008, approximately 41% of our variable rate debt and approximately 69% of our total debt was economically fixed.

As a result of the swap agreements, our overall weighted average effective interest rate on the Senior Secured Credit Facilities was 3.48%, based upon the current margins in effect of 1.50%, as of December 31, 2008.

At December 31, 2008, our overall average effective interest rate was 5.10%.

Stock repurchases

During 2008, we repurchased a total of 4,788,881 shares of our common stock for $232.7 million, or an average price of $48.59 per share, pursuant to previously announced authorizations by the Board of Directors. On May 1, 2008, our Board of Directors authorized an increase of an additional $143.5 million of share repurchases of our common stock. As a result of these transactions the total outstanding authorization for share repurchases as of December 31, 2008 was $153.5 million. This stock repurchase program has no expiration date.

Stock-based compensation

Under SFAS No. 123(R), stock-based compensation recognized during a period is based on the estimated grant-date fair value of the portion of the stock-based award vesting during that period, adjusted for expected forfeitures. Stock-based compensation recognized in our consolidated financial statements for the years ended December 31, 2008, 2007 and 2006 includes compensation cost for stock-based awards granted prior to, but not fully vested as of, December 31, 2005 and stock-based awards granted thereafter. Shares issued upon exercise of stock awards are generally issued from shares in treasury. We have utilized the Black-Scholes-Merton valuation model for estimating the grant date fair value of stock options and stock-settled stock appreciation rights granted in all prior periods. During 2008, we granted 4,563,350 stock-settled stock appreciation rights with a grant-date fair value of $50.2 million and a weighted-average expected life of approximately 3.35 years, and also granted 37,819 stock units with a grant-date fair value of $1.9 million and a weighted-average expected life of approximately 1.1 years.

For the years ended December 31, 2008 and 2007, we recognized $41.2 million and $34.1 million, respectively, in stock-based compensation expense for stock options, stock-settled stock appreciation rights, stock units and discounted employee stock plan purchases, which is primarily included in general and administrative expenses. The estimated tax benefits recorded for this stock-based compensation in 2008 and 2007 were $15.6 million and $12.8 million, respectively. As of December 31, 2008, there was $79.6 million of total estimated unrecognized compensation cost related to nonvested stock-based compensation arrangements under our equity compensation and stock purchase plans. We expect to recognize this cost over a weighted average remaining period of 1.4 years.

During the years ended December 31, 2008 and 2007, we received $35.6 million and $54.7 million, respectively, in cash proceeds from stock option exercises and $14.0 million and $32.8 million, respectively, in total actual tax benefits upon the exercise of stock awards.

Developments in 2008

In July 2008, the Medicare Improvements for Patients and Providers Act for 2008 was passed by Congress. This legislation provides for an increase in the composite rate of 1% in 2009 and in 2010. In addition this legislation introduces a new payment system for dialysis services beginning in January 2011 whereby ESRD payments will be made under a bundled payment rate which will provide for a fixed rate for all goods and services provided during the dialysis treatment, including laboratory services and the administration of pharmaceuticals. The initial 2011 bundled rate will be set 2% below the payment rate that providers would have received under the historical fee for service payment methodology. Beginning in 2012, a new single bundled payment base rate will be adjusted annually for inflation based upon a market basket index, less 1% of such index. The bundled payment rate will be determined by the Secretary of Health and Human Services, who will have discretion to determine the base payment rate based on the goods and services included in the bundled rate. Dialysis providers will have the option to move fully to the bundled payment system in 2011 or to phase in the payment system over three years.

In February 2008, Baxter Healthcare Corporation proceeded with a recall of heparin, a pharmaceutical used in the treatment of dialysis patients, and ceased further sales. As a result of the recall,

there is only one remaining supplier of heparin and the cost to purchase heparin has significantly increased. It is possible that our heparin costs may continue to increase and since there is no separate reimbursement for this drug under Medicare, cost increases have a direct impact on our profitability. An affiliate of Fresenius Medical Care acquired the sole remaining provider of heparin for the U.S. dialysis market. This could negatively impact our access to and pricing for this critical product.

2007 capital structure changes and other capital items

During 2007, we made principal payments totaling $50 million on term loan A and $400 million on term loan B. The term loan B payment was made from the proceeds of new senior notes as discussed below. These principal payments were prepayments. As a result of the principal prepayments made in 2007 we wrote off a total of $4.4 million of deferred financing costs, which is included in debt expense.

Term Loan A

On February 27, 2007, our interest rate margin on term loan A was reduced by 0.25% as a result of our achieving certain financial ratios as defined in the Senior Secured Credit Facilities. At December 31, 2007, our term loan A bore interest at LIBOR plus a margin of 1.50%, for an overall effective rate of 6.35%. The interest rate margin is subject to adjustment depending upon certain financial conditions and could range from 1.50% to 2.25%.

Term Loan B

On February 23, 2007, we amended and restated our existing Senior Secured Credit Facilities to, among other things, reduce the interest rate margin on term loan B by 0.50%, and to amend certain financial covenants. At December 31, 2007, the amended term loan B bore interest at LIBOR plus a margin of 1.50%, for an overall effective rate of 5.80%, including the impact of our swap agreements, except for the forward interest rate swap agreements. Other terms that were changed included the amount by which we can elect to increase the revolving and term loan commitments from $500 million to $750 million and certain limitations on purchases, redemptions or acquisitions of capital stock, the payment of dividends and distributions in cash. Further, limitations on capital expenditures for internal growth will not apply during the periods in which our leverage ratio is less than 3.5:1. We incurred financing costs of $1.8 million which were deferred and also expensed $0.2 million of other costs in connection with this transaction.

Senior and Senior Subordinated Notes

On February 23, 2007, we issued $400 million of 6⅝% senior notes due 2013 in a private offering, realizing $405 million in proceeds, which included a $5 million premium, and incurred $2.7 million in related deferred financing costs. These senior notes are part of the same series of debt securities as the $500 million aggregate principal amount of 6⅝% senior notes that were issued in March 2005. Our effective interest rate for the $400 million of 6⅝% senior notes is 6.45%. The senior notes are guaranteed by substantially all of our direct and indirect wholly-owned subsidiaries and require semi-annual interest payments which began March 15, 2007. The senior notes may be redeemed by us in whole or part at any time on or after March 15, 2009, at certain specified prices. We used $400 million of these proceeds to pay down our term loan B as discussed above.

NxStage agreement

In February 2007 we entered into a National Provider Agreement with NxStage, Inc. As a part of the agreement, we purchased outright all of our NxStage System One equipment then in use for $5.1 million, and have been purchasing a majority of our home-based hemodialysis equipment and supplies from

NxStage. In connection with the provider agreement, we purchased two million shares of NxStage common stock in a private placement offering for $20 million, representing an ownership position of approximately 7%. We subsequently sold our NxStage Inc. shares in the second and third quarters of 2007 for approximately $25.9 million and recognized a pre-tax gain of $5.9 million or $3.6 million after tax. This pre-tax gain is included in other income.

Other stockholder items

On May 29, 2007, our stockholders approved an amendment to our Amended and Restated Certificate of Incorporation, to increase the number of shares of authorized common stock from 195,000,000 to 450,000,000 shares. Our stockholders also approved an amendment and restatement of our Employee Stock Purchase Plan to increase the number of shares of common stock available for issuance under that plan by 800,001 shares, and approved an amendment and restatement of our 2002 Equity Compensation Plan to increase the number of shares of common stock available for issuance under that plan by 6,000,000 shares and, among other things, to remove certain available share recycling features, to change the limit on the maximum number of shares of common stock that may be subject to awards granted to any single recipient in any consecutive twenty-four month period so that it applies only to awards of stock options and stock appreciation rights, and to provide additional exceptions from the three year minimum vesting period generally applicable to grants of restricted stock units and other full share awards.

Interest rate swaps

As of December 31, 2007, we maintained a total of nine interest rate swap agreements, with amortizing notional amounts totaling $968 million. These agreements had the economic effect of modifying the LIBOR-based variable interest rate on an equivalent amount of our debt to fixed rates ranging from 3.08% to 4.27%, resulting in a weighted average effective interest rate of 5.37%, on the hedged portion of our Senior Secured Credit Facilities, including the term loan B margin of 1.50%. The swap agreements expire in 2009 through 2010 and require quarterly interest payments. In addition, we also maintained two forward interest rate swaps with notional amounts totaling $200 million that went effective on September 30, 2008.

As of December 31, 2007, the interest rates were economically fixed on approximately 50% of our variable rate debt and approximately 74% of our total debt.

As a result of the swap agreements, at December 31, 2007 our overall weighted average effective interest rate on our Senior Secured Credit Facilities was 5.90%, based upon the current margins in effect of 1.50%, and our overall average effective interest rate was 6.37%.

Off-balance sheet arrangements and aggregate contractual obligations

In addition to the debt obligations reflected on our balance sheet, we have commitments associated with operating leases, letters of credit and our investments in third-party dialysis businesses. Substantially all of our facilities are leased. We also have potential acquisition obligations for several jointly-owned centers and for some of our non-wholly-owned subsidiaries in the form of put provisions, which are exercisable at the third-party owners' future discretion within specified periods as outlined in each specific put provision. These put provisions, if exercised, would require us to purchase the third-party owners' interests at either the appraised fair market value or a predetermined multiple of earnings or cash flow attributable to the equity interest put to us, which is intended to approximate fair value. We have estimated the fair values of the interests subject to these put provisions based upon either a predetermined multiple of earnings, or the higher of a liquidation value or an average multiple of earnings determined by historical earnings, patient mix and other performance indicators, as well as other factors. The estimate of the fair

values of the interests subject to these put provisions is a critical accounting estimate that involves significant judgments and assumptions and may not be indicative of the actual values at which these obligations may ultimately be settled in the future, which could vary significantly from our current estimates. The estimated fair values of the interests subject to these put provisions can also fluctuate and the implicit multiple of earnings at which these obligations may be settled will vary depending upon market conditions including potential purchasers' access to the credit and capital markets, which can impact the level of competition for dialysis and non-dialysis related businesses, the economic performance of these businesses and the restricted marketability of the third-party owners' interests. For additional information, see Note 21 to the consolidated financial statements.

We also have potential cash commitments to provide working capital advances as needed to several other dialysis centers in which we either own a noncontrolling interest, or which are wholly-owned by third parties, as well as to physician–owned vascular access clinics that we operate under management and administrative services agreements.

The following is a summary of these contractual obligations and commitments as of December 31, 2008 (in millions):

	Less Than 1 year	1-3 years	3-5 years	After 5 years	Total
Scheduled payments under contractual obligations:					
Long-term debt	$ 72	$156	$2,607	$ 850	$3,685
Interest payments on senior and senior subordinated notes	121	243	213	92	669
Capital lease obligations	1	1	1	3	6
Operating leases	194	333	257	393	1,177
	$388	$733	$3,078	$1,338	$5,537
Potential cash requirements under existing commitments:					
Letters of credit	$ 51	$ –	$ –	$ –	$ 51
Acquisition of dialysis centers under put provisions	127	64	61	39	291
Pay-fixed swaps potential obligations	14	8	–	–	22
Working capital advances	16	–	–	–	16
	$208	$ 72	$ 61	$ 39	$ 380

Not included above are interest payments related to our Senior Secured Credit Facilities. Our Senior Secured Credit Facilities as of December 31, 2008 bear interest at LIBOR plus current margins of 1.50%. The term loan A and the revolving line of credit are adjustable depending upon our achievement of certain financial ratios. At December 31, 2008, our Senior Secured Credit Facilities had an overall weighted average effective interest rate of 3.48%, including the effects of our swap agreements. Interest payments are due at the maturity of specific debt tranches within each term loan, which can range in maturity from one month to twelve months. Future interest payments will depend upon the amount of mandatory principal payments and principal prepayments, as well as changes in the LIBOR-based interest rates and changes in the interest rate margins. Assuming no principal prepayments on our Senior Secured Credit Facilities during 2009 and no changes in the effective interest rate, approximately $67 million of interest would be required to be paid in 2009.

In addition to the above commitments, we are obligated to purchase a significant majority of our hemodialysis products and supplies at fixed prices through 2015 from Gambro Renal Products, Inc. in connection with the Product Supply Agreement. Our total expenditures for the years ended December 31, 2008 and 2007 on such products were approximately 2% of our total operating costs in each year. The

actual amount of purchases in future years under the Product Supply Agreement will depend upon a number of factors, including the operating requirements of our centers, the number of centers we acquire, growth of our existing centers, and Gambro Renal Products' ability to meet our needs.

The pay-fixed swap obligations represent the estimated fair market values of our interest rate swap agreements as reported by various broker dealers that are based upon relevant observable market inputs as well as other current market conditions that existed as of December 31, 2008, and represent the estimated potential obligation that we would be required to pay based upon future settlement of each specific tranche within the swap agreements. The actual amount of our obligation associated with these swaps in the future will depend upon changes in interest rates that can fluctuate significantly depending upon market conditions, and other relevant factors that can affect the fair market value of these swap agreements.

Settlements of approximately $12.0 million of existing income tax liabilities for unrecognized tax benefits are excluded from the above table as reasonably reliable estimates of their timing cannot be made.

Contingencies

The majority of our revenues are from government programs and may be subject to adjustment as a result of: (1) examination by government agencies or contractors, for which the resolution of any matters raised may take extended periods of time to finalize; (2) differing interpretations of government regulations by different fiscal intermediaries or regulatory authorities; (3) differing opinions regarding a patient's medical diagnosis or the medical necessity of services provided; and (4) retroactive applications or interpretations of governmental requirements. In addition, our revenues from commercial payors may be subject to adjustment as a result of potential claims for refunds, as a result of government actions or as a result of other claims by commercial payors.

Inquiries by the Federal Government

In December 2008, we received a subpoena for documents from the Office of Inspector General, U.S. Department of Health and Human Services, or OIG, relating to the pharmaceutical products Zemplar, Hectorol, Venofer, Ferrlicit and Epogen®, or EPO, as well as other related matters. The subpoena covers the period from January 2003 to the present. We have been in contact with the United States Attorney's Office, or U.S. Attorney's Office, for the Northern District of Georgia and the U.S. Department of Justice in Washington, DC, since November 2008 relating to this matter, and have been advised that this is a civil inquiry. We are cooperating with the inquiry and are producing the requested records. To our knowledge, no proceedings have been initiated against us at this time. Although we cannot predict whether or when proceedings might be initiated, or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against us and exclusion from future participation in the Medicare and Medicaid programs.

In February 2007, we received a request for information from the OIG for records relating to EPO claims submitted to Medicare. In August 2007, we received a subpoena from the OIG seeking similar documents. The requested documents relate to services provided from 2001 to 2004 by a number of our centers. The request and subpoena were sent from the OIG's offices in Houston and Dallas, Texas. We are cooperating with the inquiry and are producing the requested records. We have been in contact with the U.S. Attorney's Office for the Eastern District of Texas, which has stated that this is a civil inquiry related to EPO claims. There appears to be substantial overlap between this issue and the ongoing review of EPO utilization and claims by the U.S. Attorney's Office, for the Eastern District of Missouri in St. Louis described below. To our knowledge, no proceedings have been initiated against us at this time. Although

we cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to these inquiries will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against us and exclusion from future participation in the Medicare and Medicaid programs.

In March 2005, we received a subpoena from the U.S. Attorney's Office for the Eastern District of Missouri in St. Louis. The subpoena requires production of a wide range of documents relating to our operations, including documents related to, among other things, pharmaceutical and other services provided to patients, relationships with pharmaceutical companies, and financial relationships with physicians and joint ventures. The subpoena covers the period from December 1, 1996 through the present. In October 2005, we received a follow-up request for additional documents related to specific medical director and joint venture arrangements. In February 2006, we received an additional subpoena for documents, including certain patient records relating to the administration and billing of EPO. In May 2007, we received a request for documents related to durable medical equipment and supply companies owned and operated by us. We are cooperating with the inquiry and are producing the requested records. The subpoenas have been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against us in connection with this inquiry. Any negative findings could result in substantial financial penalties against us, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. To our knowledge, no proceedings have been initiated against us at this time. Although we cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as this to continue for a considerable period of time. Responding to the subpoenas will continue to require management's attention and significant legal expense.

In October 2004, we received a subpoena from the U.S. Attorney's Office for the Eastern District of New York in Brooklyn. The subpoena covers the period from 1996 to present and requires the production of a wide range of documents relating to our operations, including DaVita Laboratory Services. Gambro Healthcare received a similar subpoena in November 2004. The subpoena also includes specific requests for documents relating to testing for parathyroid hormone levels, or PTH, and to products relating to vitamin D therapies. The subpoena has been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against us in connection with this inquiry. Any negative findings could result in substantial financial penalties against us, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. Other participants in the dialysis industry received a similar subpoena, including Fresenius Medical Group. To our knowledge, no proceedings have been initiated against us at this time. Although we cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena will continue to require management's attention and significant legal expense.

Other

We have received several notices of claims from commercial payors and other third parties related to historical billing practices and claims against DVA Renal Healthcare (formerly known as Gambro Healthcare) related to historical Gambro Healthcare billing practices and other matters covered by their 2004 settlement agreement with the Department of Justice and certain agencies of the U.S. government. At least one commercial payor has filed an arbitration demand against us, as described below, and additional commercial payors have threatened litigation. We intend to defend against these claims vigorously; however, we may not be successful and these claims may lead to litigation and any such litigation may be resolved unfavorably.

Several wage and hour claims have been filed against us in the Superior Court of California, each of which has been styled as a class action. In February 2007, June 2008, October 2008 and December 2008,

we were served with separate complaints by various former employees, each of which alleges, among other things, that we failed to provide rest and meal periods, failed to pay compensation in lieu of providing such rest or meal periods, and failed to comply with certain other California labor code requirements. In October 2008, we were served with a complaint which alleges, among other things, that we failed to pay the rate on the "wage statement," and failed to comply with other California labor code requirements. We intend to vigorously defend against these claims. We also intend to vigorously oppose the certification of these matters as class actions.

In October 2007, we were contacted by the Attorney General's Office for the State of Nevada. The Attorney General's Office informed us that it was conducting a civil and criminal investigation of our operations in Nevada and that the investigation related to the billing of pharmaceuticals, including EPO. In February 2008, the Attorney General's Office informed us that the civil and criminal investigation has been discontinued. The Attorney General's Office further advised us that Nevada Medicaid intends to conduct audits of ESRD providers in Nevada, including us, and that such audits will relate to the issues that were the subjects of the investigation. Any negative findings could result in substantial financial penalties against us and exclusion from future participation in the Medicare and Medicaid programs. To our knowledge, no proceedings have been initiated against us at this time.

In August 2007, Sheet Metal Workers National Health Fund and Glenn Randle filed a complaint in the United States District Court for the Central District of California against us. The complaint also names as defendants Amgen Inc. and Fresenius Medical Care Holdings, Inc. The complaint is styled as a class action and alleges four claims against us, including violations of the federal RICO statute, California's unfair competition law, California's false advertising law and for unjust enrichment. The complaint's principal allegations against us are that the defendants engaged in a scheme to unlawfully promote the administration of EPO to hemodialysis patients intravenously, as opposed to subcutaneously, and to over-utilize EPO. On December 17, 2008, the Court dismissed the complaint and allegations in their entirety with permission of plaintiffs to amend the complaint. We were not named as a defendant in plaintiff's amended complaint. As a result, we are no longer a defendant in this action.

In August 2005, Blue Cross/Blue Shield of Louisiana filed a complaint in the United States District Court for the Western District of Louisiana against Gambro AB, DVA Renal Healthcare (formerly known as Gambro Healthcare) and related entities. The plaintiff sought to bring its claims as a class action on behalf of itself and all entities that paid any of the defendants for health care goods and services from on or about January 1991 through at least December 2004. The complaint alleged, among other things, damages resulting from facts and circumstances underlying Gambro Healthcare's December 2004 settlement agreement with the Department of Justice and certain agencies of the United States Government. In March 2006, the case was dismissed and the plaintiff was compelled to seek arbitration to resolve the matter. In November 2006, the plaintiff filed a demand for class arbitration against us and DVA Renal Healthcare. We intend to vigorously defend against these claims. We also intend to vigorously oppose the certification of this matter as a class action. At this time, we cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

In June 2004, Gambro Healthcare was served with a complaint filed in the Superior Court of California by one of its former employees who worked for its California acute services program. The complaint, which is styled as a class action, alleges, among other things, that DVA Renal Healthcare (formerly known as Gambro Healthcare) failed to provide overtime wages, defined rest periods and meal periods, or compensation in lieu of such provisions and failed to comply with certain other California labor code requirements. We intend to vigorously defend against these claims. We also intend to vigorously oppose the certification of this matter as a class action. At this time, we cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

In addition to the foregoing, we are subject to claims and suits, including from time to time, contractual disputes and professional and general liability claims, as well as audits and investigations by

various government entities, in the ordinary course of business. We believe that the ultimate resolution of any such pending proceedings, whether the underlying claims are covered by insurance or not, will not have a material adverse effect on our financial condition, results of operations or cash flows.

Critical accounting estimates and judgments

Our consolidated financial statements and accompanying notes are prepared in accordance with United States generally accepted accounting principles. These accounting principles require us to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and contingencies. All significant estimates, judgments and assumptions are developed based on the best information available to us at the time made and are regularly reviewed and updated when necessary. Actual results will generally differ from these estimates. Changes in estimates are reflected in our financial statements in the period of change based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies. Interim changes in estimates are applied prospectively within annual periods. Certain accounting estimates, including those concerning revenue recognition and accounts receivable, impairments of long-lived assets, accounting for income taxes, quarterly variable compensation accruals, purchase accounting valuation estimates, fair value estimates and stock-based compensation are considered to be critical to evaluating and understanding our financial results because they involve inherently uncertain matters and their application requires the most difficult and complex judgments and estimates.

Revenue recognition and accounts receivable. There are significant estimating risks associated with the amount of revenue that we recognize in a given reporting period. Payment rates are often subject to significant uncertainties related to wide variations in the coverage terms of the commercial healthcare plans under which we receive payments. In addition, ongoing insurance coverage changes, geographic coverage differences, differing interpretations of contract coverage, and other payor issues complicate the billing and collection process. Revenue recognition uncertainties inherent in our operations are addressed in AICPA Statement of Position (SOP) No. 00-1. As addressed in SOP No. 00-1, net revenue recognition and allowances for uncollectible billings require the use of estimates of the amounts that will ultimately be realized considering, among other items, retroactive adjustments that may be associated with regulatory reviews, audits, billing reviews and other matters.

Revenues associated with Medicare and Medicaid programs are recognized based on a) the payment rates that are established by statute or regulation for the portion of the payment rates paid by the government payor (e.g., 80% for Medicare patients) and b) for the portion not paid by the primary government payor, the estimated amounts that will ultimately be collectible from other government programs paying secondary coverage (e.g., Medicaid secondary coverage), the patient's commercial health plan secondary coverage, or the patient.

Commercial healthcare plans, including contracted managed-care payors, are billed at our usual and customary rates, however, revenue is recognized based on estimated net realizable revenue for the services provided. Net realizable revenue is estimated based on contractual terms for the patients under healthcare plans with which we have formal agreements, non-contracted healthcare plan coverage terms if known, estimated secondary collections, historical collection experience, historical trends of refunds and payor payment adjustments (retractions), inefficiencies in our billing and collection processes that can result in denied claims for payments, slow down in collections, a reduction in the amounts that we expect to collect and regulatory compliance issues. Determining applicable primary and secondary coverage for our more than 112,000 patients at any point in time, together with the changes in patient coverages that occur each month, requires complex, resource-intensive processes. Collections, refunds and payor retractions typically continue to occur for up to three years or longer after services are provided.

We generally expect our range of dialysis and related lab services revenues estimating risk to be within 1% of its revenue, which can represent as much as 6% of operating income. Changes in estimates are reflected in the then-current financial statements based on on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies. Changes in revenue estimates for prior periods are separately disclosed and reported if material to the current reporting period and longer term trend analyses, and have not been significant.

Lab service revenues for current period dates of services are recognized at the estimated net realizable amounts to be received.

Impairments of long-lived assets. We account for impairments of long-lived assets, which include property and equipment, investments in third-party dialysis businesses, amortizable intangible assets and goodwill, in accordance with the provisions of applicable accounting guidance. Impairment reviews are performed at least annually and whenever a change in condition occurs which indicates that the carrying amounts of assets may not be recoverable.

Such changes include changes in our business strategies and plans, changes in the quality or structure of our relationships with our partners and deteriorating operating performance of individual dialysis centers or other operations. We use a variety of factors to assess the realizable value of assets depending on their nature and use. Such assessments are primarily based upon the sum of expected future undiscounted net cash flows over the expected period the asset will be utilized, as well as market values and conditions. The computation of expected future undiscounted net cash flows can be complex and involves a number of subjective assumptions. Any changes in these factors or assumptions could impact the assessed value of an asset and result in an impairment charge equal to the amount by which its carrying value exceeds its actual or estimated fair value.

Accounting for income taxes. We estimate our income tax provision to recognize our tax expense for the current year, and our deferred tax liabilities and assets for future tax consequences of events that have been recognized in our financial statements, measured using enacted tax rates and laws expected to apply in the periods when the deferred tax liabilities or assets are expected to be realized. In accordance with Financial Accounting Standards Board Interpretation 48 (FIN 48) *Accounting for Income Tax Uncertainties*, which went effective January 1, 2007, we assess our tax positions on a more-likely-than-not criteria and also determine the actual amount of benefit to recognize in the financial statements. Deferred tax assets are assessed based upon the likelihood of recoverability from future taxable income and, to the extent that recovery is not likely, a valuation allowance is established. The allowance is regularly reviewed and updated for changes in circumstances that would cause a change in judgment about the realizability of the related deferred tax assets. These calculations and assessments involve complex estimates and judgments because the ultimate tax outcome can be uncertain and future events unpredictable.

Variable compensation accruals. We estimate variable compensation accruals quarterly based upon the annual amounts expected to be earned and paid out resulting from the achievement of certain teammate-specific and/or corporate financial and operating goals. Our estimates, which include compensation incentives for bonuses, and other awards, are updated periodically based on changes in our economic condition or cash flows that could ultimately impact the actual final award. Actual results reflected in each fiscal quarter may vary due to the subjectivity involved in anticipating fulfillment of specific and/or corporate goals, as well as the final determination and approval of amounts by our Board of Directors.

Purchase accounting valuation estimates. We make various assumptions and estimates regarding the valuation of tangible and intangible assets, liabilities and contractual as well as non-contractual contingencies associated with our acquisitions. These assumptions can have a material effect on our balance sheet valuations and the related amount of depreciation and amortization expense that will be recognized in the future. Long-lived tangible and intangible assets are subject to our regular ongoing impairment assessments.

Fair value estimates. We measure the fair value of certain assets, liabilities and commitments in accordance with SFAS No. 157 *Fair Value Measurements.* Under SFAS No. 157, fair value is defined and is measured based upon certain valuation techniques that include inputs and assumptions that market participants would use in pricing assets, liabilities and commitments. We have measured the fair values of our applicable assets, liabilities and commitments based upon certain market inputs and assumptions that are either observable or unobservable in determining fair values and have also classified these assets, liabilities and commitments into the appropriate fair value hierarchy levels as defined in SFAS No. 157. The fair value of our investments held for sale are based upon quoted market prices and the fair value of our swap agreements are based upon valuation models and a variety of techniques as reported by various broker dealers that are based upon relevant observable market inputs such as current interest rates, forward yield curves, and other credit and liquidity market conditions. For our put provisions we have estimated the fair values of the interests subject to these commitments based upon either a predetermined multiple of earnings, or the higher of a liquidation value or an average multiple of earnings determined by historical earnings, patient mix and other performance indicators, as well as other factors. The estimate of the fair values of the interests subject to these put provisions involves significant judgments and assumptions and may not be indicative of the actual values at which these obligations may ultimately be settled in the future, which could vary significantly from our current estimates. The estimated fair values of the interests subject to these put provisions can also fluctuate and the implicit multiple of earnings at which these obligations may be settled will vary depending upon market conditions including potential purchasers' access to the credit and capital markets, which can impact the level of competition for dialysis and non-dialysis related businesses, the economic performance of these businesses and the restricted marketability of the third-party owners' interests.

Stock-based compensation. We account for stock-based awards to employees and directors in accordance with the provisions of SFAS No. 123(R) *Share-Based Payments.* Under SFAS No. 123(R), stock-based compensation is recognized during a period based on the estimated grant-date fair value of the portion of the stock-based award vesting during that period, adjusted for expected forfeitures. Stock-based compensation recognized in our consolidated financial statements for the years ended December 31, 2008, 2007 and 2006 include compensation costs for stock-based awards granted prior to, but not fully vested as of December 31, 2005, and stock-based awards granted thereafter. We estimate the grant-date fair value of stock awards using complex option pricing models that rely heavily on estimates from us about uncertain future events, including the expected term of the awards, the expected future volatility of our stock price, and expected future risk-free interest rates.

Significant new accounting standards

On January 1, 2009 we adopted SFAS No. 141(R) *Business Combinations,* which replaces SFAS No. 141 *Business Combinations.* This standard requires all business combinations to be accounted for under the acquisition method (previously referred to as the purchase method). Under the acquisition method, the acquirer recognizes the assets acquired, the liabilities assumed, contractual contingencies, as well as any noncontrolling interest in the acquiree at their fair values at the acquisition date. Noncontractual contingencies are recognized at the acquisition date at their fair values only if it is more likely than not that they meet the definition of an asset or a liability in FASB Concepts Statement No. 6 *Elements of Financial Statements.* Transaction costs are excluded from the acquisition cost and will be expensed as incurred. Any contingent consideration included by the acquirer as part of the purchase price must also be measured at fair value at the acquisition date and will be classified as either equity or a liability. This standard also requires a company that obtains control but acquires less than 100% of an acquiree to record 100% of the fair value of the acquiree assets, liabilities, and noncontrolling interests at the acquisition date. The adoption of this standard will not have a material impact on our consolidated financial statements.

On January 1, 2009 we adopted SFAS No. 160 *Noncontrolling Interests in Consolidated Financial Statements,* which amends Accounting Research Bulletin, No. 51 *Consolidated Financial Statements.* This

standard requires noncontrolling interests to be treated as a separate component of equity, but apart from the parent's equity, and not as a liability or other item outside of equity. This standard also specifies that consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income, and that changes in the parent's ownership interest while it retains a controlling financial interest should be accounted for as equity transactions. This standard also expands disclosures in the financial statements to include a reconciliation of the beginning and ending balances of the equity attributable to the parent and the noncontrolling owners and a schedule showing the effects of changes in a parent's ownership interest in a subsidiary on the equity attributable to the parent. The adoption of this standard will not have a material impact on our consolidated financial statements; however, it will change the presentation of minority interests in our consolidated financial statements. Although, we are still in process of determining the appropriate classification and measurement of minority interests according to SEC Topic No. 98 *Classification and Measurement of Redeemable Securities.*

On January 1, 2009 we adopted SFAS No. 161 *Disclosures about Derivative Instruments and Hedging Activities*, which amends SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities.* This standard requires enhanced disclosures about an entity's derivative and hedging activities. Entities will be required to provide additional disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This standard encourages but does not require comparative disclosures for earlier periods at the initial adoption. The adoption of this standard will not have a material impact on our consolidated financial statements.

On January 1, 2008, we adopted SFAS No. 157 *Fair Value Measurements* except for the nonfinancial assets and liabilities that are subject to a one-year deferral allowed by FASB Staff Position (FSP) FAS157-2 *Effective Date of FASB Statement No. 157.* This standard establishes a framework for measuring fair value and also requires additional disclosures about fair value measurements. The standard applies to assets and liabilities that are carried at fair value on a recurring basis. On January 1, 2009 we adopted certain provisions of SFAS No 157 relating to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). See note 22 to the consolidated financial statements for the impact of adopting this standard. The adoption of SFAS No. 157 relating to nonfinancial assets and liabilities will not have a material impact on our consolidated financial statements.

On January 1, 2008, we adopted SFAS No. 159 *Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of SFAS No. 115.* This standard allows companies the alternative to measure certain financial assets and liabilities at fair value on an instrument-by-instrument basis that are currently not required to be measured at fair value. The standard is also designed to reduce the volatility in earnings caused by measuring related assets and liabilities differently and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The adoption of this standard did not have a material impact on our consolidated financial statements.

On January 1, 2007, we adopted the provisions of FASB Interpretation 48 (FIN 48) *Accounting for Income Tax Uncertainties*, which clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS Statement No. 109 *Accounting for Income Taxes.* The Interpretation prescribes a recognition threshold of more-likely-than-not and a measurement attribute on all tax positions taken or expected to be taken in a tax return in order to be recognized in the financial statements. In making this assessment, a company must determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based solely on the technical merits of the position and must assume that the tax position will be

examined by the appropriate taxing authority that would have full knowledge of all relevant information. Once the recognition threshold is met, the tax position is then measured to determine the actual amount of benefit to recognize in the financial statements. In addition, the recognition threshold of more-likely-than-not must continue to be met in each reporting period to support continued recognition of the tax benefit. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the financial reporting period in which that threshold is no longer met. See note 12 to the consolidated financial statements for the impact of adopting this interpretation.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and which includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

During the last fiscal year, the Company conducted an evaluation, under the oversight of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's internal control over financial reporting. This evaluation was completed based on the criteria established in the report titled "Internal Control–Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based upon our evaluation under the COSO framework, we have concluded that the Company's internal control over financial reporting was effective as of December 31, 2008.

The Company's independent registered public accounting firm, KPMG LLP, has issued an attestation report on the Company's internal control over financial reporting, which report is included in this Annual Report.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
DaVita Inc.:

We have audited the accompanying consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DaVita Inc. and subsidiaries as of December 31, 2008 and 2007 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 12 to the consolidated financial statements, DaVita Inc. and subsidiaries adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Income Tax Uncertainties, effective January 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of DaVita Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control–Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2009 expressed an unqualified opinion on the effectiveness of DaVita Inc.'s internal control over financial reporting.

KPMG LLP

Seattle, Washington
February 27, 2009

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
DaVita Inc.:

We have audited DaVita Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control–Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). DaVita Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, DaVita Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control–Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008, and our report dated February 27, 2009 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Seattle, Washington
February 27, 2009

Consolidated Statements of Income
(dollars in thousands, except per share data)

	Year ended December 31,		
	2008	2007	2006
Net operating revenues	$ 5,660,173	$ 5,264,151	$ 4,880,662
Operating expenses and charges:			
Patient care costs	3,920,487	3,590,344	3,390,351
General and administrative	508,240	491,236	453,516
Depreciation and amortization	216,917	193,470	173,295
Provision for uncollectible accounts	146,229	136,682	126,203
Minority interests and equity income, net	46,535	45,485	35,833
Valuation gain on alliance and product supply agreement	–	(55,275)	(37,968)
Total operating expenses and charges	4,838,408	4,401,942	4,141,230
Operating income	821,765	862,209	739,432
Debt expense	(224,716)	(257,147)	(276,706)
Other income, net	12,411	22,460	13,033
Income from continuing operations before income taxes	609,460	627,522	475,759
Income tax expense	235,300	245,744	186,430
Income from continuing operations	374,160	381,778	289,329
Discontinued operations			
Gain on disposal of discontinued operations, net of tax	–	–	362
Net income	$ 374,160	$ 381,778	$ 289,691
Earnings per share:			
Basic earnings per share from continuing operations	$ 3.56	$ 3.61	$ 2.79
Basic earnings per share	$ 3.56	$ 3.61	$ 2.80
Diluted earnings per share from continuing operations	$ 3.53	$ 3.55	$ 2.73
Diluted earnings per share	$ 3.53	$ 3.55	$ 2.74
Weighted average shares for earnings per share:			
Basic	105,149,448	105,893,052	103,520,254
Diluted	105,939,725	107,418,240	105,793,246

See notes to consolidated financial statements.

Consolidated Balance Sheets
(dollars in thousands, except per share data)

	December 31, 2008	December 31, 2007
ASSETS		
Cash and cash equivalents	$ 410,881	$ 447,046
Short-term investments	35,532	40,278
Accounts receivable, less allowance of $211,222 and $195,953	1,075,457	927,949
Inventories	84,174	80,173
Other receivables	239,165	198,744
Other current assets	33,761	34,482
Income tax receivable	32,138	–
Deferred income taxes	217,196	247,578
Total current assets	2,128,304	1,976,250
Property and equipment, net	1,048,075	939,326
Amortizable intangibles, net	160,521	183,042
Investments in third-party dialysis businesses	19,274	19,446
Long-term investments	5,656	22,562
Other long-term assets	47,330	35,401
Goodwill	3,876,931	3,767,933
	$7,286,091	$6,943,960
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 282,883	$ 225,461
Other liabilities	495,239	486,151
Accrued compensation and benefits	312,216	334,961
Current portion of long-term debt	72,725	23,431
Income taxes payable	–	16,492
Total current liabilities	1,163,063	1,086,496
Long-term debt	3,622,421	3,683,887
Other long-term liabilities	101,442	83,448
Alliance and product supply agreement, net	35,977	41,307
Deferred income taxes	244,884	166,055
Minority interests (fair value subject to potential put obligations–$291,000 and $330,000)	165,846	150,517
Commitments and contingencies		
Shareholders' equity:		
Preferred stock ($0.001 par value, 5,000,000 shares authorized; none issued)		
Common stock ($0.001 par value, 450,000,000 shares authorized; 134,862,283 shares issued; 103,753,673 and 107,130,127 shares outstanding)	135	135
Additional paid-in capital	769,069	707,080
Retained earnings	1,889,450	1,515,290
Treasury stock, at cost (31,108,610 and 27,732,156 shares)	(691,857)	(487,744)
Accumulated other comprehensive loss	(14,339)	(2,511)
Total shareholders' equity	1,952,458	1,732,250
	$7,286,091	$6,943,960

See notes to consolidated financial statements.

Consolidated Statements of Cash Flow
(dollars in thousands)

	Year ended December 31,		
	2008	2007	2006
Cash flows from operating activities:			
Net income	$ 374,160	$ 381,778	$ 289,691
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	216,917	193,470	173,295
Valuation gain on alliance and product supply agreement	–	(55,275)	(37,968)
Stock-based compensation expense	41,235	34,149	26,389
Tax benefits from stock award exercises	13,988	32,788	40,375
Excess tax benefits from stock award exercises	(8,013)	(25,541)	(37,251)
Deferred income taxes	94,912	18,601	2,342
Minority interests in income of consolidated subsidiaries	47,331	46,702	38,141
Distributions to minority interests	(57,770)	(48,029)	(32,271)
Equity investment income	(796)	(1,217)	(2,308)
Loss (gain) on disposal of discontinued operations and other dispositions	15,216	(2,825)	239
Non-cash debt expense and non-cash rent charges	11,794	12,713	27,736
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:			
Accounts receivable	(149,939)	15,911	(74,737)
Inventories	(2,715)	11,271	(18,587)
Other receivables and other current assets	(40,960)	(61,049)	(34,044)
Other long-term assets	(11,929)	(14,528)	(9,791)
Accounts payable	57,422	(9,216)	40,712
Accrued compensation and benefits	(31,602)	9,691	101,555
Other current liabilities	8,871	657	88,841
Income taxes	(30,258)	(12,779)	(67,329)
Other long-term liabilities	8,067	5,764	4,541
Net cash provided by operating activities	555,931	533,036	519,571
Cash flows from investing activities:			
Additions of property and equipment, net	(317,962)	(272,212)	(262,708)
Acquisitions and purchases of other ownership interests	(126,368)	(127,094)	(86,504)
Proceeds from discontinued operations and asset sales	530	12,289	22,179
Purchase of investments available-for-sale	(2,009)	(52,085)	(3,726)
Purchase of investments held-to-maturity	(21,048)	(23,061)	–
Proceeds from the sale of investments available-for-sale	21,291	32,274	3,030
Proceeds from maturities of investments held-to-maturity	21,355	4,795	–
Purchase of a noncontrolling ownership interest in an unconsolidated joint venture	–	(17,550)	–
Contributions from minority owners	30,316	18,463	21,263
Purchase of intangible assets	(65)	(2,291)	(5,597)
Net cash used in investing activities	(393,960)	(426,472)	(312,063)
Cash flows from financing activities:			
Borrowings	17,089,018	13,113,640	6,354,784
Payments on long-term debt	(17,102,569)	(13,160,942)	(6,761,743)
Deferred financing costs	(130)	(4,511)	(2)
Excess tax benefits from stock award exercises	8,013	25,541	37,251
Stock award exercises and other share issuances, net	40,247	62,902	40,593
Purchase of treasury stock	(232,715)	(6,350)	–
Net cash (used in) provided by financing activities	(198,136)	30,280	(329,117)
Net (decrease) increase in cash and cash equivalents	(36,165)	136,844	(121,609)
Cash and cash equivalents at beginning of year	447,046	310,202	431,811
Cash and cash equivalents at end of year	$ 410,881	$ 447,046	$ 310,202

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity and Comprehensive Income

(dollars and shares in thousands)

	Common stock		Additional paid-in capital	Retained earnings	Treasury stock		Accumulated other comprehensive (loss)income	Total
	Shares	Amount			Shares	Amount		
Balance at December 31, 2005	134,862	$135	$569,751	$ 839,930	(32,927)	$(574,013)	$ 14,806	$ 850,609
Comprehensive income:								
Net income				289,691				289,691
Unrealized gains on interest rate swaps, net of tax							7,862	7,862
Less reclassification of net swap realized gains into net income, net of tax							(9,671)	(9,671)
Total comprehensive income								287,882
Stock purchase shares issued			1,861		80	1,403		3,264
Stock unit shares issued			(1,860)		160	2,790		930
Stock option shares issued			(5,023)		2,461	42,900		37,877
Stock-based compensation expense			26,389					26,389
Excess tax benefits from stock awards exercised			38,973					38,973
Balance at December 31, 2006	134,862	$135	$630,091	$1,129,621	(30,226)	$(526,920)	$ 12,997	$1,245,924
Comprehensive income:								
Net income				381,778				381,778
Unrealized losses on interest rate swaps, net of tax							(7,169)	(7,169)
Less reclassification of net swap realized gains into net income, net of tax							(8,858)	(8,858)
Unrealized gains on investments, net of tax							4,211	4,211
Less reclassification of net investment realized gains into net income, net of tax							(3,692)	(3,692)
Total comprehensive income								366,270
Cumulative effect of change in accounting principle SFAS Interpretation No (FIN) 48				3,891				3,891
Stock purchase shares issued			3,831		124	2,160		5,991
Stock unit shares issued			(1,848)		120	2,098		250
Stock options and SSARs exercised			13,429		2,361	41,268		54,697
Stock-based compensation expense			34,149					34,149
Excess tax benefits from stock awards exercised			27,428					27,428
Purchase of treasury stock					(111)	(6,350)		(6,350)
Balance at December 31, 2007	134,862	$135	$707,080	$1,515,290	(27,732)	$(487,744)	$ (2,511)	$1,732,250
Comprehensive income:								
Net income				374,160				374,160
Unrealized losses on interest rate swaps, net of tax							(12,947)	(12,947)
Less reclassification of net swap realized losses into net income, net of tax							2,590	2,590
Unrealized losses on investments, net of tax							(1,174)	(1,174)
Less reclassification of net investment realized gains into net income, net of tax							(297)	(297)
Total comprehensive income								362,332
Stock purchase shares issued			2,981		98	1,730		4,711
Stock unit shares issued			(2,670)		181	3,544		874
Stock options and SSARs exercised			12,278		1,133	23,328		35,606
Stock-based compensation expense			41,235					41,235
Excess tax benefits from stock awards exercised			8,165					8,165
Purchase of treasury stock					(4,789)	(232,715)		(232,715)
Balance at December 31, 2008	134,862	$135	$769,069	$1,889,450	(31,109)	$(691,857)	$(14,339)	$1,952,458

See notes to consolidated financial statements.

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1. Organization and summary of significant accounting policies

Organization

DaVita Inc. principally operates kidney dialysis centers and provides related lab services primarily in dialysis centers and in contracted hospitals across the United States. The Company also operates other ancillary services and strategic initiatives which relate primarily to our core business of providing renal care services. As of December 31, 2008, the Company operated or provided administrative services to 1,449 outpatient dialysis centers located in 43 states and the District of Columbia, serving approximately 112,000 patients. The Company's dialysis and related lab services business qualifies as a separately reportable segment under Statement of Financial Accounting Standards (SFAS) No. 131 and all other ancillary services and strategic initiatives have been combined and disclosed in the other segments category.

Basis of presentation

These consolidated financial statements and accompanying notes are prepared in accordance with United States generally accepted accounting principles. The financial statements include DaVita and its subsidiaries, partnerships and other entities in which it maintains a 100%, majority voting, or other controlling financial interest (collectively, the Company). All significant intercompany transactions and balances have been eliminated. Non-consolidated equity investments are recorded under the equity or cost method of accounting based upon whether the Company has significant influence over the investee. Prior year balances and amounts have been classified to conform to the current year presentation.

Use of estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and contingencies. Although actual results in subsequent periods will differ from these estimates, such estimates are developed based on the best information available to management and management's best judgments at the time made. All significant assumptions and estimates underlying the amounts reported in the financial statements and accompanying notes are regularly reviewed and updated. Changes in estimates are reflected in the financial statements based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies. Interim changes in estimates related to annual operating costs are applied prospectively within annual periods.

The most significant assumptions and estimates underlying these financial statements and accompanying notes involve revenue recognition and provisions for uncollectible accounts, impairments and valuation adjustments, accounting for income taxes, quarterly variable compensation accruals, purchase accounting valuation estimates, fair value estimates and stock-based compensation. Specific estimating risks and contingencies are further addressed within these notes to the consolidated financial statements.

Net operating revenues and accounts receivable

Revenues associated with Medicare and Medicaid programs are recognized based on: (a) the payment rates that are established by statute or regulation for the portion of the payment rates paid by the government payor (e.g., 80% for Medicare patients) and (b) for the portion not paid by the primary government payor, estimates of the amounts ultimately collectible from other government programs

paying secondary coverage (e.g., Medicaid secondary coverage), the patient's commercial health plan secondary coverage, or the patient. Revenues associated with commercial health plans are estimated based on contractual terms for the patients under healthcare plans with which we have formal agreements, non-contracted health plan coverage terms if known, estimated secondary collections, historical collection experience, historical trends of refunds and payor payment adjustments (retractions), inefficiencies in our billing and collection processes that can result in denied claims for payments, and regulatory compliance issues.

Operating revenues are recognized in the period services are provided. Revenues consist primarily of payments from Medicare, Medicaid and commercial health plans for dialysis and ancillary services provided to patients. A usual and customary fee schedule is maintained for our dialysis treatment and other patient services; however, actual collectible revenue is normally recognized at a discount from the fee schedule.

Commercial revenue recognition involves substantial estimating risks. With many larger, commercial insurers the Company has several different contracts and payment arrangements, and these contracts often include only a subset of the Company's centers. It is often not possible to determine which contract, if any, should be applied prior to billing. In addition, for services provided by non-contracted centers, final collection may require specific negotiation of a payment amount, typically at a significant discount from the Company's usual and customary rates.

Services covered by Medicare and Medicaid are less subject to estimating risk. Both Medicare and Medicaid rates use prospective payment methods established in advance with definitive terms. Medicare payments for bad debt claims are subject to individual center profitability, as established by cost reports, and require evidence of collection efforts. As a result, billing and collection of Medicare bad debt claims are often delayed significantly, and final payment is subject to audit.

Medicaid payments, when Medicaid coverage is secondary, can also be difficult to estimate. For many states, Medicaid payment terms and methods differ from Medicare, and may prevent accurate estimation of individual payment amounts prior to billing.

Revenue recognition uncertainties inherent in the Company's operations are addressed in AICPA Statement of Position (SOP) No. 00-1 *Auditing Health Care Third-Party Revenues and Related Receivables.* As addressed in SOP No. 00-1, net revenue recognition and allowances for uncollectible billings require the use of estimates of the amounts that will ultimately be realized considering, among other items, retroactive adjustments that may be associated with regulatory reviews, audits, billing reviews and other matters.

The Company's range of revenue estimating risk for the dialysis and related lab services segment is generally expected to be within 1% of its revenue. Changes in revenue estimates for prior periods are separately disclosed, if material.

Management and administrative support services are provided to dialysis centers and physician practices and clinics that the Company does not own or in which the Company does not maintain a controlling ownership interest. The management fees are principally determined as a percentage of the managed operations' revenues or cash collections and in some cases an additional component based upon a percentage of operating income. Management fees are included in net operating revenues as earned, and represent less than 1% of total consolidated operating revenues.

Other income, net

Other income includes interest income on cash investments and other non-operating gains and losses from investment transactions.

Cash and cash equivalents

Cash equivalents are highly liquid investments with maturities of three months or less at date of purchase.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and consist principally of pharmaceuticals and dialysis-related supplies. Rebates related to inventory purchases are recorded when earned and are based on certain achievement factors such as process improvements, data submission and some combination of these factors.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and amortization and is further reduced by any impairments. Maintenance and repairs are charged to expense as incurred. Depreciation and amortization expenses are computed using the straight-line method over the useful lives of the assets estimated as follows: buildings, 20 to 40 years; leasehold improvements, the shorter of their economic useful life or the expected lease term; and equipment and information systems, principally 3 to 8 years. Disposition gains and losses are included in current operating expenses.

Investments

In accordance with SFAS No. 115 *Accounting for Certain Investments in Debt and Equity Securities*, and based upon the Company's intentions and ability to hold certain assets until maturity, the Company classifies certain debt securities as held-to-maturity and measures them at amortized cost. Based upon the Company's other strategies involving investments, the Company classifies equity securities that have readily determinable fair values and certain other debt securities as available for sale and records them at fair value. Unrealized gains or losses from available for sale investments are recorded in other comprehensive income until realized.

Amortizable intangibles

Amortizable intangible assets and liabilities include non-competition and similar agreements, lease agreements, hospital acute services contracts, deferred debt issuance costs and the Alliance and Product Supply Agreement, each of which have determinate useful lives. Non-competition and similar agreements are amortized over the terms of the agreements, typically ten years, using the straight-line method. Lease agreements and hospital acute service contracts are amortized straight-line over the term of the lease and the contract period, respectively. Deferred debt issuance costs are amortized to debt expense over the term of the related debt using the effective interest method. The Alliance and Product Supply Agreement intangible liability is being amortized using the straight-line method over the term of the agreement, which is ten years.

Goodwill

Goodwill represents the difference between the purchase cost of acquired businesses and the fair value of the identifiable tangible and intangible net assets acquired. Goodwill is not amortized, but is assessed for valuation impairment as circumstances warrant and at least annually. An impairment charge would be recorded to the extent the book value of goodwill exceeds its fair value. The Company operates several reporting units for goodwill impairment assessments.

Impairment of long-lived assets

Long-lived assets, including property and equipment, investments in third party dialysis businesses, and amortizable intangible assets, are reviewed for possible impairment at least annually and whenever significant events or changes in circumstances indicate that an impairment may have occurred, including changes in our business strategy and plans, changes in the quality or structure of our relationships with our partners and deteriorating operating performance of individual dialysis centers or other operations. An impairment is indicated when the sum of the expected future undiscounted net cash flows identifiable to an asset or asset group is less than its carrying value. Impairment losses are determined from actual or estimated fair values, which are based on market values, net realizable values or projections of discounted net cash flows, as appropriate. Impairment charges are included in operating expenses.

Income taxes

Federal and state income taxes are computed at current enacted tax rates, less tax credits using the asset and liability method. Deferred taxes are adjusted both for items that do not have tax consequences and for the cumulative effect of any changes in tax rates from those previously used to determine deferred tax assets or liabilities. Tax provisions include amounts that are currently payable, changes in deferred tax assets and liabilities that arise because of temporary differences between the timing of when items of income and expense are recognized for financial reporting and income tax purposes, changes in the recognition of tax positions due to the application of Financial Accounting Standards Board, or FASB, Interpretation 48 (FIN 48), and any changes in the valuation allowance caused by a change in judgment about the realizability of the related deferred tax assets. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

Self insurance

The Company maintains insurance reserves for professional and general liability and workers' compensation in excess of certain individual and or aggregate amounts not covered by third-party carriers. The Company estimates the self-insured retention portion of professional and general liability and workers' compensation risks using third-party actuarial calculations that are based upon historical claims experience and expectations for future claims.

Minority interests

Consolidated net income is reduced by the proportionate amount of income attributable to minority interests in majority-owned joint ventures and other non-wholly-owned subsidiaries. Minority interests represent the equity interests of third-party owners in consolidated entities which are not wholly-owned. As of December 31, 2008, third parties held minority ownership interests in 117 consolidated entities. See discussion below on the adoption of SFAS No. 160 for changes to minority interests beginning in 2009.

Stock-based compensation

Effective January 1, 2006, the Company implemented SFAS No. 123(R) *Share-Based Payment*, which requires the measurement and recognition of cost for all stock-based awards made to employees and directors, including stock options, stock appreciation rights, stock units and discounted employee stock purchases. Under this standard, the Company's stock-based compensation awards are measured at their estimated fair value on the date of grant and recognized as compensation expense on the straight-line method over their individual requisite service periods. The Company implemented SFAS No. 123(R) using the modified prospective transition method.

Interest rate swap agreements

The Company has entered into several interest rate swap agreements as a means of hedging its exposure to and volatility from variable-based interest rate changes. These agreements are not held for trading or speculative purposes, and have the economic effect of converting portions of our variable rate

debt to a fixed rate. At December 31, 2008, the Company had nine interest rate swap agreements with amortizing notional amounts totaling $790,333 that expire in 2009 through 2010 and require quarterly interest payments. These agreements are designated as cash flow hedges, and as a result hedge-effective gains or losses resulting from changes in the fair values of these swaps are reported in other comprehensive income until such time as each specific swap tranche is realized, at which time the amounts are reclassified into net income. Net amounts paid or received under the hedge-effective swaps have been reflected as adjustments to interest expense.

Fair value estimates

The Company measures the fair value of certain assets, liabilities and commitments in accordance with SFAS No. 157 *Fair Value Measurements* based upon certain valuation techniques that include observable or unobservable inputs and assumptions that market participants would use in pricing these assets, liabilities and commitments. The Company also has classified its assets, liabilities and commitments into the appropriate fair value hierarchy levels as defined in SFAS No. 157. See Note 22 to the consolidated financial statements.

New accounting standards

On January 1, 2009 the Company adopted SFAS No. 141(R) *Business Combinations,* which replaces SFAS No. 141 *Business Combinations.* This standard requires all business combinations to be accounted for under the acquisition method (previously referred to as the purchase method). Under the acquisition method, the acquirer recognizes the assets acquired, the liabilities assumed, contractual contingencies, as well as any noncontrolling interest in the acquiree at their fair values at the acquisition date. Noncontractual contingencies are recognized at the acquisition date at their fair values only if it is more likely than not that they meet the definition of an asset or a liability in FASB Concepts Statement No. 6 *Elements of Financial Statements.* Transaction costs are excluded from the acquisition cost and will be expensed as incurred. Any contingent consideration included by the acquirer as part of the purchase price must also be measured at fair value at the acquisition date and will be classified as either equity or a liability. This standard also requires a company that obtains control but acquires less than 100% of an acquiree to record 100% of the fair value of the acquiree assets, liabilities, and noncontrolling interests at the acquisition date. This standard is effective for periods beginning on or after December 15, 2008. The adoption of this standard will not have a material impact on the Company's consolidated financial statements.

On January 1, 2009 the Company adopted SFAS No. 160 *Noncontrolling Interests in Consolidated Financial Statements,* which amends Accounting Research Bulletin No. 51 *Consolidated Financial Statements.* This standard requires noncontrolling interests to be treated as a separate component of equity, but apart from the parent's equity, and not as a liability or other item outside of equity. This standard also specifies that consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income, and that changes in the parent's ownership interest while it retains a controlling financial interest should be accounted for as equity transactions. This standard also expands disclosures in the financial statements to include a reconciliation of the beginning and ending balances of the equity attributable to the parent and the noncontrolling owners and a schedule showing the effects of changes in a parent's ownership interest in a subsidiary on the equity attributable to the parent. This standard is effective for periods beginning on or after December 15, 2008. The adoption of this standard will not have a material impact on the Company's consolidated financial statements; however, it will change the presentation of minority interests in the Company's consolidated financial statements. Although, the Company is still in process of determining the

appropriate classification and measurement of minority interests according to SEC Topic No. 98 *Classification and Measurement of Redeemable Securities.*

On January 1, 2009 we adopted SFAS No. 161 *Disclosures about Derivative Instruments and Hedging Activities*, which amends SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities.* This standard requires enhanced disclosures about an entity's derivative and hedging activities. Entities will be required to provide additional disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This standard encourages but does not require comparative disclosures for earlier periods at the initial adoption. The adoption of this standard will not have a material impact on the Company's consolidated financial statements.

2. Earnings per share

Basic net income per share is calculated by dividing net income by the weighted average number of common shares and vested stock units outstanding. Diluted net income per share includes the dilutive effect of stock options, stock-settled stock appreciation rights and unvested stock units under the treasury stock method.

The reconciliations of the numerators and denominators used to calculate basic and diluted net income per share are as follows:

	Year ended December 31,		
	2008	2007	2006
	(shares in thousands)		
Basic:			
Income from continuing operations	$374,160	$381,778	$289,329
Gain on disposal of discontinued operations, net of tax	–	–	362
Net income	$374,160	$381,778	$289,691
Weighted average shares outstanding during the year	105,140	105,848	103,471
Vested stock units	9	45	49
Weighted average shares for basic earnings per share calculation	105,149	105,893	103,520
Basic earnings per share from continuing operations, net of tax	$ 3.56	$ 3.61	$ 2.79
Gain on disposal of discontinued operations, net of tax	–	–	0.01
Basic net income per share	$ 3.56	$ 3.61	$ 2.80
Diluted:			
Income from continuing operations	$374,160	$381,778	$289,329
Gain on disposal of discontinued operations, net of tax	–	–	362
Net income	$374,160	$381,778	$289,691
Weighted average shares outstanding during the year	105,140	105,848	103,471
Vested stock units	9	45	49
Assumed incremental shares from stock plans	791	1,525	2,273
Weighted average shares for diluted earnings per share calculation	105,940	107,418	105,793
Diluted earnings per share from continuing operations, net of tax	$ 3.53	$ 3.55	$ 2.73
Gain on disposal of discontinued operations, net of tax	–	–	0.01
Diluted net income per share	$ 3.53	$ 3.55	$ 2.74
Shares subject to anti-dilutive awards excluded from calculation(1)	10,053	260	933

(1) Shares associated with stock options and stock-settled stock appreciation rights that are excluded from the diluted denominator calculation because they are anti-dilutive under the treasury stock method.

(dollars in thousands, except per share data)

3. Accounts receivable

Approximately 9% and 2% of the accounts receivable balances as of December 31, 2008 and 2007, respectively, were more than six months old, and there were no significant balances over one year old. Approximately 1% of our accounts receivable as of December 31, 2008 and 2007 relate to amounts due from patients. Accounts receivable are principally from Medicare and Medicaid programs and commercial insurance plans.

4. Other receivables

Other receivables were comprised of the following:

	December 31,	
	2008	2007
Supplier rebates and other non-trade receivables	$172,604	$151,939
Medicare bad debt claims	38,700	31,400
Operating advances under management and administrative services agreements	27,861	15,405
	$239,165	$198,744

Operating advances under management and administrative services agreements are generally unsecured.

5. Other current assets

Other current assets consist principally of prepaid expenses and operating deposits.

6. Property and equipment

Property and equipment were comprised of the following:

	December 31,	
	2008	2007
Land	$ 11,771	$ 11,827
Buildings	33,833	32,448
Leasehold improvements	873,306	731,426
Equipment and information systems	928,795	814,512
New center and capital asset projects in progress	36,875	33,027
	1,884,580	1,623,240
Less accumulated depreciation and amortization	(836,505)	(683,914)
	$1,048,075	$ 939,326

Depreciation and amortization expense on property and equipment was $201,006, $178,990 and $160,717 for 2008, 2007 and 2006, respectively.

Interest on debt incurred during the development of new centers and other capital asset projects is capitalized as a component of the asset cost based on the respective in-process capital asset balances. Interest capitalized was $4,189, $3,878 and $4,708 for 2008, 2007 and 2006, respectively.

7. Amortizable intangibles

Amortizable intangible assets were comprised of the following:

	December 31,	
	2008	2007
Noncompetition and other agreements	$ 285,270	$ 276,182
Lease agreements	8,637	8,738
Deferred debt issuance costs	72,748	72,618
	366,655	357,538
Less accumulated amortization	(206,134)	(174,496)
Total amortizable intangible assets	$ 160,521	$ 183,042

Amortizable intangible liabilities were comprised of the following:

	December 31,	
	2008	2007
Alliance and product supply agreement commitment (See Note 21)	$ 68,200	$ 68,200
Less accumulated amortization	(32,223)	(26,893)
	$ 35,977	$ 41,307

Net amortization expense from noncompetition and other agreements and the amortizable intangible liabilities was $15,911, $14,480 and $12,578 for 2008, 2007 and 2006, respectively. Lease agreements are amortized to rent expense, which was $1,420 in 2008, $2,240 in 2007, and $3,309 in 2006, respectively. Deferred debt issuance costs are amortized to debt expense as described in Note 13 to the consolidated financial statements.

Scheduled amortization charges from intangible assets and liabilities as of December 31, 2008 were as follows:

	Noncompetition and other agreements	Deferred debt issuance costs	Alliance and Product Supply Agreement liability
2009	$20,238	$9,780	$(5,330)
2010	19,101	9,374	(5,330)
2011	18,796	8,914	(5,330)
2012	18,094	6,418	(5,330)
2013	15,993	2,739	(5,330)
Thereafter	28,307	2,767	(9,327)

8. Investments in third-party businesses

Investments in non-consolidated dialysis businesses and related advances were $19,274 and $19,446 at December 31, 2008 and 2007. During 2008, 2007 and 2006, the Company recognized income of $796, $1,217 and $2,308, respectively, relating to investments in non-consolidated businesses under the equity method. These amounts are included as a reduction to minority interest expense in the consolidated statements of income.

On December 31, 2007, the Company acquired a 50% noncontrolling ownership interest in a joint venture that operates six dialysis centers for $17,550. During 2006, the Company acquired a majority voting interest in one business that was previously minority-controlled and sold its interest in one minority-controlled business. The Company did not recognize a gain or loss on the sale as the investment was carried at fair value as a result of the DVA Renal Healthcare acquisition.

(dollars in thousands, except per share data)

9. Investments

In accordance with SFAS No. 115 and based on the Company's intentions and strategy involving investments, the Company classifies certain debt securities as held-to-maturity and records them at amortized cost. Equity securities that have readily determinable fair values and other debt securities classified as available for sale are recorded at fair value.

The Company's investments consist of the following:

	December 31, 2008			December 31, 2007		
	Held to maturity	Available for sale	Total	Held to maturity	Available for sale	Total
Certificates of deposit and U.S. treasury notes due within one year	$19,355	$ –	$19,355	$19,804	$ –	$19,804
Investments in mutual funds	–	21,833	21,833	–	43,036	43,036
	$19,355	$21,833	$41,188	$19,804	$43,036	$62,840
Short-term investments	$19,355	$16,177	$35,532	$19,804	$20,474	$40,278
Long-term investments	–	5,656	5,656	–	22,562	22,562
	$19,355	$21,833	$41,188	$19,804	$43,036	$62,840

The cost of the certificates of deposit and U.S. treasury notes at December 31, 2008 and 2007 approximates fair value. As of December 31, 2008 and 2007, the available for sale investments included $1,558 of gross pre-tax unrealized losses and $850 of gross pre-tax unrealized gains, respectively. During 2008, the Company recorded gross pre-tax unrealized losses of $1,922 in other comprehensive income associated with changes in the fair value of these investments. During 2008, the Company sold investments in mutual funds for net proceeds of $21,291, and recognized a pre-tax gain of $486, or $297 after tax, that was previously recorded in other comprehensive income. During 2007, the Company sold investments in mutual funds for net proceeds of $6,406 and recognized a pre-tax gain of $104, or $64 after-tax, that was also previously recorded in other comprehensive income. These pre-tax gains are included in other income.

The certificates of deposit and U.S. treasury notes classified as held to maturity are investments used to maintain certain capital requirements of the special needs plans of VillageHealth, which is a wholly-owned subsidiary of the Company. The investments in mutual funds classified as available for sale are held within a trust to fund existing obligations associated with several of the Company's non-qualified deferred compensation plans.

On February 7, 2007, the Company entered into a National Provider Agreement with NxStage, Inc. As a part of the agreement, the Company purchased outright all of its NxStage System One equipment then in use for $5,100, and has been purchasing a majority of its home-based hemodialysis equipment and supplies from NxStage. In connection with the provider agreement, the Company purchased two million shares of NxStage common stock in a private placement offering for $20,000, representing an ownership position of approximately 7% in NxStage. The Company subsequently sold these shares in the second and third quarters of 2007 for net proceeds of $25,868 and recognized a pre-tax gain of $5,868, or $3,628 after tax that was previously recorded in other comprehensive income. The pre-tax gain is included in other income.

10. Goodwill

Changes in the book value of goodwill were as follows:

	Year ended December 31,	
	2008	2007
Balance at January 1	$3,767,933	$3,667,853
Acquisitions	109,375	105,609
DVA Renal Healthcare income tax adjustments	(642)	(4,951)
Other adjustments	265	(578)
Balance at December 31	$3,876,931	$3,767,933

As of December 31, 2008, there was $3,808,942 and $67,989 of goodwill associated with the dialysis and related lab services business and the ancillary services and strategic initiatives, respectively.

As of December 31, 2007, there was $3,712,648 and $55,285 of goodwill associated with the dialysis and related lab services business and the ancillary services and strategic initiatives, respectively.

11. Other liabilities

Other accrued liabilities were comprised of the following:

	December 31,	
	2008	2007
Payor refunds and retractions	$361,205	$333,089
Insurance and self-insurance accruals	55,844	66,222
Accrued interest	44,326	48,506
Accrued non-income tax liabilities	8,920	12,386
Other	24,944	25,948
	$495,239	$486,151

12. Income taxes

On January 1, 2007, the Company adopted the provisions of FASB Interpretation 48 (FIN 48) *Accounting for Income Tax Uncertainties*, which clarifies the accounting for uncertainty in income taxes recognized in the consolidated financial statements in accordance with SFAS Statement No. 109 *Accounting for Income Taxes*. The Interpretation prescribes a recognition threshold of more-likely-than-not and a measurement attribute on all tax positions taken or expected to be taken in a tax return in order to be recognized in the financial statements. In making this assessment, a company must determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based solely on the technical merits of the position and must assume that the tax position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. Once the recognition threshold is met, the tax position is then measured to determine the actual amount of benefit to recognize in the financial statements. In addition, the recognition threshold of more-likely-than-not must continue to be met in each reporting period to support continued recognition of the tax benefit. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the financial reporting period in which that threshold is no longer met.

(dollars in thousands, except per share data)

As a result of implementing FIN 48, the Company recognized an increase of $22,860 to the beginning balance of its current and long-term deferred tax assets, offset by increases in its current taxes payable and other long-term liabilities of $18,969. This recognized net tax benefit of $3,891 was recorded as an increase to the beginning balance of retained earnings on January 1, 2007. The Company also recorded a decrease of $4,951 to the beginning balance of current taxes payable and long-term deferred tax liabilities, and a corresponding decrease to goodwill as a result of recognizing tax benefits associated with our acquisition of DVA Renal Healthcare.

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

	Year ended December 31,	
	2008	2007
Balance beginning	$ 25,744	$27,925
Additions for tax positions related to current year.	1,934	1,798
Additions for tax positions related to prior years.	463	416
Reductions for tax positions related to prior years	(17,254)	(3,200)
Settlements	–	(1,195)
Balance ending	$ 10,887	$25,744

As of December 31, 2008, it is reasonably possible that $125 of unrecognized tax benefits may be recognized within the next 12 months, primarily related to the settlement of an audit assessment. This change will have no impact on the Company's effective tax rate. As of December 31, 2008, unrecognized tax benefits totaling $10,887 would affect the Company's effective tax rate, if recognized.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in its income tax expense. At December 31, 2008, the Company had approximately $1,402 accrued for interest and penalties related to unrecognized tax benefits.

The Company and its subsidiaries file U.S. federal income tax returns and various state returns. The Company is no longer subject to U.S. federal, state and local examinations by tax authorities for years before 2003. The Internal Revenue Service (IRS) completed an examination of the Company's U.S. federal income tax returns for 2003 and 2004 during the second quarter of 2007. The examination did not result in any material impact to the Company's consolidated financial statements.

Income tax expense consisted of the following:

	Year ended December 31,		
	2008	2007	2006
Current:			
Federal	$118,619	$196,697	$159,054
State	20,569	30,446	24,009
Deferred:			
Federal	81,306	14,945	(12)
State	14,806	3,656	2,354
	$235,300	$245,744	$185,405

The allocations of income tax expense were as follows:

	Year ended December 31,		
	2008	2007	2006
Continuing operations	$235,300	$245,744	$186,430
Gain on discontinued operations	–	–	(1,025)
	$235,300	$245,744	$185,405

Deferred tax assets and liabilities arising from temporary differences were as follows:

	December 31,	
	2008	2007
Receivables, primarily allowance for doubtful accounts	$ 62,856	$ 61,184
Alliance and product supply agreement	13,995	16,069
Accrued liabilities	162,893	191,140
Other	65,635	43,218
Deferred tax assets	305,379	311,611
Valuation allowance	(12,588)	(9,353)
Net deferred tax assets	292,791	302,258
Intangible assets	(262,029)	(206,236)
Property and equipment	(55,747)	(12,825)
Other	(2,703)	(1,674)
Deferred tax liabilities	(320,479)	(220,735)
Net deferred tax (liabilities) assets	$ (27,688)	$ 81,523

At December 31, 2008, the Company had state net operating loss carryforwards of approximately $135,638 that expire through 2028, and federal net operating loss carryforwards of $24,285 that expire through 2028. The utilization of these losses may be limited in future years based on the profitability of certain separate-return entities. The valuation allowance increase of $3,235 relates to changes in the estimated tax benefit of federal and state operating losses of separate-return entities.

The reconciliation between our effective tax rate from continuing operations and the U.S. federal income tax rate is as follows:

	Year ended December 31,		
	2008	2007	2006
Federal income tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	3.7	3.5	3.9
Changes in deferred tax valuation allowances	0.3	0.2	(0.1)
Other	(0.4)	0.5	0.4
Effective tax rate	38.6%	39.2%	39.2%

(dollars in thousands, except per share data)

13. Long-term debt

Long-term debt was comprised of the following:

	December 31, 2008	December 31, 2007
Senior Secured Credit Facilities:		
Term loan A	$ 214,375	$ 229,250
Term loan B	1,705,875	1,705,875
Senior and senior subordinated notes	1,750,000	1,750,000
Acquisition obligations and other notes payable	15,266	11,047
Capital lease obligations	5,873	6,667
Total principal debt outstanding	3,691,389	3,702,839
Premium on the 6⅝% senior notes	3,757	4,479
	3,695,146	3,707,318
Less current portion	(72,725)	(23,431)
	$3,622,421	$3,683,887

Scheduled maturities of long-term debt at December 31, 2008 were as follows:

2009	$ 72,725
2010	89,842
2011	67,346
2012	1,707,395
2013	901,500
Thereafter	852,581

Senior Secured Credit Facility

The Senior Secured Credit Facilities are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and are secured by substantially all of the Company's and its subsidiary guarantors' assets. The Senior Secured Credit Facilities also contain customary affirmative and negative covenants and require compliance with financial covenants, including an interest rate coverage ratio, and a leverage ratio that determines the interest rate margins on term loan A and the revolving line of credit. The Senior Secured Credit Facilities in general also contain limits on the general amount of capital expenditures for internal growth, acquisitions and capital improvements (see discussion below) as well as limits on the amount of tangible net assets in non-guarantor subsidiaries.

Term Loans

Term loan A and term loan B total outstanding borrowings each consist of various individual tranche amounts that can range in maturity from one month to twelve months. Each specific tranche bears interest at a LIBOR rate determined by the maturity of that specific tranche and the interest rates are reset as each specific tranche matures. The overall weighted average interest rate for each term loan is determined based upon the LIBOR interest rates in effect for each individual tranche plus the interest rate margin.

Term Loan A

During 2008 and 2007, the Company made principal payments totaling $14,875 and $50,000, respectively, on term loan A. The principal payment made in 2007 was a prepayment.

On February 27, 2007, the Company's interest rate margin on its term loan A was reduced by 0.25% as a result of achieving certain financial ratios as defined in the Senior Secured Credit Facilities.

Term loan A currently bears interest at LIBOR plus a margin of 1.50%, for an overall weighted average effective rate of 1.97% at December 31, 2008. The interest rate margin is subject to adjustment depending upon certain financial conditions and could range from 1.50% to 2.25%. Term loan A matures in October 2011 and requires annual principal payments of $61,250 in 2009, $87,500 in 2010 and $65,625 in 2011, respectively.

Term Loan B

During 2008, the Company did not make nor was the Company required to make any principal payments on term loan B. In 2007, the Company made a principal prepayment of $400,000 from the proceeds of the Senior Notes as discussed below.

On February 23, 2007, the Company amended and restated its existing Senior Secured Credit Facilities to, among other things, reduce the interest rate margin on term loan B by 0.50%, and to amend certain financial covenants. The amended term loan B bears interest at LIBOR plus a margin of 1.50%, for an overall weighted average effective rate of 3.63%, including the impact of the Company's swap agreements, as of December 31, 2008. Other terms that were changed included the amount by which the Company can elect to increase the revolving and term loan commitments from $500,000 to $750,000 and certain limitations on purchases, redemptions or acquisitions of capital stock, the payment of dividends and distributions in cash. Further, limitations on capital expenditures for internal growth will not apply during the periods in which the Company's leverage ratio is less than 3.5:1. The Company's leverage ratio as of December 31, 2008 was less than 3.5:1. In 2007 the Company incurred financing costs of $1,781 which were deferred and also expensed $248 of other costs in connection with this transaction, which are included in debt expense. Term loan B matures in October 2012 and requires principal payments of $1,705,875 in year 2012.

As a result of the principal prepayments made in 2007 on term loan A and term loan B, the Company wrote off a total of $4,371 of deferred financing costs, which is included in debt expense.

Revolving Lines of Credit

The Company has an undrawn revolving line under the Senior Secured Credit Facilities totaling $250,000, of which approximately $50,901 was committed for outstanding letters of credit. The Company also has other undrawn revolving lines of credit totaling $7,200 associated with several of its joint ventures.

Senior and Senior Subordinated Notes

The Company's senior and senior subordinated notes, as of December 31, 2008, consisted of $900,000 of 6⅞% senior notes due 2013 and $850,000 of 7¼% senior subordinated notes due 2015. The notes are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and require semi-annual interest payments in March and September. The Company may redeem some or all of the senior notes at any time as described below and some or all of the senior subordinated notes at any time on or after March 15, 2010.

On February 23, 2007, the Company issued $400,000 of 6⅞% senior notes due 2013 in a private offering, realizing $405,080 in proceeds, which included a $5,080 premium, and incurred $2,719 in related deferred financing costs. These senior notes are part of the same series of debt securities as the $500,000 aggregate principal amount of 6⅞% senior notes that were issued in March 2005. The effective interest rate for the $400,000 of 6⅞% senior notes is 6.45%. The senior notes are guaranteed by substantially all of

the Company's direct and indirect wholly-owned subsidiaries and require semi-annual interest payments which began March 15, 2007. The senior notes may be redeemed by the Company in whole or part at any time on or after March 15, 2009, at certain specified prices. The Company used $400,000 of these proceeds to pay down its term loan B as discussed above.

Interest rate swaps

As of December 31, 2008, the Company maintained a total of nine interest rate swap agreements with amortizing notional amounts totaling $790,333. These agreements had the economic effect of modifying the LIBOR-based variable interest rate on an equivalent amount of debt to fixed rates ranging from 3.08% to 4.70%, resulting in an overall weighted average effective interest rate of 5.54% on the hedged portion of our Senior Secured Credit Facilities, including the term loan B margin of 1.50%. The swap agreements expire in 2009 through 2010 and require quarterly interest payments. During 2008, 2007, and 2006 the Company accrued net cash (obligations) benefits of approximately ($4,239), $14,498, and $15,791, respectively, from these swaps, which are included in debt expense. The Company estimates that approximately $14,300 of existing unrealized pre-tax losses in other comprehensive income at December 31, 2008, will be reclassified into income in 2009. As of December 31, 2008 and 2007, the total fair value of these swaps was a liability of $21,904 and a net liability of $511, respectively. The 2008 and 2007 amounts were primarily included in other long-term liabilities. Also during 2008, the Company recorded $10,357, net of tax, as reductions to other comprehensive income for swap valuation losses, net of amounts reclassified into income.

As of December 31, 2008, the Company had approximately 41% of its variable rate debt and approximately 69% of its total debt economically fixed.

As a result of the swap agreements, the Company's overall Senior Secured Credit Facilities weighted average effective interest rate was 3.48%, based upon the current margins in effect of 1.50%, as of December 31, 2008.

At December 31, 2008, the Company's overall average effective interest rate was 5.10%.

Debt expense

Debt expense consisted of interest expense of $214,944, $242,720 and $262,967, amortization of deferred financing costs of $9,772, $9,808 and $10,469 for 2008, 2007 and 2006, respectively, and in 2007 and 2006, included the write-off of $4,371 and $3,270, respectively, of deferred financing costs. Debt expense in 2007 also included $248 of other costs associated with the amendment and reinstatement of the Senior Secured Credit Facilities. The interest expense amounts are net of capitalized interest.

14. Leases

The majority of the Company's facilities are leased under non-cancelable operating leases, ranging in terms from five to ten years, which contain renewal options of five to ten years at the fair rental value at the time of renewal or at rates subject to periodic consumer price index increases. The Company also leases certain equipment under capital leases.

Future minimum lease payments under non-cancelable operating leases and capital leases are as follows:

	Operating leases	Capital leases
2009	$ 193,883	$ 982
2010	174,139	996
2011	158,749	999
2012	139,457	1,021
2013	117,897	987
Thereafter	393,806	4,454
	$1,177,931	9,439
Less portion representing interest		(3,566)
Total capital lease obligations, including current portion		$ 5,873

Rent expense under all operating leases for 2008, 2007, and 2006 was $225,531, $200,626 and $187,139, respectively. Rent expense is recorded on a straight line basis, over the term of the lease, for leases that contain fixed escalation clauses or include abatement provisions. Leasehold improvement incentives are deferred and amortized to rent expense over the term of the lease. The net book value of property and equipment under capital leases was $6,612, $7,191 and $5,765 at December 31, 2008, 2007 and 2006, respectively. Capital lease obligations are included in long-term debt. See Note 13 to the consolidated financial statements.

15. Employee benefit plans

The Company has a savings plan for substantially all employees which has been established pursuant to the provisions of Section 401(k) of the Internal Revenue Code, or IRC. The plan allows for employees to contribute a percentage of their base annual salaries on a tax-deferred basis not to exceed IRC limitations. The Company does not provide any matching contributions.

The Company also maintains a voluntary compensation deferral plan, the DaVita Voluntary Deferral Plan. This plan is non-qualified and permits certain employees whose annualized base salary equals or exceeds a minimum annual threshold amount as set by the Company to elect to defer all or a portion of their annual bonus payment and up to 50% of their base salary into a deferral account maintained by the Company. Total contributions to this plan in 2008 and 2007 were $1,993, and $1,601, respectively. Deferred amounts are generally paid out in cash at the participant's election either in the first or second year following retirement or in a specified future period at least three to four years after the deferral election was effective. Participants are credited with their proportional amount of annual earnings from the plan. The assets of this plan are held in a "rabbi trust" and as such are subject to the claims of the Company's general creditors in the event of its bankruptcy. As of December 31, 2008 and 2007 the total fair value of assets held in trust were $4,556 and $5,196, respectively.

As part of the acquisition of DVA Renal Healthcare on October 5, 2005, the Company acquired an Executive Retirement Plan for certain members of management. This plan is non-qualified and contributions to the plan were made at the discretion of DVA Renal Healthcare based upon a pre-determined percentage of a participant's base salary. Effective November 2005, all contributions to this plan were discontinued and the balance of the plan assets will be paid out upon termination of each individual participant. As of December 31, 2008 and 2007 the total fair value of assets held in trust were $1,490 and $2,303, respectively.

The Company maintains a non-qualified deferred compensation plan for key employees. Company contributions are discretionary and are deposited into a rabbi trust. Participants in the plan are subject to a vesting period and typically receive annual distributions from the plan commencing one year after grant date, although in certain situations distributions are paid upon termination or retirement. Participants also have the option to direct their balances into certain investment funds and are credited with their proportional amount of earnings from the investments. The assets of this plan as held in the rabbi trust and are subject to the claims of the Company's general creditors in the event of its bankruptcy. During 2007, the Company contributed $15,710 into the plan. There were no contributions to this plan in 2008. As of December 31, 2008 and 2007 the total fair value of assets held in trust were $15,787 and $20,763, respectively.

The Company also maintains another non-qualified deferred compensation plan for certain employees. Company contributions to the plan are discretionary and are deposited into a rabbi trust that is not subject to general creditors claims in the event of bankruptcy by the Company. Participants in the plan are subject to a vesting period and are credited with their proportional amount of earnings from the investments within the plan. During 2007, the Company contributed $14,774 into this plan, which was the total value of assets held by the trust as of December 31, 2007. In 2008, the Company distributed this amount, along with earnings which together totaled $15,122, to all eligible participants.

The fair value of all of the assets held in plan trusts as of December 31, 2008, and 2007 totaled $21,833 and $43,036, respectively. These assets are available for sale and as such are recorded at fair market value with changes in the fair market values being recorded in other comprehensive income. Any fair market value changes to the corresponding liability balance will be recorded as compensation expense. See Note 9 to the consolidated financial statements.

Most of the Company's outstanding employee stock plan awards include a provision accelerating the vesting of the award in the event of a change of control. The Company also maintains a change of control protection program for its employees who do not have a significant number of stock awards, which has been in place since 2001, and which provides for cash bonuses to employees in the event of a change of control. Based on the market price of the Company's common stock and shares outstanding on December 31, 2008, these cash bonuses would total approximately $198,000 if a control transaction occurred at that price and the Company's Board of Directors did not modify the program. This amount has not been accrued at December 31, 2008, and would only be accrued upon a change of control. These change of control provisions may affect the price an acquirer would be willing to pay for the Company.

16. Contingencies

The majority of the Company's revenues are from government programs and may be subject to adjustment as a result of: (1) examination by government agencies or contractors, for which the resolution of any matters raised may take extended periods of time to finalize; (2) differing interpretations of government regulations by different fiscal intermediaries or regulatory authorities; (3) differing opinions regarding a patient's medical diagnosis or the medical necessity of services provided; and (4) retroactive applications or interpretations of governmental requirements. In addition, the Company's revenues from commercial payors may be subject to adjustment as a result of potential claims for refunds, as a result of government actions or as a result of other claims by commercial payors.

Inquiries by the Federal Government

In December 2008, the Company received a subpoena for documents from the Office of Inspector General, U.S. Department of Health and Human Services, or OIG, relating to the pharmaceutical products

Zemplar, Hectorol, Venofer, Ferrlicit and Epogen®, or EPO, as well as other related matters. The subpoena covers the period from January 2003 to the present. The Company has been in contact with the United States Attorney's Office, or U.S. Attorney's Office, for the Northern District of Georgia and the U.S. Department of Justice in Washington, DC, since November 2008 relating to this matter, and has been advised that this is a civil inquiry. The Company is cooperating with the inquiry and is producing the requested records. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated, or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against us and exclusion from future participation in the Medicare and Medicaid programs.

In February 2007, the Company received a request for information from the OIG for records relating to EPO claims submitted to Medicare. In August 2007, the Company received a subpoena from the OIG seeking similar documents. The requested documents relate to services provided from 2001 to 2004 by a number of the Company's centers. The request and subpoena were sent from the OIG's offices in Houston and Dallas, Texas. The Company is cooperating with the inquiry and is producing the requested records. The Company has been in contact with the U.S. Attorney's Office for the Eastern District of Texas, which has stated that this is a civil inquiry related to EPO claims. There appears to be substantial overlap between this issue and the ongoing review of EPO utilization and claims by the U.S. Attorney's Office, for the Eastern District of Missouri in St. Louis described below. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to these inquiries will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against the Company and exclusion from future participation in the Medicare and Medicaid programs.

In March 2005, the Company received a subpoena from the U.S. Attorney's Office for the Eastern District of Missouri in St. Louis. The subpoena requires production of a wide range of documents relating to our operations, including documents related to, among other things, pharmaceutical and other services provided to patients, relationships with pharmaceutical companies, and financial relationships with physicians and joint ventures. The subpoena covers the period from December 1, 1996 through the present. In October 2005, the Company received a follow-up request for additional documents related to specific medical director and joint venture arrangements. In February 2006, the Company received an additional subpoena for documents, including certain patient records relating to the administration and billing of EPO. In May 2007, the Company received a request for documents related to durable medical equipment and supply companies owned and operated by the Company. The Company is cooperating with the inquiry and is producing the requested records. The subpoenas have been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against the Company in connection with this inquiry. Any negative findings could result in substantial financial penalties against the Company, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as this to continue for a considerable period of time. Responding to the subpoenas will continue to require management's attention and significant legal expense.

In October 2004, the Company received a subpoena from the U.S. Attorney's Office for the Eastern District of New York in Brooklyn. The subpoena covers the period from 1996 to present and requires the production of a wide range of documents relating to the Company's operations, including DaVita Laboratory Services. Gambro Healthcare received a similar subpoena in November 2004. The subpoena

also includes specific requests for documents relating to testing for parathyroid hormone levels, or PTH, and to products relating to vitamin D therapies. The subpoena has been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against the Company in connection with this inquiry. Any negative findings could result in substantial financial penalties against the Company, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. Other participants in the dialysis industry received a similar subpoena, including Fresenius Medical Group. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena will continue to require management's attention and significant legal expense.

Other

The Company has received several notices of claims from commercial payors and other third parties related to historical billing practices and claims against DVA Renal Healthcare (formerly known as Gambro Healthcare) related to historical Gambro Healthcare billing practices and other matters covered by their 2004 settlement agreement with the Department of Justice and certain agencies of the U.S. government. At least one commercial payor has filed an arbitration demand against the Company, as described below, and additional commercial payors have threatened litigation. The Company intends to defend against these claims vigorously; however, the Company may not be successful and these claims may lead to litigation and any such litigation may be resolved unfavorably.

Several wage and hour claims have been filed against the Company in the Superior Court of California, each of which has been styled as a class action. In February 2007, June 2008, October 2008 and December 2008, the Company was served with separate complaints by various former employees, each of which alleges, among other things, that the Company failed to provide rest and meal periods, failed to pay compensation in lieu of providing such rest or meal periods, and failed to comply with certain other California labor code requirements. In October 2008, the Company was served with a complaint which alleges, among other things, that the Company failed to pay the rate on the "wage statement," and failed to comply with other California labor code requirements. The Company intends to vigorously defend against these claims. The Company also intends to vigorously oppose the certification of these matters as class actions.

In October 2007, the Company was contacted by the Attorney General's Office for the State of Nevada. The Attorney General's Office informed the Company that it was conducting a civil and criminal investigation of the Company's operations in Nevada and that the investigation related to the billing of pharmaceuticals, including EPO. In February 2008, the Attorney General's Office informed the Company that the civil and criminal investigation has been discontinued. The Attorney General's Office further advised the Company that Nevada Medicaid intends to conduct audits of ESRD providers in Nevada, including the Company, and that such audits will relate to the issues that were the subjects of the investigation. Any negative findings could result in substantial financial penalties against the Company and exclusion from future participation in the Medicare and Medicaid programs. To the Company's knowledge, no proceedings have been initiated against the Company at this time.

In August 2007, Sheet Metal Workers National Health Fund and Glenn Randle filed a complaint in the United States District Court for the Central District of California against the Company. The complaint also names as defendants Amgen Inc. and Fresenius Medical Care Holdings, Inc. The complaint is styled as a class action and alleges four claims against the Company, including violations of the federal RICO

statute, California's unfair competition law, California's false advertising law and for unjust enrichment. The complaint's principal allegations against the Company are that the defendants engaged in a scheme to unlawfully promote the administration of EPO to hemodialysis patients intravenously, as opposed to subcutaneously, and to over-utilize EPO. On December 17, 2008, the Court dismissed the complaint and allegations in their entirety with permission of plaintiffs to amend the complaint. The Company was not named as a defendant in plaintiff's amended complaint. As a result, the Company is no longer a defendant in this action.

In August 2005, Blue Cross/Blue Shield of Louisiana filed a complaint in the United States District Court for the Western District of Louisiana against Gambro AB, DVA Renal Healthcare (formerly known as Gambro Healthcare) and related entities. The plaintiff sought to bring its claims as a class action on behalf of itself and all entities that paid any of the defendants for health care goods and services from on or about January 1991 through at least December 2004. The complaint alleged, among other things, damages resulting from facts and circumstances underlying Gambro Healthcare's December 2004 settlement agreement with the Department of Justice and certain agencies of the United States Government. In March 2006, the case was dismissed and the plaintiff was compelled to seek arbitration to resolve the matter. In November 2006, the plaintiff filed a demand for class arbitration against the Company and DVA Renal Healthcare. The Company intends to vigorously defend against these claims. The Company also intends to vigorously oppose the certification of this matter as a class action. At this time, the Company cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

In June 2004, Gambro Healthcare was served with a complaint filed in the Superior Court of California by one of its former employees who worked for its California acute services program. The complaint, which is styled as a class action, alleges, among other things, that DVA Renal Healthcare (formerly known as Gambro Healthcare) failed to provide overtime wages, defined rest periods and meal periods, or compensation in lieu of such provisions and failed to comply with certain other California labor code requirements. The Company intends to vigorously defend against these claims. The Company also intends to vigorously oppose the certification of this matter as a class action. At this time, the Company cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

In addition to the foregoing, the Company is subject to claims and suits, including from time to time, contractual disputes and professional and general liability claims, as well as audits and investigations by various government entities, in the ordinary course of business. The Company believes that the ultimate resolution of any such pending proceedings, whether the underlying claims are covered by insurance or not, will not have a material adverse effect on its financial condition, results of operations or cash flows.

17. Shareholders' equity and stock-based compensation

Authorized capital stock of the Company

On May 29, 2007, the stockholders of DaVita Inc. approved an amendment to its Amended and Restated Certificate of Incorporation to increase the number of shares of authorized common stock from 195,000,000 to 450,000,000 shares.

Stock-based compensation

Under SFAS No. 123(R), stock-based compensation recognized during a period is based on the estimated grant-date fair value of the portion of each stock-based award vesting during that period, adjusted for expected forfeitures. Stock-based compensation recognized in the Company's consolidated financial statements for the years ended December 31, 2008, 2007 and 2006 includes compensation cost for stock-based awards granted prior to, but not fully vested as of, December 31, 2005 and stock-based awards granted thereafter. Shares issued upon exercise of stock awards are generally issued from shares in treasury. The Company elected to use the method available under FASB Staff Position FSP No. 123(R)-3

Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards, which provides an alternative method for calculating historical excess tax benefits from the method described in SFAS No. 123(R) for stock-based compensation awards.

Stock-based compensation plans and agreements

On May 29, 2007, the Company's stockholders approved an amendment and restatement of the Company's Employee Stock Purchase Plan to increase the number of shares of common stock available for issuance under that plan by 800,001 shares, and approved an amendment and restatement of the Company's 2002 Equity Compensation Plan to increase the number of shares of common stock available for issuance under that plan by 6,000,000 shares and, among other things, to remove certain available share recycling features, to change the limit on the maximum number of shares of common stock that may be subject to awards granted to any single recipient in any consecutive twenty-four month period so that such limit applies only to awards of stock options and stock appreciation rights, and to provide additional exceptions from the three year minimum vesting period generally applicable to grants of restricted stock units and other full share awards.

The Company's stock-based compensation plans and agreements are described below.

2002 Plan. The DaVita Inc. 2002 Equity Compensation Plan (the 2002 Plan) provides for grants of stock-based awards to employees, directors and other individuals providing services to the Company, except that incentive stock options may only be awarded to employees. The 2002 Plan mandates a maximum award term of five years, and stipulates that stock options and stock appreciation rights be granted with prices not less than the fair market value on the date of grant. The 2002 Plan further requires that full share awards such as restricted stock units reduce shares available under the 2002 Plan at a rate of 3.0:1. The Company's nonqualified stock options, stock appreciation rights and stock units awarded under the 2002 Plan generally vest over 48 to 60 months from the date of grant. At December 31, 2008, there were 12,229,716 stock options and stock-settled stock appreciation rights and 104,085 stock units outstanding and 7,391,050 shares available for future grants under the 2002 Plan.

1999 Plan. The 1999 Non-Executive Officer and Non-Director Equity Compensation Plan (the 1999 Plan) provides for grants of stock options to employees and other individuals providing services, other than executive officers and members of the Board of Directors. The Company awards nonqualified stock options under the 1999 Plan which are generally issued with exercise prices equal to the market price of the stock on the date of grant, vest over 48 to 52 months from the date of grant and bear maximum award terms of five years. At December 31, 2008, there were 122,974 stock options outstanding and 311,816 shares available for future grants under the 1999 Plan.

Predecessor plans. Various previous stock-based compensation plans were terminated upon shareholder approval of the 2002 Plan in 2002, except with respect to option awards then outstanding. Stock options granted under these terminated plans were generally issued with exercise prices equal to the market price of the stock on the date of grant, vested over four years from the date of grant, and bore maximum award terms of five to 10 years. At December 31, 2008, there were 386,444 stock options outstanding under these terminated plans.

Deferred stock unit agreements. During 2001 through 2003, the Company made nonqualified stock unit awards to members of the Board of Directors and certain key executive officers under stand-alone contractual deferred stock unit agreements. These awards vested over one to four years and were settled in stock when they vested or at a later date at the election of the recipient. The last 63,636 shares subject to these agreements were issued to their recipients in 2008.

A combined summary of the status of awards under these stock-based compensation plans and agreements, including base shares for stock appreciation rights and shares subject to stock option and stock unit awards, is as follows:

	Year ended December 31, 2008				
	Stock options and stock appreciation rights			Stock units	
	Awards	Weighted average exercise price	Weighted average remaining contractual life	Awards	Weighted average remaining contractual life
Outstanding at beginning of year	10,540,541	$36.52		267,981	
Granted	4,563,350	48.30		37,819	
Exercised	(1,295,273)	34.77		(180,575)	
Forfeited	(1,069,484)	49.83		(21,140)	
Outstanding at end of period	12,739,134	$47.75	3.0	104,085	2.9
Awards exercisable at end of period	4,093,414	$43.58	2.0	8,755	4.7
Weighted-average fair value of awards granted during 2008	$ 11.01			$ 51.13	
Weighted-average fair value of awards granted during 2007	$ 13.89			$ 54.69	
Weighted-average fair value of awards granted during 2006	$ 13.38			$ 51.72	

Range of exercise prices	Awards outstanding	Weighted average exercise price	Awards exercisable	Weighted average exercise price
$ 0.00–$ 0.00	104,085	$ –	8,755	$ –
$ 0.01–$10.00	412,394	4.10	412,394	4. 10
$10.01–$20.00	6,000	19.80	6,000	19.80
$20.01–$30.00	280,180	28.20	276,016	28.18
$30.01–$40.00	290,584	31.63	81,415	34.83
$40.01–$50.00	5,325,155	46.93	1,959,858	47.55
$50.01–$60.00	6,378,321	52.78	1,341,106	53.51
$60.01–$70.00	46,500	61.28	16,625	60.96
Total	12,843,219	$47.37	4,102,169	$43.49

For the years ended December 31, 2008, 2007, and 2006, the aggregate intrinsic value of stock awards exercised was $35,957, $86,283 and $109,562, respectively. At December 31, 2008, the aggregate intrinsic value of stock awards outstanding was $49,577 and the aggregate intrinsic value exercisable was $30,535.

Estimated fair value of stock-based compensation awards

The Company has estimated the grant-date fair value of stock option and stock-settled stock appreciation rights awards using the Black-Scholes-Merton valuation model and stock unit awards at intrinsic value on the date of grant. The following assumptions were used in estimating these values and determining the total stock-based compensation attributable to the current period:

Expected term of the awards: The expected term of awards granted represents the period of time that they are expected to remain outstanding from the date of grant. The Company determines the expected

(dollars in thousands, except per share data)

term of its stock awards based on its historical experience with similar awards, considering the Company's historical exercise and post-vesting termination patterns, and the terms expected by peer companies in near industries.

Expected volatility: Expected volatility represents the volatility anticipated over the expected term of the award. The Company determines the expected volatility for its awards based on the volatility of the price of its common stock over the most recent retrospective period commensurate with the expected term of the award, considering the volatility expectations implied by the market price of its exchange-traded options and the volatilities expected by peer companies in near industries.

Expected dividend yield: The Company has not paid dividends on its common stock and does not currently expect to pay dividends during the term of stock awards granted.

Risk-free interest rate: The Company bases the expected risk-free interest rate on the implied yield currently available on stripped interest coupons of U.S. Treasury issues with a remaining term equivalent to the expected term of the award.

A summary of the weighted average valuation inputs described above used for estimating the grant-date fair value of stock options and stock-settled stock appreciation rights granted in the periods indicated is as follows:

	Year ended December 31,		
	2008	2007	2006
Expected term	3.4 years	3.7 years	3.5 years
Expected volatility	27%	25%	25%
Expected dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	2.4%	4.4%	5.0%

The Company estimates expected forfeitures based upon historical experience with separate groups of employees that have exhibited similar forfeiture behavior in the past. Stock-based compensation expense is recorded only for awards that are expected to vest.

Employee stock purchase plan

The Employee Stock Purchase Plan entitles qualifying employees to purchase up to $25 of the Company's common stock during each calendar year. The amounts used to purchase stock are accumulated through payroll withholdings or through optional lump sum payments made in advance of the first day of the purchase right period. This compensatory plan allows employees to purchase stock for the lesser of 100% of the fair market value on the first day of the purchase right period or 85% of the fair market value on the last day of the purchase right period. Purchase right periods begin on January 1 and July 1, and end on December 31. Payroll withholdings and lump-sum payments related to the plan, included in accrued compensation and benefits, were $4,596, $4,711, and $5,991 at December 31, 2008, 2007 and 2006, respectively. Subsequent to December 31, 2008, 2007 and 2006, 107,340, 98,353 and 123,920 shares, respectively, were issued to satisfy obligations under the plan. At December 31, 2008, there were 1,048,965 shares available for future grants under this plan.

The fair value of employees' purchase rights was estimated as of the beginning dates of the purchase right periods using the Black-Scholes-Merton valuation model with the following weighted average assumptions for purchase right periods in 2008, 2007 and 2006, respectively: expected volatility of 24%,

23% and 23%; risk-free interest rate of 2.5%, 4.9% and 4.9%, and no dividends. Using these assumptions, the weighted average estimated fair value of these purchase rights was $13.65, $13.96 and $12.35 for 2008, 2007 and 2006, respectively.

Stock-based compensation expense and proceeds

For the years ended December 31, 2008, 2007 and 2006, the Company recognized $41,235, $34,149 and $26,389, respectively, in stock-based compensation expense for stock options, stock appreciation rights, stock units and employee stock plan purchases, which is primarily included in general and administrative expenses. The estimated tax benefits recorded for this stock-based compensation in 2008, 2007 and 2006 were $15,609, $12,820 and $9,678, respectively. As of December 31, 2008, there was $79,619 of total estimated unrecognized compensation cost related to nonvested stock-based compensation arrangements under the Company's equity compensation and stock purchase plans. The Company expects to recognize this cost over a weighted average remaining period of 1.4 years.

During the years ended December 31, 2008, 2007 and 2006, the Company received $35,606, $54,697 and $37,877 in cash proceeds from stock option exercises and $13,988, $32,788 and $40,375 in total actual tax benefits upon the exercise of stock awards, respectively.

Stock repurchases

During 2008, the Company repurchased a total of 4,788,881 shares of its common stock for $232,715, or an average price of $48.59 per share, pursuant to previously announced authorizations by the Board of Directors. On May 1, 2008 the Company's Board of Directors authorized an increase of an additional 143,500 of share repurchases of its common stock. As a result of these transactions the total outstanding authorization for share repurchases as of December 31, 2008 was 153,500. This stock repurchase program has no expiration date.

Shareholder rights plan

The Company's Board of Directors approved a shareholder rights plan on November 14, 2002. This plan is designed to assure that DaVita's shareholders receive fair treatment in the event of any proposed takeover of DaVita.

Pursuant to this plan, the Board approved the declaration of a dividend distribution of one common stock purchase right for each outstanding share of its common stock payable on December 10, 2002 to holders of record of DaVita common stock on November 29, 2002. This rights distribution was not taxable to DaVita shareholders. As a result of the stock split that occurred during the second quarter of 2004, two-thirds of a right are now attached to each share of the Company's common stock. Two-thirds of a right will also attach to each newly issued or reissued share of common stock. These rights will become exercisable if a person or group acquires, or announces a tender offer for, 15% or more of DaVita's outstanding common stock. The triggering person's stock purchase rights will become void at that time and will not become exercisable.

Each right initially entitles its holder to purchase one share of common stock from the Company at a price of $125.00. If the rights become exercisable, and subject to adjustment for authorized shares available, each purchase right will then entitle its holder to purchase $125.00 of common stock at a price per share equal to 50% of the average daily closing price of the Company's common stock for the immediately preceding 30 consecutive trading days. If DaVita is acquired in a merger or other business combination transaction after the rights become exercisable, provisions will be made to allow the holder of each right to purchase $125.00 of common stock from the acquiring company at a price equal to 50% of the average daily closing price of that company's common stock for the immediately preceding 30 consecutive trading days.

(dollars in thousands, except per share data)

The Board of Directors may elect to redeem the rights at $0.01 per purchase right at any time prior to, or exchange common stock for the rights at an exchange ratio of one share per right at any time after, a person or group acquires or announces a tender offer for 15% or more of DaVita's outstanding common stock. The exercise price, number of shares, redemption price or exchange ratio associated with each right may be adjusted as appropriate upon the occurrence of certain events, including any stock split, stock dividend or similar transaction. These purchase rights will expire no later than November 14, 2012.

Charter documents & Delaware law

The Company's charter documents include provisions that may deter hostile takeovers, delay or prevent changes of control or changes in management, or limit the ability of stockholders to approve transactions that they may otherwise determine to be in their best interests. These include provisions prohibiting stockholders from acting by written consent, requiring 90 days advance notice of stockholder proposals or nominations to the Board of Directors and granting the Board of Directors the authority to issue up to five million shares of preferred stock and to determine the rights and preferences of the preferred stock without the need for further stockholder approval.

The Company is also subject to Section 203 of the Delaware General Corporation Law that, subject to exceptions, would prohibit the Company from engaging in any business combinations with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder. These restrictions may discourage, delay or prevent a change in the control of the Company.

18. Other comprehensive income

Charges and credits to other comprehensive income have been as follows:

	2006		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized gains on interest rate swaps	$ 12,869	$(5,007)	$ 7,862
Less reclassification of net swap realized gains into net income	(15,828)	6,157	(9,671)
Net swap activity	$ (2,959)	$ 1,150	$(1,809)

	2007		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized losses on interest rate swaps	$(11,733)	$ 4,564	$ (7,169)
Less reclassification of net swap realized gains into net income	(14,498)	5,640	(8,858)
Net swap activity	(26,231)	10,204	(16,027)
Unrealized gains on investments	6,892	(2,681)	4,211
Less reclassification of net investment realized gains into net income	(6,042)	2,350	(3,692)
Net investment activity	850	(331)	519
Total	$(25,381)	$ 9,873	$(15,508)

	2008		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized losses on interest rate swaps	$(21,190)	$ 8,243	$(12,947)
Less reclassification of net swap realized losses into net income	4,239	(1,649)	2,590
Net swap activity	(16,951)	6,594	(10,357)
Unrealized losses on investments	(1,922)	748	(1,174)
Less reclassification of net investment realized gains into net income	(486)	189	(297)
Net investment activity	(2,408)	937	(1,471)
Total	$(19,359)	$ 7,531	$(11,828)

Changes in accumulated other comprehensive income (loss) has been as follows:

	Interest rate swaps	Investment securities	Accumulated other comprehensive income
Balance December 31, 2006	$ 12,997	$ –	$ 12,997
Net activity	(16,027)	519	(15,508)
Balance December 31, 2007	(3,030)	519	(2,511)
Net activity	(10,357)	(1,471)	(11,828)
Balance December 31, 2008	$(13,387)	$ (952)	$(14,339)

19. Acquisitions and divestitures

Acquisitions

The total acquisition amounts were as follows:

	Year ended December 31,		
	2008	2007	2006
Cash paid, net of cash acquired	$126,368	$127,094	$85,658
Deferred purchase price and other acquisition obligations	2,285	1,195	585
Aggregate purchase cost	$128,653	$128,289	$86,243
Cash adjustments for previous acquisitions including DVA Renal Healthcare	$ –	$ –	$ 846
Number of chronic dialysis centers acquired	20	16	26

During 2008, 2007, and 2006, the Company acquired dialysis businesses consisting of 20 centers, 16 centers and 26 centers for a total of $93,024, $57,783 and $86,243, respectively, in cash and deferred purchase price obligations. In 2008, the Company also purchased additional ownership interests in several existing majority-owned joint ventures for $24,408 and in addition, acquired an 80% ownership interest in one vascular access clinic for $11,221. In 2007 the Company also purchased 85% of HomeChoice Partners (HCP) pursuant to a stock purchase agreement for $70,506 in cash and deferred purchase price obligations, subject to further contingent price adjustments. HCP provides infusion therapy services to patients with acute or chronic conditions that can be treated at home or at an ambulatory infusion site. The assets and liabilities for all acquisitions were recorded at their estimated fair market values at the dates of the acquisitions and are included in the Company's financial statements and operating results from the designated effective dates of the acquisitions.

(dollars in thousands, except per share data)

The initial purchase cost allocations for acquired businesses are recorded at fair values based upon the best information available to management and are finalized when identified pre-acquisition contingencies have been resolved and other information arranged to be obtained has been received, but in no case in excess of one year from the acquisition date. Adjustments to purchase accounting for prior acquisitions and payments for acquisitions in process have been included in the periods recognized.

The aggregate purchase cost allocations for dialysis and other related businesses were as follows:

	Year ended December 31,		
	2008	2007	2006
Tangible assets, principally leasehold improvements and equipment	$ 7,972	$ 20,085	$ 7,623
Amortizable intangible assets	9,988	12,271	8,584
Goodwill	109,375	105,609	79,948
Minority interest, net purchased (assumed)	1,535	(7,987)	(8,620)
Liabilities assumed	(217)	(1,689)	(1,292)
Aggregate purchase cost	$128,653	$128,289	$86,243

Amortizable intangible assets acquired during 2008, 2007 and 2006 had weighted-average estimated useful lives of nine, eight and ten years, respectively. The total amount of goodwill deductible for tax purposes associated with these acquisitions for 2008, 2007, and 2006 was approximately $109,000, $106,000 and $80,000, respectively.

Discontinued operations

In 2006, the Company recorded a loss of $311, net of tax, related to the divesture of its three centers that were required to be divested in conjunction with the DVA Renal healthcare acquisition. The loss on disposal of these centers includes an income tax expense totaling $1,274, of which $900 was related to the write off of book goodwill not deductible for tax purposes. In 2006, the company also recorded a net gain of $673 as an adjustment to the previously reported gain on disposal of discontinued operations.

Pro forma financial information

The following summary, prepared on a pro forma basis, combines the results of operations as if all acquisitions in 2008 and 2007 had been consummated as of the beginning of 2007, after including the impact of certain adjustments such as amortization of intangibles, interest expense on acquisition financing and income tax effects.

	Year ended December 31,	
	2008	2007
	(unaudited)	
Pro forma net revenues	$5,694,196	$5,396,942
Pro forma net income	376,749	396,314
Pro forma income from continuing operations	376,749	396,314
Pro forma basic net income per share	3.58	3.74
Pro forma diluted net income per share	3.56	3.69

20. Concentrations

Approximately 65% of the Company's total dialysis and related lab services revenues in 2008, 64% in 2007 and 65% in 2006 are from government-based programs, principally Medicare and Medicaid. Accounts receivable, and other receivables, from Medicare and Medicaid-assigned HMO plans were approximately $468,000 and $447,000, respectively as of December 31, 2008 and 2007. No other single payor accounted for more than 5% of total accounts receivable.

A significant physician-prescribed pharmaceutical administered during dialysis, EPO, is provided by a sole supplier and accounted for approximately 20% of net operating revenues. Although the Company currently receives discounted prices for EPO, the supplier has unilateral pricing discretion and in the future the Company may not be able to achieve the same cost levels historically obtained.

In 2008, Baxter Healthcare Corporation proceeded with a recall of heparin, a pharmaceutical used in the treatment of dialysis patients and ceased further sales. As a result of the recall, there is only one remaining supplier of heparin and it is possible that our heparin costs may increase since there is no separate reimbursement for this drug under Medicare. An affiliate of Fresenius Medical Care acquired the sole provider of heparin for the U.S. dialysis market. This could potentially impact the Company's access to and pricing for this product.

21. Other commitments

The Company has potential obligations to purchase the interests held by third parties in several of its joint ventures and non-wholly-owned subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Company would be required to purchase the third-party owners' interests at either the appraised fair market value or a predetermined multiple of earnings or cash flow attributable to the equity interest put to the Company, which is intended to approximate fair value. The methodology the Company used to estimate the fair values of the interests subject to these put provisions assumes either a predetermined multiple of earnings, or the higher of a liquidation value or an average multiple of earnings, determined by historical earnings, patient mix and other performance indicators, as well as other factors. The estimated fair values of the interests subject to these put provisions can fluctuate and the implicit multiple of earnings at which these obligations may ultimately be settled could vary significantly from our current estimates depending upon market conditions including potential purchasers' access to the credit and capital markets, which can impact the level of competition for dialysis and non-dialysis related businesses, the economic performance of these businesses and the restricted marketability of the third-party owners' interests.

The following is a reconciliation of the activity of joint venture interests subject to put provision obligations during the year ended December 31, 2008:

	Fair value estimates using significant unobservable inputs (Level 3)
	Year ended December 31, 2008
Beginning balance	$330,000
Changes in fair value and changes due to methodology	(68,000)
New agreements	33,000
Purchases pursuant to and exercises of put obligations	(4,000)
Balance at December 31, 2008	$291,000

The Company has certain other potential commitments to provide operating capital to several dialysis centers in which the Company owns either a noncontrolling interest or which are wholly-owned by third

parties as well as to physician-owned vascular access clinics that the Company operates under management and administrative service agreements of approximately $16,000.

The Company is obligated under mandatorily redeemable instruments in connection with certain consolidated joint ventures. Future distributions may be required for the minority partners' interests in limited-life entities which dissolve after terms of ten to fifty years. As of December 31, 2008, such distributions would be valued below the related minority interests balances in the consolidated balance sheet.

In conjunction with the acquisition of DVA Renal Healthcare, Inc., formerly known as Gambro Healthcare, Inc., which occurred in October 2005, the Company entered into an Alliance and Product Supply Agreement (the Product Supply Agreement) with Gambro AB and Gambro Renal Products, Inc (Gambro Renal Products). The Product Supply Agreement has an initial term of seven years and will automatically renew for three additional one-year periods if the Company has not negotiated the terms of an extension during the initial term. Because the Product Supply Agreement results in higher costs for most of the products covered by the Product Supply Agreement than would otherwise be available to the Company, the Product Supply Agreement represented an intangible liability initially valued at $162,100 as of the acquisition date.

The Product Supply Agreement committed the Company to purchase a significant majority of its hemodialysis products, supplies and equipment at fixed prices through 2015. The agreement was amended on August 25, 2006 (the Amended Product Supply Agreement) to reduce the Company's purchase obligations for certain hemodialysis product supplies and equipment. As a result of the reductions, the Company recorded a net valuation gain of $37,968 during 2006. This valuation gain represents the difference in the amortized original fair value between the Product Supply Agreement and that of the Amended Product Supply Agreement, as of the effective date of the amendment.

In 2007, the Company terminated its obligation to purchase certain dialysis machines under the Amended Product Supply Agreement. As a result of that termination the Company recorded a net valuation gain of $55,275 in 2007. This valuation gain represents the difference in the amortized original fair value of the Amended Product Supply Agreement and that of the Amended Product Supply Agreement as adjusted for the termination of the obligation to purchase certain dialysis machines as of June 30, 2007. We continue to be subject to the Product Supply Agreement's requirements to purchase a significant majority of our hemodialysis non-equipment product supplies, such as dialyzers, from Gambro at fixed prices.

During 2008, 2007 and 2006, the Company purchased $83,360, $90,696 and $146,408 of hemodialysis product supplies from Gambro Renal Products, representing 2%, 2% and 4%, respectively, of the Company's total operating costs.

The centers acquired from Gambro Healthcare are subject to a five-year Corporate Integrity Agreement in connection with its December 2004 settlement with the U.S. Government that imposes significant specific compliance operating and reporting requirements, and requires an annual audit by an independent reporting organization.

Other than operating leases, disclosed in Note 14 to the consolidated financial statements, and the letters of credit and the interest rate swap agreements, disclosed in Note 13 to the consolidated financial statements, or as described above the Company has no off balance sheet financing arrangements as of December 31, 2008.

22. Fair values of financial instruments

On January 1, 2008, the Company adopted SFAS No. 157 *Fair Value Measurements,* except for the nonfinancial assets and liabilities that are subject to a one-year deferral allowed by FASB Staff Position (FSP) FAS 157-2 *Effective Date of FASB Statement No. 157.* This standard establishes a framework for measuring assets and liabilities at fair value and also requires additional disclosures about fair value measurements. The standard applies to assets and liabilities that are carried at fair value on a recurring basis. On January 1, 2009 we adopted certain provisions of SFAS No. 157 relating to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis, at least annually. The adoption of SFAS No. 157 relating to nonfinancial assets and liabilities will not have a material impact on the Company's consolidated financial statements.

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2008:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Available for sale securities	$ 21,833	$21,833	$ –	$ –
Liabilities				
Interest rate swap agreements	$ 21,904	$ –	$21,904	$ –
Commitments				
Business interests subject to put obligations	$291,000	$ –	$ –	$291,000

The available for sale securities represent investments in various open or closed-ended registered investment companies, or mutual funds, and are recorded at fair value based upon the quoted market prices as reported by each mutual fund. See Note 9 to the consolidated financial statements for further discussion.

The interest rate swap agreements are recorded at fair value based upon valuation models and a variety of techniques as reported by various broker dealers that are based upon relevant observable market inputs such as current interest rates, forward yield curves, and other credit and liquidity market conditions. The Company does not believe the ultimate amount that could be realized upon settlement of these interest rate swap agreements would be materially different than the fair values as currently reported. See Note 13 to the consolidated financial statements for further discussion.

See Note 21 to the consolidated financial statements for a discussion of the Company's methodology for estimating the fair value of the business interests subject to put obligations.

On January 1, 2008, the Company adopted SFAS No. 159 *Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of SFAS No. 115.* This standard allows companies the alternative to measure certain financial assets and liabilities at fair value on an instrument-by-instrument basis that are currently not required to be measured at fair value. The standard is also designed to reduce the volatility in earnings caused by measuring related assets and liabilities differently and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The implementation of this standard did not have a material impact on the Company's consolidated financial statements.

Other financial instruments consist primarily of cash, accounts receivable, notes receivable, accounts payable, accrued compensation and benefits, other accrued liabilities and debt. The balances of the

(dollars in thousands, except per share data)

non-debt financial instruments are presented in the consolidated financial statements at December 31, 2008 and 2007 at their approximate fair values due to the short-term nature of their settlements. Borrowings under the Company's Senior Secured Credit Facilities totaled $1,920,250 as of December 31, 2008, and the fair value was $1,689,820 based upon quoted market prices. The fair value of the Company's senior and senior subordinated notes was approximately $1,658,000 at December 31, 2008 based upon quoted market prices.

23. Segment reporting

The Company operates principally as a dialysis and related lab services business but also operates other ancillary services and strategic initiatives. These ancillary services and strategic initiatives consist of infusion therapy services, pharmacy services, vascular access services, physician services, disease management services and full-service special needs plans, as well as clinical research programs. For internal management reporting the dialysis and related lab services business and each of the ancillary services and strategic initiatives have been defined as separate operating segments by management in accordance with SFAS No. 131 *Disclosures about Segments of an Enterprise and Related Information,* as separate financial information is regularly produced and reviewed by the Company's chief operating decision maker in making decisions about allocating resources and assessing financial results. The Company's chief operating decision maker is its Chief Executive Officer. The dialysis and related lab services business qualifies as a separately reportable segment under SFAS No. 131, and all of the other ancillary services and strategic initiatives operating segments have been combined and disclosed in the other segments category.

The Company's operating segment financial information is prepared on an internal management reporting basis that the Chief Executive Officer uses to allocate resources and analyze the performance of operating segments. For internal management reporting, segment operations include direct segment operating expenses with the exception of minority interests expense and stock-based compensation expense.

The following is a summary of segment revenues, segment operating margin (loss), and a reconciliation of segment margin to income before income taxes:

	Years ended December 31,		
	2008	2007	2006
Segment revenues:			
Dialysis and related lab services(1)	$5,415,363	$5,130,181	$4,798,756
Other–Ancillary services and strategic initiatives	244,810	133,970	81,906
Consolidated revenues	$5,660,173	$5,264,151	$4,880,662
Segment operating margin (loss):			
Dialysis and related lab services	$ 943,035	$ 992,812	$ 828,927
Other–Ancillary services and strategic initiatives	(33,500)	(50,969)	(27,273)
Total segment margin	909,535	941,843	801,654
Reconciliation of segment margin to income before income taxes:			
Stock-based compensation	(41,235)	(34,149)	(26,389)
Minority interests and equity income, net	(46,535)	(45,485)	(35,833)
Consolidated operating income	821,765	862,209	739,432
Debt expense	(224,716)	(257,147)	(276,706)
Other income	12,411	22,460	13,033
Consolidated income before income taxes	$ 609,460	$ 627,522	$ 475,759

(1) Includes management fees related to providing management and administrative services to dialysis centers in which the Company either owns a noncontrolling interest or are wholly-owned by third parties.

Depreciation and amortization expense for the dialysis and related lab services for 2008, 2007 and 2006 were $210,141, $189,208 and $171,350, respectively, and were $6,776, $4,262 and $1,945, respectively, for the ancillary services and strategic initiatives.

Summary of assets by segment is as follows:

	December 31,	
	2008	2007
Segment assets		
Dialysis and related lab services	$7,031,558	$6,731,647
Other–Ancillary services and strategic initiatives	254,533	212,313
Consolidated assets	$7,286,091	$6,943,960

In 2008 and 2007 the total amount of expenditures for property and equipment for the dialysis and related lab services were $314,915 and $263,604, respectively, and were $3,047 and $8,608, respectively, for the ancillary services and strategic initiatives.

24. Supplemental cash flow information

The table below provides supplemental cash flow information:

	Year ended December 31,		
	2008	2007	2006
Cash paid:			
Income taxes	$163,147	$205,955	$209,982
Interest	222,558	245,325	271,711
Non-cash investing and financing activities:			
Fixed assets acquired under capital lease obligations	–	2,769	–
Liabilities assumed in conjunction with common stock acquisitions	–	1,653	–

25. Selected quarterly financial data (unaudited)

	2008				2007			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Net operating revenues	$1,461,010	$1,447,135	$1,407,304	$1,344,724	$1,354,869	$1,318,381	$1,312,735	$1,278,166
Operating income	211,600	207,884	205,554	196,727	195,263	212,412	261,217	193,317
Income before income taxes	157,855	155,860	153,221	142,524	137,941	155,975	205,964	127,642
Net income	98,365	93,910	94,951	86,934	85,717	94,455	125,024	76,582
Basic earnings per share	0.95	0.90	0.91	0.81	0.80	0.89	1.19	0.73
Diluted earnings per share	$ 0.94	$ 0.89	$ 0.90	$ 0.80	$ 0.79	$ 0.88	$ 1.17	$ 0.72

(dollars in thousands, except per share data)

26. Condensed consolidating financial statements

The following information is presented in accordance with Rule 3-10 of Regulation S-X. The operating and investing activities of the separate legal entities included in the Company's consolidated financial statements are fully interdependent and integrated. Revenues and operating expenses of the separate legal entities include intercompany charges for management and other services. The senior notes and the senior subordinated notes were issued by the Company and are guaranteed by substantially all of its direct and indirect wholly-owned subsidiaries. Each of the guarantor subsidiaries has guaranteed the notes on a joint and several, full and unconditional basis. Non-wholly-owned subsidiaries, joint ventures, partnerships and third parties are not guarantors of these obligations.

Condensed Consolidating Statements of Income

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
For the year ended December 31, 2008					
Net operating revenues	$ 363,112	$4,808,324	$881,810	$(393,073)	$5,660,173
Operating expenses	228,729	4,209,565	746,652	(393,073)	4,791,873
Minority interests and equity income, net	–	–	–	46,535	46,535
Operating income	134,383	598,759	135,158	(46,535)	821,765
Debt (expense)	(227,535)	(189,506)	(2,520)	194,845	(224,716)
Other income, net	206,527	–	729	(194,845)	12,411
Income tax expense	43,763	188,717	2,820	–	235,300
Equity earnings in subsidiaries	304,548	82,084	–	(386,632)	–
Net income	$ 374,160	$ 302,620	$130,547	$(433,167)	$ 374,160
For the year ended December 31, 2007					
Net operating revenues	$ 365,728	$4,534,153	$754,163	$(389,893)	$5,264,151
Operating expenses	208,042	3,921,149	617,159	(389,893)	4,356,457
Minority interests and equity income, net	–	–	–	45,485	45,485
Operating income	157,686	613,004	137,004	(45,485)	862,209
Debt (expense)	(259,745)	(256,050)	(4,002)	262,650	(257,147)
Other income, net	284,038	–	1,072	(262,650)	22,460
Income tax expense (benefit)	70,972	175,854	(1,082)	–	245,744
Equity earnings in subsidiaries	270,771	88,565	–	(359,336)	–
Net income	$ 381,778	$ 269,665	$135,156	$(404,821)	$ 381,778
For the year ended December 31, 2006					
Net operating revenues	$ 351,566	$4,263,363	$639,690	$(373,957)	$4,880,662
Operating expenses	200,846	3,751,164	527,344	(373,957)	4,105,397
Minority interests and equity income, net	–	–	–	35,833	35,833
Operating income	150,720	512,199	112,346	(35,833)	739,432
Debt (expense)	(280,288)	(291,095)	(2,052)	296,729	(276,706)
Other income, net	308,288	–	1,474	(296,729)	13,033
Income tax expense	70,201	116,183	46	–	186,430
Discontinued operations, net of tax	–	362	–	–	362
Equity earnings in subsidiaries	181,172	75,889	–	(257,061)	–
Net income	$ 289,691	$ 181,172	$111,722	$(292,894)	$ 289,691

Condensed Consolidating Balance Sheets

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
As of December 31, 2008					
Cash and cash equivalents	$ 397,576	$ –	$ 13,305	$ –	$ 410,881
Accounts receivable, net	–	933,906	141,551	–	1,075,457
Other current assets	22,112	573,078	46,776	–	641,966
Total current assets	419,688	1,506,984	201,632	–	2,128,304
Property and equipment, net	15,175	864,725	168,175	–	1,048,075
Amortizable intangible assets, net	39,990	114,237	6,294	–	160,521
Investments in subsidiaries	4,866,391	464,369	–	(5,330,760)	–
Receivables from subsidiaries	320,346	–	90,754	(411,100)	–
Other long-term assets and investments	13,320	14,815	44,125	–	72,260
Goodwill	–	3,571,669	305,262	–	3,876,931
Total assets	$5,674,910	$6,536,799	$816,242	$(5,741,860)	$7,286,091
Current liabilities	$ 106,370	$ 990,024	$ 66,669	$	$1,163,063
Payables to parent	–	386,468	24,632	(411,100)	–
Long-term debt and other long-term liabilities	3,616,082	368,774	19,868	–	4,004,724
Minority interests	–	–	–	165,846	165,846
Shareholders' equity	1,952,458	4,791,533	705,073	(5,496,606)	1,952,458
Total liabilities and shareholders' equity	$5,674,910	$6,536,799	$816,242	$(5,741,860)	$7,286,091
As of December 31, 2007					
Cash and cash equivalents	$ 443,157	$ –	$ 3,889	$ –	$ 447,046
Accounts receivable, net	–	786,765	141,184	–	927,949
Other current assets	26,528	557,357	17,370	–	601,255
Total current assets	469,685	1,344,122	162,443	–	1,976,250
Property and equipment, net	19,317	766,596	153,413	–	939,326
Amortizable intangible assets, net	49,629	126,202	7,211	–	183,042
Investments in subsidiaries	4,340,411	421,273	–	(4,761,684)	–
Receivables from subsidiaries	701,101	–	61,201	(762,302)	–
Other long-term assets and investments	22,729	16,052	38,628	–	77,409
Goodwill	–	3,484,706	283,227	–	3,767,933
Total assets	$5,602,872	$6,158,951	$706,123	$(5,523,986)	$6,943,960
Current liabilities	$ 182,419	$ 856,638	$ 47,439	$ –	$1,086,496
Payables to parent	–	762,302	–	(762,302)	–
Long-term debt and other long-term liabilities	3,688,203	272,488	14,006	–	3,974,697
Minority interests	–		–	150,517	150,517
Shareholders' equity	1,732,250	4,267,523	644,678	(4,912,201)	1,732,250
Total liabilities and shareholders' equity	$5,602,872	$6,158,951	$706,123	$(5,523,986)	$6,943,960

(dollars in thousands, except per share data)

Condensed Consolidating Statements of Cash Flows

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
For the year ended December 31, 2008					
Cash flows from operating activities					
Net income	$ 374,160	$ 302,620	$ 130,547	$(433,167)	$ 374,160
Changes in operating assets and liabilities and non cash items included in net income	(614,532)	484,864	(121,728)	433,167	181,771
Net cash (used in) provided by operating activities	(240,372)	787,484	8,819	–	555,931
Cash flows from investing activities					
Additions of property and equipment	(2,546)	(271,561)	(43,855)	–	(317,962)
Acquisitions	(439)	(116,708)	(9,221)	–	(126,368)
Proceeds from discontinued operations and asset sales	–	530	–	–	530
Other items	19,281	(40,568)	71,127	–	49,840
Net cash provided by (used in) investing activities	16,296	(428,307)	18,051	–	(393,960)
Cash flows from financing activities					
Long-term debt	(17,675)	(424)	4,548	–	(13,551)
Intercompany borrowing	380,755	(358,753)	(22,002)	–	–
Other items	(184,585)	–	–	–	(184,585)
Net cash provided by (used in) financing activities	178,495	(359,177)	(17,454)	–	(198,136)
Net (decrease) increase in cash	(45,581)	–	9,416	–	(36,165)
Cash at the beginning of the year	443,157	–	3,889	–	447,046
Cash at the end of the year	$ 397,576	$ –	$ 13,305	$ –	$ 410,881
For the year ended December 31, 2007					
Cash flows from operating activities					
Net income	$ 381,778	$ 269,665	$ 135,156	$(404,821)	$ 381,778
Changes in operating assets and liabilities and non cash items included in net income	(283,759)	156,635	(126,439)	404,821	151,258
Net cash provided by operating activities	98,019	426,300	8,717	–	533,036
Cash flows from investing activities				–	
Additions of property and equipment	(3,501)	(220,264)	(48,447)	–	(272,212)
Acquisitions	(69,701)	(57,393)	–	–	(127,094)
Proceeds from discontinued operations and asset sales	–	12,289	–	–	12,289
Other items	(19,811)	(82,317)	62,673	–	(39,455)
Net cash (used in) provided by investing activities	(93,013)	(347,685)	14,226	–	(426,472)
Cash flows from financing activities				–	
Long-term debt	(49,961)	2,212	447	–	(47,302)
Intercompany borrowing	111,100	(80,827)	(30,273)	–	–
Other items	77,582	–	–	–	77,582
Net cash provided by (used in) financing activities	138,721	(78,615)	(29,826)	–	30,280
Net increase (decrease) in cash	143,727	–	(6,883)	–	136,844
Cash at the beginning of the year	299,430	–	10,772		310,202
Cash at the end of the year	$ 443,157	$ –	$ 3,889	$ –	$ 447,046
For the year ended December 31, 2006					
Cash flows from operating activities					
Net income	$ 289,691	$ 181,172	$ 111,722	$(292,894)	$ 289,691
Changes in operating assets and liabilities and non cash items included in net income	(327,844)	370,840	(106,010)	292,894	229,880
Net cash (used in) provided by operating activities	(38,153)	552,012	5,712	–	519,571
Cash flows from investing activities					
Additions of property and equipment	(2,582)	(211,953)	(48,173)	–	(262,708)
Acquisitions	–	(85,153)	(1,351)	–	(86,504)
Proceeds from discontinued operations and asset sales	12,742	9,437	–	–	22,179
Other items	–	(59,606)	74,576	–	14,970
Net cash provided by (used in) investing activities	10,160	(347,275)	25,052	–	(312,063)
Cash flows from financing activities					
Long-term debt	(408,211)	(1,198)	2,450	–	(406,959)
Intercompany borrowing	238,246	(203,539)	(34,707)	–	–
Other items	77,842	–	–	–	77,842
Net cash used in financing activities	(92,123)	(204,737)	(32,257)	–	(329,117)
Net decrease in cash	(120,116)	–	(1,493)	–	(121,609)
Cash at the beginning of the year	419,546	–	12,265	–	431,811
Cash at the end of the year	$ 299,430	$ –	$ 10,772	$ –	$ 310,202

Risk Factors

This Annual Report contains statements that are forward-looking statements within the meaning of the federal securities laws. These statements involve known and unknown risks and uncertainties including the risks discussed below. The risks discussed below are not the only ones facing our business. Please read the cautionary notice regarding forward-looking statements under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operation".

If the average rates that commercial payors pay us decline significantly, it would have a material adverse effect on our revenues, earnings and cash flows.

Approximately 35% of our dialysis and related lab services revenues for the year ended December 31, 2008 were generated from patients who have commercial payors as the primary payor. The majority of these patients have insurance policies that pay us on terms and at rates that are generally significantly higher than Medicare rates. The payments we receive from commercial payors generate nearly all of our profit. We are experiencing a decrease in some of our commercial payment rates and it is possible that commercial payment rates could be materially lower in the future. The downward pressure on commercial payment rates is a result of general conditions in the market, recent and future consolidations among commercial payors, increased focus on dialysis services and other factors.

We are continuously in the process of negotiating agreements with our commercial payors, and payors are increasingly aggressive in their negotiations with us. In the event that our continued negotiations result in overall commercial rate reductions in excess of overall commercial rate increases, the cumulative effect could have a material adverse effect on our financial results. Consolidations have significantly increased the negotiating leverage of commercial payors. We expect that some of our contracted rates with commercial payors may decrease or that we may experience decreases in patient volume as our negotiations with commercial payors continue. In addition to increasing downward pressure on contracted commercial payor rates, payors have been attempting to impose restrictions and limitations on non-contracted or out-of-network providers. We, along with others in the kidney care community, are resisting such activity through regulatory, legislative and legal means. Decreases in out-of-network rates and restrictions on out-of-network access combined with decreases in contracted rates could result in a significant decrease in our overall revenue derived from commercial payors. If the average rates that commercial payors pay us decline significantly, it would have a material adverse effect on our revenues, earnings and cash flows.

If the number of patients with higher-paying commercial insurance declines, then our revenues, earnings and cash flows would be substantially reduced.

Our revenue levels are sensitive to the percentage of our patients with higher-paying commercial insurance coverage. A patient's insurance coverage may change for a number of reasons, including as a result of changes in the patient's or a family member's employment status. Currently, for a patient covered by an employer group health plan, Medicare generally becomes the primary payor after 33 months, or earlier, if the patient's employer group health plan coverage terminates. When Medicare becomes the primary payor, the payment rate we receive for that patient shifts from the employer group health plan rate to the lower Medicare payment rate. In addition, our continued negotiations with commercial payors could result in a decrease in the number of patients under commercial plans. If there is a significant reduction in the number of patients under higher-paying commercial plans relative to government-based programs that pay at lower rates, it would have a material adverse effect on our revenues, earnings and cash flows.

Changes in the structure of, and payment rates under the Medicare ESRD program could substantially reduce our revenues, earnings and cash flows.

Approximately one-half of our dialysis and related lab services revenues for the year ended December 31, 2008 was generated from patients who have Medicare as their primary payor. Currently the

Medicare ESRD program pays us for dialysis treatment services at a fixed composite rate. The Medicare composite rate is the payment rate for a dialysis treatment including the supplies used in those treatments, specified laboratory tests and certain pharmaceuticals. Other services and certain pharmaceuticals, including EPO, vitamin D analogs and iron supplements, are separately billed.

In July 2008, the Medicare Improvements for Patients and Providers Act for 2008 was passed by Congress. This legislation provides for an increase in the composite rate of 1% in 2009 and in 2010. In addition this legislation introduces a new payment system for dialysis services beginning in January 2011 whereby ESRD payments will be made under a bundled payment rate which will provide for a fixed rate for all goods and services provided during the dialysis treatment, including laboratory services and the administration of pharmaceuticals. The initial 2011 bundled rate will be set 2% below the payment rate that providers would have received under the historical fee for service payment methodology. Beginning in 2012, a new single bundled payment base rate will be adjusted annually for inflation based upon a market basket index, less 1% of such index. The bundled payment rate will be determined by the Secretary of Health and Human Services, who will have discretion to determine the base payment rate based on the goods and services included in the bundled rate. Dialysis providers will have the option to move fully to the bundled payment system in 2011 or to phase in the payment system over three years.

We experience increases in operating costs that are subject to inflation, such as labor and supply costs, regardless of whether there is a compensating inflation-based increase in Medicare payment rates. The composite rate adjustment provided for in 2009 and 2010 will not be sufficient to compensate for the increases that we are likely to experience in operating costs that are subject to inflation. Because the bundled rates that will take effect in 2011 have not been set, we cannot predict whether the established rates, combined with the proposed negative adjustments, will be sufficient to compensate for increases in our operating costs that are subject to inflation. To the extent the Medicare bundled rates are established at levels that result in lower overall reimbursement for services we provide to Medicare patients, it could have a material adverse effect on our revenues, earnings and cash flows.

Changes in state Medicaid programs or payment rates could reduce our revenues, earnings and cash flows.

Approximately 4% of our dialysis and related lab services revenues for the year ended December 31, 2008, was generated from patients who have Medicaid as their primary coverage. As state governments face increasing budgetary pressure, they may propose reductions in payment rates, delays in the timing of payments, limitations on eligibility or other changes to Medicaid programs. Some states have already taken steps to reduce or delay payments. In addition, Medicaid eligibility requirements mandate that citizen enrollees in Medicaid programs provide documented proof of citizenship. Our revenues, earnings and cash flows could be negatively impacted to the extent that we are not paid by Medicaid or other state programs for services provided to patients that are unable to satisfy the eligibility requirements, including undocumented patients living in the U.S. If state governments reduce the rates paid by Medicaid programs for dialysis and related services, delay the timing of payment for services provided, further limit eligibility for Medicaid coverage or adopt changes to the Medicaid payment structure which reduces our overall payments from Medicaid, then our revenues, earnings and cash flows could be adversely affected.

Changes in clinical practices and payment rates or rules for EPO and other pharmaceuticals could substantially reduce our revenues, earnings and cash flows.

The administration of EPO and other pharmaceuticals accounted for approximately 30% of our dialysis and related lab services revenues for the year ended December 31, 2008, with EPO accounting for approximately 20% of our dialysis and related lab services revenues. Changes in clinical practices that

result in decreased utilization of prescribed pharmaceuticals or changes in payment rates for those pharmaceuticals could substantially reduce our revenues, earnings and cash flows.

Since late 2006, there has been significant media discussion and government scrutiny regarding anemia management practices in the United States which has created confusion and concern in the nephrology community. In late 2006, the House Ways and Means Committee held a hearing on the issue of EPO utilization and in 2007, the FDA required changes to the labeling of EPO and Aranesp® to include a black box warning, the FDA's strongest form of warning label. The FDA has held additional hearings to revisit these label changes as they apply to ESRD and continues to examine the issue. CMS also reviewed its EPO reimbursement policies and in January 2008, changes to the EPO monitoring policy went into effect which further limit reimbursement and which have impacted the prescribing habits of our physicians resulting in lower pharmaceutical intensities. Commercial payors have also increasingly examined their administration policies for EPO and, in some cases have modified those policies. Further changes in labeling of other pharmaceuticals in a manner that alters physician practice patterns or accepted clinical practices, changes in private and governmental payment criteria, including the introduction of EPO administration policies or the conversion to alternate types of administration of EPO or other pharmaceuticals that result in further decreases in utilization or reimbursement for EPO could have a material adverse effect on our revenues, earnings and cash flows.

Changes in EPO pricing and the use and marketing of alternatives to EPO could materially reduce our revenues, earnings and cash flows and affect our ability to care for our patients.

Amgen Inc. is the sole supplier of EPO and may unilaterally decide to increase its price for EPO at any time during the term of our contract. Future changes in the cost of EPO could have a material adverse effect on our earnings and cash flows and ultimately reduce our income. Although our agreement with Amgen for EPO includes potential rebates which depend upon the achievement of certain criteria, we cannot predict whether we will continue to receive the rebates for EPO that we currently receive, or whether we will continue to achieve the same levels of rebates within that structure as we have historically achieved. Our agreement with Amgen provides for specific rebates off of list price based on a combination of factors, including process improvement and data submission. Factors that could impact our ability to qualify for rebates provided for in our agreement with Amgen in the future include our ability to develop and implement certain process improvements and track certain data elements. Failure to meet certain targets and earn the specified rebates could have a material adverse effect on our earnings and cash flows.

Amgen has developed and obtained FDA approval for Aranesp®, a pharmaceutical used to treat anemia that may replace EPO or reduce its use with dialysis patients. Unlike EPO, which is generally administered in conjunction with each dialysis treatment, Aranesp® is administered less frequently. In the event that Aranesp® or any future alternatives to EPO are marketed for the treatment of dialysis patients, we may realize lower margins on the administration of such pharmaceuticals than are currently realized with EPO. A significant increase in the development and use of similar alternatives to EPO, or a change in administration practices, could have a material adverse impact on our revenues, earnings and cash flows.

We are the subject of a number of inquiries by the federal government, any of which could result in substantial penalties against us.

We are the subject of a number of inquiries by the federal government. We have received subpoenas from the U.S. Attorney's Office for the Northern District of Georgia, the U.S. Attorney's Office for the Eastern District of Missouri, the U.S. Attorney's Office for the Eastern District of New York and the U.S. Attorney's Office for the Eastern District of Texas. We are cooperating with the U.S. Attorney's Offices with respect to each of the subpoenas and producing the requested records. Any negative findings could result in substantial financial penalties against us, exclusion from future participation in the Medicare and Medicaid programs and, in certain cases, criminal penalties. To our knowledge, no proceedings have been

initiated against us at this time. Although we cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoenas will continue to require management's attention and significant legal expense. See "Item 3–Legal Proceedings" for additional information regarding these inquiries and subpoenas.

Continued inquiries from various governmental bodies with respect to our utilization of EPO and other pharmaceuticals will require management's attention, cause us to incur significant legal expense and could result in substantial financial penalties against us or exclusion from future participation in the Medicare and Medicaid programs, and could have a material adverse effect on our revenues, earnings and cash flows.

In response to clinical studies which identified risks in certain patient populations related to the utilization of EPO and other erythropoesis-stimulating agents, i.e., Aranesp®, and in response to changes in the labeling of EPO and Aranesp®, there has been substantial media attention and government scrutiny resulting in hearings and legislation regarding utilization and reimbursement. Although we believe our anemia management practices and other pharmaceutical administration practices have been compliant with existing laws and regulations, as a result of the current high level of scrutiny and controversy, we may be subject to increased inquiries from a variety of governmental bodies and claims by third parties. For example, the subpoena from the U.S. Attorney's Office for the Northern District of Georgia relates to the pharmaceutical products Zemplar, Hectorol, Venofer, Ferrlicit, EPO and other related matters. The subpoena from the U.S. Attorney's Office in the Eastern District of Missouri includes requests for documents regarding the administration of, and billing for, EPO. The subpoena from the Office of Inspector General in Houston, Texas requests records relating to EPO claims submitted to Medicare. In addition, in February 2008 the Attorney General's Office for the State of Nevada notified us that Nevada Medicaid intends to conduct audits of ESRD providers in Nevada relating to the billing of pharmaceuticals, including EPO, and in 2007, a complaint was filed against us, Amgen and Fresenius Medical Care Holdings by Sheet Metal Workers National Health Fund and Glenn Randle alleging claims related to the administration and use of EPO. Additional inquiries from various agencies and claims by third parties with respect to this issue would continue to require management's attention and significant legal expense and any negative findings could result in substantial financial penalties against us or exclusion from future participation in the Medicare and Medicaid programs, and could have a material adverse effect on our revenues, earnings and cash flows. See "Item 3–Legal Proceedings" for additional information regarding these inquiries and subpoenas.

If we fail to adhere to all of the complex government regulations that apply to our business, we could suffer severe consequences that would substantially reduce our revenues, earnings and cash flows.

Our dialysis operations are subject to extensive federal, state and local government regulations, including Medicare and Medicaid payment rules and regulations, federal and state anti-kickback laws, the Stark II physician self-referral prohibition and analogous state referral statutes, and federal and state laws regarding the collection, use and disclosure of patient health information. The Medicare and Medicaid reimbursement rules related to claims submission, licensing requirements, cost reporting, and payment processes impose complex and extensive requirements upon dialysis providers, and a violation or departure from such requirements may result in government audits, lower reimbursements, recoupments or voluntary repayments, and the potential loss of certification.

The regulatory scrutiny of healthcare providers, including dialysis providers continues to increase. Medicare has increased the frequency and intensity of its certification inspections of dialysis centers. For

example, we are required to provide substantial documentation related to the administration of pharmaceuticals, including EPO, and, to the extent that any such documentation is found insufficient, we may be required to refund any amounts received from such administration by government or commercial payors, and be subject to substantial penalties under applicable laws or regulations. In addition, fiscal intermediaries have increased their prepayment and post-payment reviews.

We endeavor to comply with all of the requirements for receiving Medicare and Medicaid payments and to structure all of our relationships with referring physicians to comply with state and federal anti-kickback laws and the Stark II physician self-referral law. However, the laws and regulations in this area are complex and subject to varying interpretations. For example, if an enforcement agency were to challenge the level of compensation that we pay our medical directors, we could be required to change our practices, face criminal or civil penalties, pay substantial fines or otherwise experience a material adverse effect as a result of a challenge to these arrangements.

Because of regulatory considerations unique to New York, all of our dialysis operations in New York are conducted by privately-owned companies to which we provide a broad range of administrative services. These operations accounted for approximately 3% of our dialysis and related lab services revenues for the year ended December 31, 2008. In 2007, changes to New York law were adopted that will permit us to hold licenses to conduct dialysis business directly, but until these changes are implemented and these operating licenses are transferred to us, we can give no assurances that these arrangements will not be challenged.

If any of our operations are found to violate these or other government regulations, we could suffer severe consequences that would have a material adverse effect on our revenues, earnings and cash flows including:

- Suspension or termination of our participation in government payment programs;
- Refunds of amounts received in violation of law or applicable payment program requirements;
- Loss of required government certifications or exclusion from government payment programs;
- Loss of licenses required to operate healthcare facilities in some of the states in which we operate;
- Reductions in payment rates or coverage for dialysis and ancillary services and related pharmaceuticals;
- Fines, damages or monetary penalties for anti-kickback law violations, Stark Law violations, submission of false claims, civil or criminal liability based on violations of law, or other failures to meet regulatory requirements;
- Claims for monetary damages from patients who believe their protected health information has been used or disclosed in violation of federal or state patient privacy laws;
- Mandated practice changes that significantly increase operating expenses; and
- Termination of relationships with medical directors.

If our joint ventures were found to violate the law, we could suffer severe consequences that would have a material adverse effect on our revenues, earnings and cash flows.

As of December 31, 2008, we owned a controlling interest in numerous dialysis related joint ventures, which represented approximately 15% of our dialysis and related lab services revenues. In addition, we also owned a noncontrolling interest in several other dialysis related joint ventures. We anticipate that we will continue to increase the number of our joint ventures. Many of our joint ventures with physicians or physician groups also have the physician owners providing medical director services to those centers or other centers we own and operate. Because our relationships with physicians are governed by the federal anti-kickback statute, we have sought to structure our joint venture arrangements to satisfy as many safe harbor requirements as we believe are reasonably possible. However, our joint venture arrangements do not satisfy all elements of any safe harbor under the federal anti-kickback statute. The subpoena and related requests for

documents we received from the United States Attorney's Office for the Eastern District of Missouri included requests for documents related to our joint ventures.

If our joint ventures are found to be in violation of the anti-kickback statute or the Stark Law provisions, we could be required to restructure the joint ventures or refuse to accept referrals for designated health services from the physicians with whom the joint venture centers have a financial relationship.

We also could be required to repay amounts received by the joint ventures from Medicare and certain other payors to the extent that these arrangements are found to give rise to prohibited referrals, and we could be subject to monetary penalties and exclusion from government healthcare programs. If our joint venture centers are subject to any of these penalties, we could suffer severe consequences that would have a material adverse effect on our revenues, earnings and cash flows.

There are significant estimating risks associated with the amount of dialysis revenue that we recognize and if we are unable to accurately estimate our revenue, it could impact the timing of our revenue recognition or have a significant impact on our operating results.

There are significant estimating risks associated with the amount of dialysis and related lab services revenues that we recognize in a reporting period. Ongoing insurance coverage changes, geographic coverage differences, differing interpretations of contract coverage, and other payor issues complicate the billing and collection process. Determining applicable primary and secondary coverage for approximately 112,000 patients at any point in time, together with the changes in patient coverage that occur each month, requires complex, resource-intensive processes and errors in determining the correct coordination of benefits may result in refunds to payors. Revenues associated with Medicare and Medicaid programs are also subject to estimating risk related to the amounts not paid by the primary government payor that will ultimately be collectible from other government programs paying secondary coverage, the patient's commercial health plan secondary coverage or the patient. Collections, refunds and payor retractions typically continue to occur for up to three years and longer after services are provided. We generally expect our range of dialysis and related lab services revenues estimating risk to be within 1% of its revenue, which can represent as much as 6% of operating income. If our estimates of dialysis and related lab services revenues are materially inaccurate, it could impact the timing of our revenue recognition and have a significant impact on our operating results.

The ancillary services we provide or the strategic initiatives we invest in may generate losses and may ultimately be unsuccessful. In the event that one or more of these activities is unsuccessful, we may have to write off our investment and incur other exit costs.

Our ancillary services and strategic initiatives include infusion therapy services, pharmacy services, vascular access services, disease management services, physician services, ESRD clinical research programs and ESRD special needs plans. Many of these initiatives require investments of both management and financial resources and can generate significant losses for a substantial period of time and may not become profitable. There can be no assurance that any such strategic initiative will ultimately be successful. For example, during 2008 and 2007, our VillageHealth and pharmacy initiatives generated net operating losses and are expected to generate net operating losses into 2009. If any of our ancillary services or strategic initiatives do not perform as planned, we may incur a material write-off of our investment in one or more of these activities.

If a significant number of physicians were to cease referring patients to our dialysis centers, whether due to regulatory or other reasons, it would have a material adverse effect on our revenues, earnings and cash flows.

Many physicians prefer to have their patients treated at dialysis centers where they or other members of their practice supervise the overall care provided as medical director of the center. As a result, the primary referral source for most of our centers is often the physician or physician group providing medical director services to the center. Neither our current nor former medical directors have an obligation to refer their patients to our centers. If a medical director agreement terminates, whether before or at the end of its term, and a new medical director is appointed, it may negatively impact the former medical director's decision to treat his or her patients at our center. If we are unable to enforce noncompetition provisions contained in the terminated medical director agreements, former medical directors may choose to provide medical director services for competing providers or establish their own dialysis centers in competition with ours. Also, if the quality of service levels at our centers deteriorates, it may negatively impact patient referrals and treatment volumes.

Our medical director contracts are for fixed periods, generally three to ten years. Medical directors have no obligation to extend their agreements with us. We may take actions to restructure existing relationships or take positions in negotiating extensions of relationships to assure compliance with the safe harbor provisions of the anti-kickback statute, Stark Law and other similar laws. These actions could negatively impact the decision of physicians to extend their medical director agreements with us or to refer their patients to us. If the terms of any existing agreement are found to violate applicable laws, we may not be successful in restructuring the relationship which could lead to the early termination of the agreement, or cause the physician to stop referring patients to our dialysis centers. If a significant number of physicians were to cease referring patients to our dialysis centers, whether due to regulatory or other reasons, then our revenues, earnings and cash flows would be substantially reduced.

Delays in state Medicare and Medicaid certification of our dialysis centers could adversely affect our revenues, earnings and cash flows.

Before we can begin billing for patients treated in our outpatient dialysis centers who are enrolled in government-based programs, we are required to obtain state and federal certification for participation in the Medicare and Medicaid programs. As state governments face increasing budgetary pressure, certain states are having difficulty certifying dialysis centers in the normal course resulting in significant delays in certification. For example, the state of Texas has stopped certifying dialysis centers and has communicated that it will not certify dialysis centers in 2009 and the state of California is experiencing significant delays. If state governments continue to have difficulty certifying new centers in the normal course and we continue to experience significant delays in our ability to treat and bill for services provided to patients covered under government programs, it could cause us to incur write-offs of investments or accelerate the recognition of lease obligations in the event we have to close centers or our centers' operating performance deteriorates, and it could have an adverse effect on our revenues, earnings and cash flows.

Current economic conditions, including the current recession in the United States and the worldwide economic slowdown, as well as further disruptions in the financial markets could result in substantial declines in our revenues, earnings, cash flows and financial condition.

The current economic recession in the United States and worldwide economic slowdown, could adversely affect our business and our profitability. Among other things, the potential decline in federal and state revenues that may result from such conditions may create additional pressures to contain or reduce reimbursements for our services from Medicare, Medicaid and other government sponsored programs. The potential increase in job losses in the United States which may occur in the near future if the economy continues to decline could result in a smaller percentage of our patients being covered by an employer

group health plan and a larger percentage being covered by lower paying Medicare and Medicaid programs. Employers may also begin to select more restrictive commercial plans with lower reimbursement rates. To the extent that payors are negatively impacted by a decline in the economy, we may experience further pressure on commercial rates, slow down in collections and a reduction in the amounts we expect to collect. In addition, if the current turmoil in the financial markets continues, the variable interest rates payable under our credit facilities could be adversely affected or it could be more difficult to obtain or renew such facilities in the future. Any or all of these factors, as well as other consequences of the current economic conditions which cannot currently be anticipated, could have a material adverse effect on our revenues, earnings and cash flows and otherwise adversely affect our financial condition.

If we are not able to continue to make acquisitions on reasonable terms, or maintain an acceptable level of non-acquired growth, or if we face significant patient attrition to our competitors, it could adversely affect our business.

We are facing increased competition in the dialysis industry from large and medium-sized providers which compete directly with us for acquisition targets as well as for individual patients and medical directors. Acquisitions, patient retention and medical director retention are an important part of our growth strategy. If we are not able to continue to make acquisitions on reasonable terms, continue to maintain acceptable levels of non-acquired growth, or if we face significant patient attrition to our competitors, it could adversely affect our business.

The level of our current and future debt could have an adverse impact on our business.

We have substantial debt outstanding and we may incur additional indebtedness in the future. The high level of our indebtedness, among other things, could:

- make it difficult for us to make payments on our debt securities;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and investments and other general corporate purposes;
- expose us to interest rate fluctuations to the extent we have variable rate debt;
- limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds.

If additional debt financing is not available when required or is not available on acceptable terms, we may be unable to grow our business, take advantage of business opportunities, respond to competitive pressures or refinance maturing debt, any of which could have a material adverse effect on our operating results and financial condition.

Increases in interest rates may increase our interest expense and adversely affect our profitability and cash flow and our ability to service our indebtedness.

We are subject to interest rate volatility associated with the portions of our borrowings that bear interest at variable rates. As of December 31, 2008, we had approximately $1.9 billion outstanding borrowings under the Senior Secured Credit Facilities, which bears interest at a variable rate. Approximately $0.8 billion of our outstanding debt is subject to interest rate swaps which have the

economic effect of fixing the interest rate on an equivalent portion of our debt. The remaining variable rate debt outstanding under our Senior Secured Credit Facilities had a weighted average interest rate of 1.97% at December 31, 2008. In addition, we have approximately $199 million of available borrowings under our Senior Secured Credit Facilities that would bear interest at the LIBOR-based variable rate plus an interest rate margin of 1.50%. We may also incur additional variable rate debt in the future.

Increases in interest rates would increase our interest expense for the variable portion of our indebtedness, which could negatively impact our earnings and cash flow. For example, it is estimated that a hypothetical increase in interest rates of 100 basis points across all variable rate maturities would have reduced net income by approximately $7.1 million, $5.5 million and $6.8 million for the years ended December 31, 2008, 2007 and 2006, respectively. See "Item 7A–Quantitative and Qualitative Disclosures about Market Risk" for more information. In addition, if we seek to refinance our existing indebtedness under our Senior Secured Credit Facilities, we may not be able to do so on acceptable terms and conditions, which could increase our interest expense or impair our ability to service our indebtedness and fund our operations.

We will require a significant amount of cash to service our indebtedness. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on our indebtedness and to fund planned capital expenditures and expansion efforts, including any strategic acquisitions we may make in the future, will depend on our ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control.

We cannot provide assurance that our business will generate sufficient cash flow from operations in the future or that future borrowings will be available to us in an amount sufficient to enable us to service our indebtedness, including the senior and senior subordinated notes, or to fund other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. Our Senior Secured Credit Facilities are secured by substantially all of our and our subsidiaries' assets. As such, our ability to refinance our debt or seek additional financing could be limited by such security interest. We cannot assure you that we will be able to refinance our indebtedness on commercially reasonable terms or at all.

If the current shortage of skilled clinical personnel continues or if we experience a higher than normal turnover rate, we may experience disruptions in our business operations and increases in operating expenses.

We are experiencing increased labor costs and difficulties in hiring nurses due to a nationwide shortage of skilled clinical personnel. We compete for nurses with hospitals and other health care providers. This nursing shortage may limit our ability to expand our operations. If we are unable to hire skilled clinical personnel when needed, or if we experience a higher than normal turnover rate for our skilled clinical personnel, our operations and treatment growth will be negatively impacted, which would result in reduced revenues, earnings and cash flows.

Our business is labor intensive and could be adversely affected if we were unable to maintain satisfactory relations with our employees or if union organizing activities were to result in significant increases in our operating costs or decreases in productivity.

Our business is labor intensive, and our results are subject to variations in labor-related costs and productivity. If the recent national and local elections result in actions or proposals that increase the likelihood of union organizing activities at our facilities, our operating costs could increase and our employee relations, productivity, earnings and cash flows could be adversely affected.

Our alliance and product supply agreement with Gambro Renal Products Inc. may limit our ability to achieve cost savings with respect to products and equipment we are required to purchase under this agreement.

Our obligations under our alliance and product supply agreement with Gambro Renal Products to purchase dialyzers and certain other products, may limit our ability to realize future cost savings in regard to certain products. For the year ended December 31, 2008, our total spending on hemodialysis products, supplies and equipment with Gambro Renal Products was approximately 2% of our total operating costs.

Upgrades to our billing and collections systems and complications associated with upgrades and other improvements to our billing and collections systems could have a material adverse effect on our revenues, cash flows and operating results.

We are continuously performing upgrades on our billing systems and expect to continue to do so in 2009. In addition, we continuously work to improve our billing and collections performance through process upgrades, organizational changes and other improvements. We may experience difficulties in our ability to successfully bill and collect for services rendered as a result of these changes, including a slow-down of collections, a reduction in the amounts we expect to collect, increased risk of retractions from and refunds to commercial and government payors, an increase in our provision for uncollectible accounts receivable and noncompliance with reimbursement regulations. These changes could also have an adverse impact on the claims review required by the corporate integrity agreement applicable to the centers acquired from Gambro Healthcare, described below. The failure to successfully implement the upgrades to the billing and collection systems and other improvements could have a material adverse effect on our revenues, cash flows and operating results.

If DVA Renal Healthcare does not comply with the corporate integrity agreement applicable to the centers acquired from Gambro Healthcare, or DVA Renal Healthcare otherwise has failed or fails to comply with government regulations applicable to its operations, we could be subject to additional penalties and otherwise may be materially harmed.

In 2004, Gambro Healthcare entered into a settlement agreement with the Department of Justice and certain agencies of the United States government relating to the Department of Justice's investigation of Gambro Healthcare's Medicare and Medicaid billing practices and its relationships with physicians and pharmaceutical manufacturers. If DVA Renal Healthcare (formerly Gambro Healthcare) does not comply with the terms of the corporate integrity agreement applicable to the centers acquired from Gambro Healthcare, or otherwise has failed or fails to comply with the extensive federal, state and local government regulations applicable to its operations, we could be subject to additional penalties, including monetary penalties or exclusion from participation in government programs, and otherwise may be materially harmed. The costs associated with compliance with the corporate integrity agreement and cooperation with the government are substantial and may increase. In addition, as a result of the settlement agreement, some commercial payors and other third parties have initiated legal proceedings against DVA Renal Healthcare related to the billing practices and other matters covered by the settlement agreement and we could receive similar claims in the future.

Our ability to effectively provide the services we offer could be negatively impacted if certain of our suppliers are unable to meet our needs or if we are unable to effectively access new technology, which could substantially reduce our revenues, earnings and cash flows.

We have significant suppliers that are either the sole or primary source of products critical to the services we provide or to which we have committed obligations to make purchases, including Amgen,

Fresenius Medical Care, Gambro Renal Products, Baxter Healthcare Corporation, NxStage, as well as others. If any of these suppliers are unable to meet our needs for the products they supply, including in the event of a product recall, and we are not able to find adequate alternative sources, our revenues, earnings and cash flows could be substantially reduced. For example, in February 2008, Baxter Healthcare Corporation proceeded with a recall of heparin, a pharmaceutical used in the treatment of dialysis patients and ceased further sales. As a result of the recall, there is only one remaining supplier of heparin and the cost to purchase heparin has significantly increased. It is possible that our heparin costs may continue to increase and since there is no separate reimbursement for this drug under Medicare, cost increases have a direct impact on our profitability. An affiliate of Fresenius Medical Care acquired this sole remaining provider of heparin for the U.S. dialysis market. This could negatively impact our access to and pricing for this critical product. In addition, the technology related to the products critical to the services we provide is subject to new developments and may result in superior products. If we are not able to access superior products on a cost-effective basis or if suppliers are not able to fulfill our requirements for such products, we could face patient attrition which could substantially reduce our revenues, earnings and cash flows.

We may be subject to liability claims for damages and other expenses not covered by insurance that could reduce our earnings and cash flows.

The administration of dialysis and related services to patients may subject us to litigation and liability for damages. Our business, profitability and growth prospects could suffer if we face negative publicity or we pay damages or defense costs in connection with a claim that is outside the scope of any applicable insurance coverage, including claims related to contractual disputes and professional and general liability claims. In addition, we have received several notices of claims from commercial payors and other third parties related to our historical billing practices and the historical billing practices of the centers acquired from Gambro Healthcare and other matters related to their settlement agreement with the Department of Justice. Although the ultimate outcome of these claims cannot be predicted, an adverse result with respect to one or more of these claims could have a material adverse effect on our financial condition, results of operations, and cash flows. We currently maintain programs of general and professional liability insurance. However, a successful claim, including a professional liability, malpractice or negligence claim which is in excess of our insurance coverage could have a material adverse effect on our earnings and cash flows.

In addition, if our costs of insurance and claims increase, then our earnings could decline. Market rates for insurance premiums and deductibles have been steadily increasing. Our earnings and cash flows could be materially and adversely affected by any of the following:

- the collapse or insolvency of our insurance carriers;
- further increases in premiums and deductibles;
- increases in the number of liability claims against us or the cost of settling or trying cases related to those claims; and
- an inability to obtain one or more types of insurance on acceptable terms.

If businesses we acquire have liabilities that we are not aware of, we could suffer severe consequences that would substantially reduce our revenues, earnings and cash flows.

Our business strategy includes the acquisition of dialysis centers and businesses that own and operate dialysis centers, as well as other ancillary services and strategic initiatives. Businesses we acquire may have unknown or contingent liabilities or liabilities that are in excess of the amounts that we originally estimated. Although we generally seek indemnification from the sellers of businesses we acquire for matters that are not properly disclosed to us, we are not always successful. In addition, even in cases where we are able to obtain indemnification, we may discover liabilities greater than the contractual limits or the financial resources of the indemnifying party. In the event that we are responsible for liabilities substantially in excess of any amounts recovered through rights to indemnification, we could suffer severe consequences that would substantially reduce our revenues, earnings and cash flows.

Provisions in our charter documents, compensation programs and Delaware law may deter a change of control that our stockholders would otherwise determine to be in their best interests.

Our charter documents include provisions that may deter hostile takeovers, delay or prevent changes of control or changes in our management, or limit the ability of our stockholders to approve transactions that they may otherwise determine to be in their best interests. These include provisions prohibiting our stockholders from acting by written consent; requiring 90 days advance notice of stockholder proposals or nominations to our Board of Directors; and granting our Board of Directors the authority to issue preferred stock and to determine the rights and preferences of the preferred stock without the need for further stockholder approval. In addition, we have in place a shareholder rights plan that would substantially dilute the interest sought by an acquirer that our Board of Directors does not approve.

Most of our outstanding employee stock options include a provision accelerating the vesting of the options in the event of a change of control. We also maintain a change of control protection program for our employees who do not have a significant number of stock awards, which has been in place since 2001, and which provides for cash bonuses to the employees in the event of a change of control. Based on the market price of our common stock and shares outstanding on December 31, 2008, these cash bonuses would total approximately $198 million if a change of control transaction occurred at that price and our Board of Directors did not modify this program. These change of control provisions may affect the price an acquirer would be willing to pay for our Company.

We are also subject to Section 203 of the Delaware General Corporation Law that, subject to exceptions, would prohibit us from engaging in any business combinations with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder.

These provisions may discourage, delay or prevent an acquisition of our Company at a price that our stockholders may find attractive. These provisions could also make it more difficult for our stockholders to elect directors and take other corporate actions and could limit the price that investors might be willing to pay for shares of our common stock.

Selected Financial Data

The following table presents selected consolidated financial and operating data for the periods indicated. The operating results of DVA Renal Healthcare are included in our operating results from October 1, 2005, and the operating results of the historical DaVita divested centers are reflected as discontinued operations in our consolidated statements of income for 2005 and prior.

	Year ended December 31,				
	2008	2007	2006	2005	2004
	(in thousands, except share data)				
Income statement data:					
Net operating revenues(1)	$ 5,660,173	$ 5,264,151	$ 4,880,662	$ 2,973,918	$ 2,177,330
Operating expenses and charges(2)	4,838,408	4,401,942	4,141,230	2,508,547	1,796,204
Operating income	821,765	862,209	739,432	465,371	381,126
Debt expense(3)	(224,716)	(257,147)	(276,706)	(139,586)	(52,411)
Swap valuations gain, net(4)	–	–	–	4,548	–
Refinancing charges(5)	–	–	–	(8,170)	–
Other income, net(6)	12,411	22,460	13,033	8,934	4,125
Income from continuing operations before income taxes	609,460	627,522	475,759	331,097	332,840
Income tax expense	235,300	245,744	186,430	123,675	128,332
Income from continuing operations	374,160	381,778	289,329	207,422	204,508
Income from discontinued operations, net of tax(7)	–	–	–	13,157	17,746
Gain on disposal of discontinued operations, net of tax(7)	–	–	362	8,064	–
Net income	$ 374,160	$ 381,778	$ 289,691	$ 228,643	$ 222,254
Basic earnings per common share from continuing operations(7)(8)	$ 3.56	$ 3.61	$ 2.79	$ 2.06	$ 2.07
Diluted earnings per common share from continuing operations(7)(8)	$ 3.53	$ 3.55	$ 2.73	$ 1.99	$ 1.99
Weighted average shares outstanding:(8)(10)					
Basic	105,149,000	105,893,000	103,520,000	100,762,000	98,727,000
Diluted	105,940,000	107,418,000	105,793,000	104,068,000	102,861,000
Ratio of earnings to fixed charges(9)	3.01:1	2.92:1	2.38:1	2.86:1	5.26:1
Balance sheet data:					
Working capital	$ 965,241	$ 889,754	$ 597,324	$ 664,675	$ 426,985
Total assets	7,286,091	6,943,960	6,491,816	6,279,762	2,511,959
Long-term debt	3,622,421	3,683,887	3,730,380	4,085,435	1,322,468
Shareholders' equity(10)	1,952,458	1,732,250	1,245,924	850,609	523,134

(1) Net operating revenues include $3,771 in 2005, and $8,293 in 2004 of Medicare lab recoveries relating to prior years' services.

(2) Operating expenses and charges include $55,275 in 2007 and $37,968 in 2006 of valuation gains on the alliance and product supply agreement with Gambro Renal Products, Inc. Operating expenses and charges in 2007 also includes $6,779 of gains from insurance settlements related to Hurricane Katrina and a fire that destroyed one center.

(3) Debt expense in 2007 and 2006 includes the write-off of approximately $4.4 million and $3.3 million of deferred financing costs associated with our principal prepayments on our term loans.
(4) The swap valuation net gains of $4,548 in 2005 represented the accumulated fair value on several swap instruments that were ineffective as cash flow hedges, as a result of the repayment of our Senior Secured Credit Facilities, as well as changes in the fair values of these swaps until they were redesignated as hedges, and represent changes in the fair value of the swaps during periods in which there was no matching variable rate LIBOR-based interest payments.
(5) Refinancing charges of $8,170 in 2005 represented the write-off of deferred financing costs associated with the extinguishment of our prior Senior Secured Credit Facilities.
(6) Other income, net, includes $5,868 in 2007 of gains from the sale of investment securities.
(7) During 2005, we divested a total of 71 outpatient dialysis centers in conjunction with a consent order issued by the Federal Trade Commission on October 4, 2005 in order for us to complete the acquisition of DVA Renal Healthcare. In addition, we completed the sale of three additional centers that were previously pending state regulatory approval in January 2006. The operating results of the historical DaVita divested and held for sale centers were reflected as discontinued operations in our consolidated financial statements for 2005 and prior.
(8) All share and per-share data for all periods presented prior to 2005 have been adjusted to retroactively reflect the effects of a 3-for-2 stock split that occurred in the second quarter of 2004.
(9) The ratio of earnings to fixed charges was computed by dividing earnings by fixed charges. Earnings for this purpose is defined as pretax income from continuing operations adjusted by adding back fixed charges expensed during the period. Fixed charges include debt expense (interest expense and the write-off and amortization of deferred financing costs), the estimated interest component of rental expense on operating leases, and capitalized interest.
(10) Share repurchases consisted of 4,788,881 shares of common stock for $232,715 in 2008, 111,300 shares of common stock for $6,350 in 2007 and 3,350,100 shares of common stock for $96,540 in 2004. Shares issued in connection with stock awards amounted to 1,314,074 in 2008, 2,480,899 in 2007, 2,620,125 in 2006, 3,303,451 in 2005, and 5,106,783 in 2004.

Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange under the symbol "DVA". The following table sets forth, for the periods indicated, the high and low closing prices for our common stock as reported by the New York Stock Exchange.

	High	Low
Year ended December 31, 2008:		
1st quarter	$59.23	$42.48
2nd quarter	53.86	47.79
3rd quarter	60.01	52.64
4th quarter	56.75	42.66
Year ended December 31, 2007:		
1st quarter	$58.54	$51.54
2nd quarter	57.48	52.56
3rd quarter	63.18	52.78
4th quarter	66.53	55.63

The closing price of our common stock on January 30, 2009 was $47.00 per share. According to The Bank of New York, our registrar and transfer agent, as of January 30, 2009, there were 6,913 holders of record of our common stock. We have not declared or paid cash dividends to holders of our common stock since 1994. We have no current plans to pay cash dividends and we are restricted from paying dividends under the terms of our Senior Secured Credit Facilities and the indentures governing our senior and senior subordinated notes. Also, see the heading "Liquidity and capital resources" under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the notes to our consolidated financial statements.

Stock Repurchases

The following table summarizes our repurchases of our common stock during 2008:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
March 1–31, 2008	682,500	$47.66	682,500	$210.3
April 1–30, 2008	2,120,977	48.90	2,120,977	106.5
May 1–31, 2008	383,133	51.49	383,133	230.3
June 1–30, 2008	274,743	49.92	274,743	216.6
October 1–31, 2008	1,027,502	48.66	1,027,502	166.6
November 1–30, 2008	278,900	43.35	278,900	154.5
December 1–31, 2008	21,126	45.01	21,126	153.5
Total	4,788,881	$48.59	4,788,881	

(1) On September 11, 2003, we announced that the Board of Directors authorized the repurchase of up to $200 million of our common stock, with no expiration date. On November 2, 2004, we announced that the Board of Directors approved an increase in our authorization to repurchase shares of our common stock by an additional $200 million. On May 1, 2008, our Board of Directors authorized an increase of an additional $143.5 million of share repurchases of our common stock.

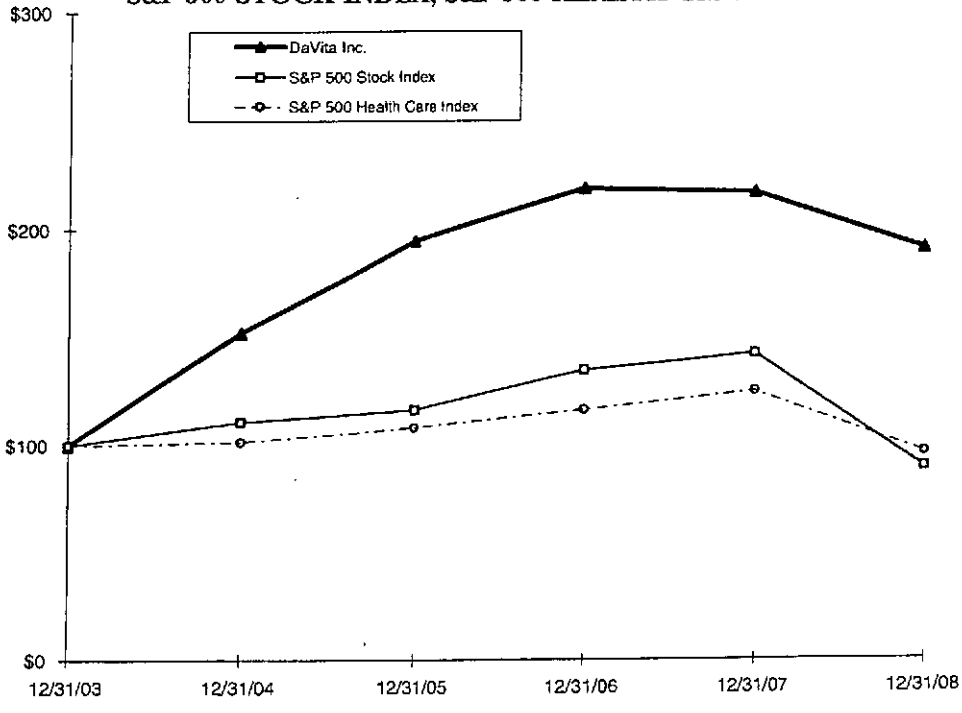
This stock repurchase program has no expiration date. We are authorized to make purchases from time to time in the open market or in privately negotiated transactions, depending upon market conditions and other considerations. However, we are subject to share repurchase limitations under the terms of the Senior Secured Credit Facilities and the indentures governing our senior and senior subordinated notes.

Stock Price Performance

The following graph shows a comparison of our cumulative total returns, the Standard & Poor's 500 Stock Index and the S&P 500 Health Care Index. The graph assumes that the value of an investment in our common stock and in each such index was $100.00 on December 31, 2002 and that all dividends have been reinvested.

The comparison in the graph below is based solely on historical data and is not intended to forecast the possible future performance of our common stock.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN AMONG DAVITA INC, S&P 500 STOCK INDEX, S&P 500 HEALTH CARE INDEX



	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08
DaVita Inc.	$100.0	$152.0	$194.8	$218.8	$216.7	$190.7
S&P 500 Stock Index	$100.0	$110.9	$116.3	$134.7	$142.1	$ 89.5
S&P 500 Health Care Index	$100.0	$101.7	$108.2	$116.4	$124.7	$ 96.3

Quantitative and Qualitative Disclosures about Market Risk

Interest rate sensitivity

The tables below provide information about our financial instruments that are sensitive to changes in interest rates. For our debt obligations the table presents principal repayments and current weighted average interest rates on our debt obligations as of December 31, 2008. The variable rates presented reflect the weighted average LIBOR rates in effect for all debt tranches plus margins in effect at the end of 2008 including the economic effects of our swap agreements. Term loan A and revolving line of credit interest rate margins are subject to adjustment depending upon changes in certain of our financial ratios including a leverage ratio. The margins currently in effect at December 31, 2008 were 1.50%. For our interest rate swap agreements, the table below presents the notional amounts by contract maturity date and the related interest rate terms of the agreements (to pay fixed rates, and to receive LIBOR).

	Expected maturity date								
	2009	2010	2011	2012	2013	Thereafter	Total	Fair Value	Average interest rate
	(dollars in millions)								
Long-term debt:									
Fixed rate	$ 3	$ 1	$ 1	$ 1	$901	$853	$ 1,760	$ 1,668	6.88%
Variable rate	$ 69	$ 89	$ 66	$1,706	$ 1	$ –	$ 1,931	$ 1,701	3.48%

	Notional amount	Contract maturity date					Pay fixed	Receive variable	Fair value
		2009	2010	2011	2012	2013			
	(dollars in millions)								
Swaps:									
Pay-fixed swaps	$790	$401	$389	$ –	$ –	$ –	3.08% to 4.70%	LIBOR	$(21.9)

Our Senior Secured Credit Facilities, which include the term loan A and the term loan B, consist of various individual tranches that can range in maturity from one month to twelve months and each specific tranche bears interest at a LIBOR rate that is determined by the maturity of that specific tranche. LIBOR-based interest rates are reset as each specific tranche matures and can fluctuate significantly depending upon market conditions including the credit and capital markets. Any increase in the LIBOR-based interest rates on the unhedged portion of our Senior Secured Credit Facilities, which totaled approximately $1.1 billion as of December 31, 2008 will have a negative impact on our overall earnings.

As of December 31, 2008, we maintained a total of nine interest rate swap agreements, with amortizing notional amounts totaling $790 million. These agreements had the economic effect of modifying the LIBOR-based variable interest rate on an equivalent amount of our debt to fixed rates ranging from 3.08% to 4.70%, resulting in an overall weighted average effective interest rate of 5.54% on the hedged portion of our Senior Secured Credit Facilities, including the term loan B margin of 1.50%. The swap agreements expire in 2009 through 2010 and require quarterly interest payments. During 2008, we accrued net cash obligations of $4.2 million from these swaps which is included in debt expense. As of December 31, 2008, the total fair value of these swaps was a liability of $21.9 million. During 2008, we recorded $10.4 million, net of tax, as a reduction to other comprehensive income for swap valuation losses, net of amounts reclassified into income.

As of December 31, 2008, the interest rates were economically fixed on approximately 41% of our variable rate debt and approximately 69% of our total debt.

As a result of the swap agreements, the overall weighted average effective interest rate on the Senior Secured Credit Facilities was 3.48%, based upon the current margins in effect of 1.50% as of December 31, 2008.

Our overall average effective interest rate during 2008 was 5.82%.

One means of assessing exposure to debt-related interest rate changes is a duration-based analysis that measures the potential loss in net income resulting from a hypothetical increase in interest rates of 100 basis points across all variable rate maturities (referred to as a "parallel shift in the yield curve"). Under this model, with all else constant, it is estimated that such an increase would have reduced net income by approximately $7.1 million, $5.5 million, and $6.8 million, net of tax, for the years ended December 31, 2008, 2007, and 2006, respectively.

Exchange rate sensitivity

We are currently not exposed to any foreign currency exchange rate risk.

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CORPORATE INFORMATION

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Fax: 310.536.2675
www.davita.com

Independent Registered
Public Accounting Firm
KPMG LLP
Seattle, Washington

Stock Registrar and Transfer Agent
The Bank of New York Mellon
New York, New York

Annual Meeting of Stockholders
Monday, June 15, 2009
Hyatt Regency San Francisco Airport
1333 Old Bayshore Highway
Burlingame, CA 94010

Common Stock Listing
New York Stock Exchange (NYSE)
Symbol: DVA

NYSE Certification
On July 9, 2008 the Company submitted to the NYSE a certification signed by the Chief Executive Officer that he was not aware of any violation by DaVita of the NYSE corporate governance listing standards.

Section 302 Certifications
Certifications of the Chief Executive Officer and Chief Financial Officer have been included as Exhibit 31 in DaVita's annual report on Form 10-K for the year ended December 31, 2008.

Form 10-K Request
For a free copy of DaVita's annual report on Form 10-K for the year ended December 31, 2008 please send a written request to LeAnne Zumwalt, Vice President at DaVita's corporate address.

Corporate Governance Guidelines
DaVita's corporate governance guidelines, Code of Ethics and Board Committee Charters are located on DaVita's website and can be obtained free of charge, upon request from LeAnne Zumwalt, Vice President at DaVita's corporate address.

DIRECTORS

Charles G. Berg
Executive Chairman
WellCare Health Plans, Inc.
Senior Advisor
Welsh, Carson, Anderson & Stowe

Former Chief Executive Officer
Oxford Health Plans, Inc.

Willard W. Brittain, Jr.
Chairman and Chief Executive Officer
Preod Corporation

Former Chief Operating Officer
PwC Consulting and PricewaterhouseCoopers LLP

Paul J. Diaz
President and Chief Executive Officer
Kindred Healthcare, Inc.

Former Managing Member
Falcon Capital Partners, LLC

Former Executive Vice President and
Chief Operations Officer
Mariner Health Group, Inc.

Peter T. Grauer
Chairman of the Board,
Chief Executive Officer and Treasurer
Bloomberg, Inc.

John M. Nehra
General Partner in affiliates of
New Enterprise Associates

Managing General Partner
Catalyst Ventures

William L. Roper, M.D.
Chief Executive Officer
University of North Carolina
Health Care System

Dean, School of Medicine
Vice Chancellor for Medical Affairs
University of North Carolina at Chapel Hill

Former Director
Centers for Disease Control and Prevention

Former Administrator
Centers for Medicare and Medicaid Services

Roger J. Valine
Former President and Chief Executive Officer
Vision Service Plan

Richard C. Vaughan
Chairman of the Audit Committee

Former Executive Vice President and
Chief Financial Officer
Lincoln Financial Group

Kent J. Thiry
Chairman of the Board and
Chief Executive Officer
DaVita Inc.

SECTION OFFICERS

Kent J. Thiry
Chairman of the Board and
Chief Executive Officer

Dennis Kogod
Chief Operating Officer

Richard K. Whitney
Chief Financial Officer

James K. Hilger
Vice President and Controller

Laura Mildenberger
Chief People Officer

Allen Nissenson
Chief Medical Officer

Georgina Randolph
Senior Vice President

Javier Rodriguez
Senior Vice President

David T. Shapiro
Chief Compliance Officer

Thomas O. Usilton, Jr.
Senior Vice President

LeAnne M. Zumwalt
Vice President

DaVita.

Headquarters
601 Hawaii Street
El Segundo, CA 90245

DaVita.com

Our Mission
To be the Provider,
Partner and Employer
of Choice

Core Values
Service Excellence
Integrity
Team
Continuous Improvement
Accountability
Fulfillment
Fun

DaVita Village Green
EARTH FRIENDLY KIDNEY CARE

Cover stock contains 100% post consumer waste (PCW). Body stock contains 30% PCW. This report is printed with low-VOC, vegetable-based inks on recycled sources in the USA.

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To be the Provider, Partner and Employer of Choice

2007 ANNUAL REPORT

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In the interest of our Stakeholders, we have kept the cost of this Annual Report to a minimum. For additional information about the Company, please visit our website at *www.davita.com* or contact LeAnne Zumwalt at DaVita's corporate address.

DaVita.

Dear Stakeholders:

I will first discuss our 2007 results, and then provide a few thoughts about the future.

In 2007 our:

- Clinical outcomes were once again among the best in the nation
- Operating profit grew significantly year over year, but we exited the year on a flat trajectory
- Cash flow was strong

Clinical Outcomes: DaVita and its affiliated physicians achieved strong performance again this year, and for the 7th straight year is proud to announce we achieved the best outcomes in our history. Here are some examples in the areas of access placement, nutrition, and kinetics/adequacy:

- As of year end 59% of our patients have had an arteriovenous fistula placed for dialysis,
- 83% of our patients achieved an albumin level of 3.5 or better, and
- 94% of our patients achieved a Kt/V of 1.2 or better.

Finally, our gross mortality rates continue to compare quite favorably to national averages.

Integration: This year marks a key milestone; all major areas of the Gambro integration were completed. In 2007, we completed the conversion of all of our Gambro facilities to our core billing platform while reducing DSO by 2 days. In addition, all of our dialysis centers and physicians, including those acquired from Gambro, are now using one clinical information system. The completion of the integration will allow us to focus on advancing the capabilities of our systems and mining data for one of the largest clinical renal databases in existence.

Treatment Growth: We provided 15.3 million dialysis treatments this year, a 5.7% increase from 2006. Our non-acquired growth was 4.6% year over year.

Cash Flow: In 2007, we had another strong cash flow year. Cash flow from operations was $533 million and free cash flow[1] was $421 million. These strong cash flows allowed us to repay $50 million of our term debt last year. Our end of year leverage ratio was 2.99 times debt to trailing 12 month earnings before interest and taxes, compared to 3.66 times one year earlier.

Earnings: Net income was $340[1] million and earnings per share were $3.17,[1] excluding after-tax gains from insurance settlements, the after-tax valuation gain on the Gambro Product Supply Agreement and after-tax gains on the sale of investment securities.

Public Policy: 2007 presented unique challenges to the kidney care community, including passage by the House of Representatives of some of the deepest cuts in Medicare funding for dialysis ever proposed. We continued our efforts to build strong relationships with key government stakeholders, including CMS and within Congress, and developed alternative reform proposals for consideration. In the end, Congress decided not to

take any action on dialysis reimbursement in 2007, which means we must endure rising operating costs in 2008 without any corresponding Medicare adjustment. We achieved a one-year extension in the authorization of Special Needs Plans, enabling the VillageHealth initiative to continue its operations through 2009. Our overall situation remains that we continue to lose money on the over 85% of our patients for whom the government is their primary payor.

Recognizing the critical importance of advocacy, we further expanded our support of grassroots action in 2007. DaVita Patient Citizens has over 20,000 members and undertook over 600 meetings at the federal and state levels. DaVita Nephrology Alliance, a physician advocacy organization, now has over 700 physician members and held over 70 meetings with Congress. Finally, DaVita centers and teammates engaged in more center visits by and meetings with federal and state officials than ever before, averaging more than 3 official visits and meetings for every workday of the year.

Private Pay Rates: We continue to experience rate pressure from the private sector but our unique strategic capabilities and leading patient outcomes provide our partners unique value. The reality is that payors are starting to realize that high quality outpatient care results in reduced hospitalizations and the fact that we have a more complete geographic network means they are able to work more closely with us to do even more to reduce hospitalizations.

We will work diligently to ensure the rates they pay are appropriate for the short time that they are responsible for payment.

Outlook: We will continue to invest in our strategic portfolio that is intended to position us to be the highest value provider of kidney care for all payors. In 2007, we made solid progress in refining our capability to improve the total health of patients and prevent many hospital admissions through preventive care. This capability allows us to help patients live longer healthier lives, helps reduce healthcare costs for Medicare and other payors, and creates an exciting opportunity for DaVita. We hope Congress does not stifle the emergence of the new care capabilities that could improve care and save taxpayers money.

Moreover, demand for our services continues to grow, and our cash flows remain distinctively stable.

Again this year, I would like to offer heartfelt thanks to our 31,000 teammates. Your resilience and tenacity in simultaneously meeting the needs of so many diverse constituencies is remarkable.

Respectfully submitted,

Kent J. Thiry
Chairman and CEO

(1) For reconciliation of non-GAAP financial measures to comparable GAAP measures, see our press release for the 4th Quarter and Year Ended 2007 Results, which is on our Website at www.davita.com.

Management's Discussion and Analysis of Financial Condition and Results of Operation

Forward looking statements

This Annual Report contains statements that are 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, revenue estimating risk and our related level of indebtedness on our financial performance, including earnings per share. 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 the regulatory environment in which we operate, economic and market conditions, competitive activities, other business conditions, accounting estimates, the concentration of profits generated from commercial payor plans, continued downward pressure on average realized payment rates from commercial payors and possible reductions in government payment rates, changes in the structure of and payment rates under the Medicare ESRD program which may further reduce Medicare payment rates, 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 and compliance with the corporate integrity agreement applicable to the dialysis centers acquired from Gambro Healthcare and assumed in connection with such acquisition, the resolution of ongoing investigations by various federal and state government agencies, and the risk factors set forth in this Annual Report. We base our forward-looking statements on information currently available to us, and we undertake no obligation to update or revise these statements, whether as a result of changes in underlying factors, new information, future events or otherwise.

The following should be read in conjunction with our consolidated financial statements.

Overview

We are a leading provider of dialysis services in the United States through a network of approximately 1,359 outpatient dialysis centers and 700 hospitals, serving approximately 107,000 patients in 43 states. In 2007, our overall network of dialysis centers increased by 59 centers primarily as a result of opening new centers and acquisitions and the overall number of patients that we serve increased by approximately 4%.

Our stated mission is to be the provider, partner and employer of choice. We believe our attention to these three areas, our patients, our business partners, and our teammates, represents the major drivers of our potential long term success, although we are subject to the impact of external factors such as government policy and physician practice patterns. Accordingly, two principal non-financial metrics we track are quality clinical outcomes and teammate turnover. We have developed our own composite index for measuring improvements in our clinical outcomes, which we refer to as the DaVita Quality Index, or DQI. Our clinical outcomes as measured by DQI have improved over each of the past three years, and we are pleased with our 2007 clinical outcomes. Although it is difficult to reliably measure clinical performance across our industry, we believe our clinical outcomes compare favorably with other dialysis providers in the United States. In addition, over the past couple of years we have achieved reductions in teammate turnover, which have been a major contributor to our clinical performance improvements. We will continue to focus on these fundamental long-term value drivers.

Approximately 97% of our revenues currently derived directly from providing dialysis and dialysis related services, such as laboratory services (collectively dialysis revenue). Eighty-two percent of our dialysis revenue is derived from outpatient hemodialysis services in 1,336 centers that we consolidate that are either wholly-owned

or majority-owned. Other dialysis services, which are operationally integrated with our dialysis operations, are peritoneal dialysis, home-based hemodialysis, and hospital inpatient hemodialysis services, which combined accounted for approximately 15% of our dialysis revenue, and the remaining 3% of our dialysis revenue was from laboratory services.

Our other operations include various ancillary services and strategic initiatives consisting primarily of infusion therapy services, oral pharmacy services, vascular access services, disease management services and special needs plans, ESRD clinical research programs, and management and administration services to noncontrolling owned and third-party owned centers and clinics, as further described in Item 1 in this Form 10-K. These ancillary services and strategic initiatives are primarily aligned with our core business of providing dialysis services to our patients. These services generated approximately 3% of our total net revenues in 2007. We currently expect to continue to invest in our ancillary services and strategic initiatives as we work to develop strategically successful new business operations. However, significant changes in market conditions, business performance or in the regulatory environment may ultimately impact or continue to impact the economic viability of these strategic initiatives. Any unfavorable changes could result in a write-off of some or all of our investments in these strategic initiatives.

The principal drivers of our dialysis revenue are: (a) the number of treatments, which is primarily a function of the number of chronic patients requiring three treatments per week, as well as the number of treatments for peritoneal dialysis services and home-based dialysis and hospital inpatient dialysis services, (b) average dialysis revenue per treatment revenue and c) laboratory patient testing. The total patient base is a relatively stable factor, influenced by a demographically growing need for dialysis services, our relationships with referring physicians together with the quality of our clinical care, and our ability to open and acquire new centers. Our year-over-year treatment volume growth was 5.7% in 2007.

Average dialysis revenue per treatment is principally driven by our mix of commercial and government (principally Medicare and Medicaid) patients, the mix and intensity of physician-prescribed pharmaceuticals, commercial and government payment rates, dialysis services charge-capture, and our billing and collecting operations performance.

On average, payment rates from commercial payors are generally significantly higher than Medicare and Medicaid payment rates, and therefore the percentage of commercial patients to total patients represents a major driver of our total average revenue per treatment.

The following table summarizes our dialysis revenue and patient percentages by payor type for the year ended December 31, 2007:

	Revenues	Patient Percentages
Medicare and Medicare-assigned HMO plans	58%	80%
Medicaid	4%	5%
Other government-based programs	2%	2%
Total government-based programs	64%	87%
Commercial	36%	13%
Total dialysis revenue	100%	100%

Government payment rates are principally determined by federal (Medicare) and state (Medicaid) policy. These payment rates have limited potential for rate increases and are sometimes at risk of being reduced. Cumulative net increases in Medicare payment rates from 1990 through 2007 totaled approximately 10%. There were no Medicare payment rate increases for 2003 and 2004. CMS implemented increases of 1.6% on April 1, 2007, January 1, 2006 and January 1, 2005, however the 2005 increase was more than offset by other structural

changes to Medicare dialysis payment rates that also became effective January 1, 2005. Medicaid rates in some states have been under severe budget pressures. Commercial rates can vary significantly and a major portion of our commercial rates are at contracted amounts with major payors and are subject to intense negotiation pressure. Over the past several years we were successful in maintaining relatively stable average payment rates in the aggregate for patients with commercial plans, in addition to obtaining periodic fee schedule increases. However, we are continuously in the process of negotiating agreements with our commercial payors and certain payors have become increasingly aggressive in their negotiations. In the fourth quarter of 2007, our overall commercial rate reductions were in excess of our overall commercial rate increases. We continue to expect downward pressure from payors on our contracted commercial payment rates as a result of general market conditions, recent and future consolidations among commercial payors, increased focus on dialysis services and other factors. In addition, payors have been attempting to impose restrictions and limitations on non-contracted or out-of-network providers, which could further decrease our commercial rate revenues.

Slightly more than 30% of our dialysis revenue for the year ended December 31, 2007, has been associated with physician-prescribed pharmaceuticals, with EPO accounting for slightly more than 20% of our dialysis revenue. Therefore, changes in physician practice patterns, pharmaceutical protocols, pharmaceutical intensities and changes in private and governmental payment rates for EPO significantly influence our revenue levels. For example, in July 2007, CMS implemented a new reimbursement methodology for EPO which decreased our dialysis revenue per treatment and effective January 2008, changes to the EPO monitoring policy went into effect which further limit reimbursement and which have impacted the prescribing habits of our physicians. Such changes, as well as the reduction in some of our contracted commercial payment rates negatively impacted our average dialysis revenue per treatment in 2007.

Our operating performance with respect to dialysis services charge-capture and billing and collection can also be a significant factor in how much average dialysis revenue per treatment we actually realize. Over the past several years we have invested heavily in new systems and processes that we believe have helped improve our operating performance and reduced our regulatory compliance risks and we expect to continue to improve these systems. In 2007, we began integrating our billing systems into one system. Systems upgrades will continue in 2008 and could impact our collection performance as well as our dialysis revenue per treatment.

Our revenue recognition involves significant estimation risks. Our estimates are developed based on the best information available to us and our best judgment as to the reasonably assured collectibility of our billings as of the reporting date. Changes in estimates are reflected in the then-current period financial statements based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies.

Our annual average dialysis revenue per treatment including lab services for continuing operations was approximately $334, $330 and $323 for 2007, 2006, and 2005, respectively. The increase in our average dialysis revenue per treatment in 2007 was primarily due to an increase in our standard fee schedules (principally impacting non-contracted commercial revenue) and an increase in the Medicare composite rate, partially offset by a decrease in the government reimbursement for pharmaceuticals associated with the new CMS reimbursement rates for EPO, and a decrease in intensities of physician-prescribed pharmaceuticals. In 2006, average dialysis revenue per treatment was impacted by increases in our standard fee schedules (principally impacting non-contracted commercial revenue) and changes in our commercial and government payor mix, as well as changes in the intensity of physician-prescribed pharmaceuticals. Our ability to negotiate acceptable payment rates with contracted and non-contracted commercial payors, changes in the mix and intensities of physician-prescribed pharmaceuticals, government payment policies regarding reimbursement amounts for dialysis treatments and pharmaceuticals, and changes in the mix of government and non-government payments may materially impact our average dialysis revenue per treatment in the future.

The principal drivers for our patient care costs are clinical hours per treatment, labor rates, vendor pricing of pharmaceuticals, and business infrastructure and compliance costs. However, other cost categories can also represent significant cost changes, such as employee benefit costs and insurance costs. Our average clinical hours

per treatment have remained stable over the past couple of years primarily because of improved efficiencies driven by reduced teammate turnover and improved training and processes. We believe there is limited opportunity for productivity improvements beyond the levels previously achieved, and changes in federal and state policies can adversely impact our ability to achieve optimal productivity levels. In 2007, our clinical hours per treatment remained stable compared to 2006, however, we did experience an increase in our labor rates per treatment of approximately 3%, as labor rates have increased consistent with general industry trends, mainly due to the demand for skilled clinical personnel, along with general inflation increases. For the past several years we have been able to negotiate relatively stable pharmaceutical pricing with our vendors. In addition, our agreement with Amgen for the purchase of EPO provides for specific rebates off of list price and discount pricing based on process improvement and data submission and some combination of these factors, which could negatively impact our earnings if we are unable to qualify for these rebates and discounts. In 2007, we experienced an increase in our infrastructure and operating costs of our dialysis centers, primarily due to general increases in rent and repairs and maintenance.

General and administrative expenses have remained relatively constant as a percent of total revenues over the past three years. However, this reflects a substantial increase in the dollar amount of spending related to strengthening our business and regulatory compliance processes as well as legal and other professional fees. We expect that the level of general and administrative expenses will be sustained or possibly increased in 2008, in order to continue to support our long-term initiatives, including further investments in our ancillary services and strategic initiatives, and to support our efforts to achieve the highest levels of regulatory compliance.

Outlook for 2008. Our operating income guidance for 2008, excluding the impact of any potential Medicare legislation, is still projected to be in the range of $790-$850 million; however, we continue to believe that operating income is more likely to be in the lower end of the range for 2008. We are entering into a period of unusual earnings uncertainty. Therefore, the guidance range for 2008 does not capture as high a percentage of the potential outcomes as usual. These projections and the underlying assumptions involve significant risks and uncertainties, and actual results may vary significantly from these current projections. These risks and uncertainties include those relating to the concentration of profits generated from commercial payor plans, continued downward pressure on average realized payment rates from commercial payors and possible reductions in government payment rates, changes in the structure of and payment rates under Medicare ESRD program which may further reduce Medicare payment rates, 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 and compliance with the corporate integrity agreement applicable to the dialysis centers acquired from Gambro Healthcare and assumed in connection with such acquisition, and the resolution of ongoing investigations by various federal and state government agencies. You should read "Risk Factors" in this Annual Report and the cautionary language contained in the forward looking statements and associated risks as discussed on page three for more information about these and other potential risks. We undertake no obligation to update or revise these projections, whether as a result of changes in underlying factors, new information, future events or otherwise.

Results of operations

Following is a summary of operating results for reference in the discussion that follows.

Continuing Operations	Year ended December 31, 2007		2006		2005	
	(dollar amounts rounded to nearest million, except per treatment data)					
Net operating revenues:						
Current period services	$ 5,264	100%	$ 4,881	100%	$ 2,970	100%
Prior years' services—laboratory	—		—		4	
	5,264		4,881		2,974	
Operating expenses and charges:						
Patient care costs	3,590	68%	3,390	70%	2,036	69%
General and administrative	491	9%	454	9%	272	9%
Depreciation and amortization	193	4%	173	4%	117	4%
Provision for uncollectible accounts	137	3%	126	2%	62	2%
Minority interests and equity income, net	45	1%	36	1%	22	1%
Valuation gain on alliance and product supply agreement	(55)	(1)%	(38)	(1)%	—	
Total operating expenses and charges	4,402	84%	4,141	85%	2,509	85%
Operating income	$ 862	16%	$ 739	15%	$ 465	16%
Dialysis treatments	15,318,995		14,495,796		9,044,966	
Average dialysis treatments per treatment day	48,942		46,372		28,898	
Average dialysis revenue per treatment	$ 324		$ 320		$ 313	
Average dialysis revenue per treatment (including the lab)	$ 334		$ 330		$ 323	

The operating results of DVA Renal Healthcare are included in our operating results from October 1, 2005. Our operating income margins, increased to 16.4% in 2007 from 15.2% in 2006, primarily due to increases in revenue, an increase in the valuation gain on the alliance and product supply agreement, along with lower benefit costs, lower self-insurance costs, as well as a reduction in integration expenditures.

Net operating revenues

Net operating revenues for current period services increased by approximately 8% in 2007, as compared to 2006 and increased by approximately 64% in 2006, as compared to 2005. The increase in net operating revenues in 2007 was primarily due to an increase of approximately 5% in the number of dialysis treatments, and an increase of approximately 3% in the average dialysis revenue per treatment, additional lab revenue and an increase in revenue from our ancillary services and strategic initiatives. The increase in the number of dialysis treatments in 2007 was primarily due to non-acquired growth from existing and new centers and from acquisitions. Our average dialysis revenue per treatment of approximately $334 increased by approximately $4 in 2007 as compared to 2006.

The increase in net operating revenues in 2006 was primarily due to the number of dialysis treatments, which accounted for approximately 57% of the increase in revenues, primarily due to the acquisition of DVA Renal Healthcare effective on October 1, 2005 and the balance from acquisitions and growth in existing and new centers. The remaining 7% increase in total net operating revenues in 2006 was due to increases in the average dialysis revenue per treatment and additional management fees and revenues from ancillary services and strategic initiatives.

Dialysis revenue, which includes dialysis services and related laboratory services, represented approximately 97%, 98% and 98% of net operating revenues in 2007, 2006, and 2005, respectively. Ancillary services and strategic initiatives, including management fee income, accounted for the balance of our total revenues.

Dialysis Services

Dialysis revenue.

The following table summarizes our dialysis revenue by source for the year ended December 31, 2007.

	Revenue Percentages
Outpatient hemodialysis centers	82%
Peritoneal dialysis and home-based hemodialysis	9%
Hospital inpatient hemodialysis	6%
Laboratory services	3%
Total dialysis revenue	100%

Major components of dialysis revenue include both the administration of EPO and other pharmaceuticals as part of the dialysis treatment, which represents slightly more than 30% of total dialysis revenue.

Approximately 64% of our total dialysis revenue for the year ended December 31, 2007 is from government-based programs, principally Medicare, Medicaid, and Medicare Advantage Plans, representing approximately 87% of our total patients. Our commercial payors consist principally of commercial insurance plans, including more than 1,100 with whom we have contracted rates. Approximately 36% of our dialysis revenue is associated with commercial payors. Approximately 1% of our dialysis services and related dialysis services payments are received directly from patients. No single commercial payor accounted for more than 5% of total dialysis revenue for the year ended December 31, 2007.

On average we are generally paid significantly more for services provided to patients covered by commercial healthcare plans than we are for patients covered by Medicare or Medicaid. Patients covered by employer group health plans transition to Medicare coverage after a maximum of 33 months. As of December 31, 2007, the Medicare ESRD dialysis treatment rates for our patients were between $149 and $165 per treatment, or an overall average of $157 per treatment, excluding the administration of separately billed pharmaceuticals. Medicare payment rates are insufficient to cover our patient care costs associated with providing dialysis treatments, and therefore we lose money on each Medicare treatment.

Our net earnings from dialysis services are derived from commercial payors, some of which pay at negotiated payment rates and others of which pay based on our usual and customary fee schedule. Our contracted commercial payment rates are under downward pressure as we negotiate contract rates with large HMOs and insurance carriers and we expect this trend to continue into 2008. In the fourth quarter of 2007, our overall commercial rate reductions were in excess of our overall commercial rate increases,. Additionally, as a patient transitions from commercial coverage to Medicare or Medicaid coverage, the payment rates normally decline substantially.

Our year-over-year treatment volume growth was as follows:

	2007	2006
Treatment growth related to:		
Existing and newly opened centers	4.6%	4.8%
Other center acquisitions	1.1%	4.0%
DVA Renal Healthcare acquisition effective 10/1/05	— %	51.5%
Total treatment growth	5.7%	60.3%

The annual average dialysis revenue per treatment, including lab services, for continuing operations was approximately $334, $330 and $323 for 2007, 2006, and 2005, respectively. The increase in our average dialysis revenue per treatment in 2007 was primarily due to an increase in our standard fee schedules (principally impacting non-contracted commercial revenue) and an increase in the Medicare composite rate, partially offset by a decrease in the government reimbursement for pharmaceuticals associated with the new CMS reimbursement rates for EPO, and a decrease in intensities of physician-prescribed pharmaceuticals. In 2006, the average revenue per treatment was impacted by increases in our standard fee schedules (principally impacting non-contracted commercial revenue), and changes in our commercial and government payor mix, as well as changes in the intensity of physician-prescribed pharmaceuticals. Our ability to negotiate acceptable payment rates with contracted and non-contracted commercial payors, changes in the mix and intensities of physician-prescribed pharmaceuticals, government payment policies regarding reimbursement amounts for dialysis treatments and pharmaceuticals, and changes in the mix of government and non-government payments may materially impact our average revenue per treatment in the future.

Lab revenues. Lab revenues represented approximately 3% of our total net operating revenues for 2007 and 2006.

A third-party carrier review of Medicare claims associated with our Florida-based laboratory was initiated in 1998. No Medicare payments were received for our lab services from the second quarter of 1998 until the third quarter of 2002 while we were appealing the Medicare payment withholds. Following a favorable administrative law judge ruling in 2002, we began receiving prior year Medicare payments in the third quarter of 2002, and received a total of approximately $91 million prior to 2005, and $4 million in 2005. There are no further significant unresolved Medicare lab billing issues.

Ancillary services and strategic initiatives

Ancillary services and strategic initiatives, including management fees, represented approximately 3% of our total net operating revenues in 2007 and approximately 2% in 2006. The increase in ancillary services and strategic initiative revenues were the result of the acquisition of HomeChoice Partners, an infusion therapy company, as well as growth in our pharmacy, vascular access and disease management businesses.

Management fee income. Management fee income is included as part of our revenue from ancillary services and strategic initiatives, and represented less than 1% of net operating revenues for 2007 and 2006. We operated or provided administrative services to 23 and 38 third-party or non-controlled dialysis centers as of December 31, 2007 and 2006, respectively. We also provided management and administrative services to 48 and 30 physician-owned vascular access clinics at December 31, 2007 and 2006, respectively. Our management fees are principally based on a percentage of the revenue or cash collections of the managed operations, or upon a percentage of operating income. In November 2007, one of our management and administrative services agreements was terminated, pursuant to which we provided management and administrative services to 20 dialysis centers.

Operating expenses and charges

Patient care costs. Patient care costs are those costs directly associated with operating and supporting our dialysis centers and ancillary operations, and consist principally of labor, pharmaceuticals, medical supplies and facility costs. As a percentage of current period operating revenues, patient care costs were approximately 68.2% for 2007, 69.5% for 2006 and 68.5% for 2005. On a per-treatment basis, patient care costs were flat in 2007 as compared to 2006 and increased by approximately $9 in 2006. The 2007 patient care costs were impacted by an increase in labor costs, higher operating costs of our dialysis centers, as well as an increase in our stock-based compensation expense, offset by a decrease in employee benefit costs and workers compensation, lower intensities of physician-prescribed pharmaceuticals and a reduction in our professional and general liability insurance costs. The increase in 2006 was principally due to higher labor and benefit costs, increases in expenses

related to our strategic initiatives and an increase in the intensities of physician-prescribed pharmaceuticals. The higher labor costs in 2007 and 2006 reflect rising labor rates mainly due to the demand for skilled clinical personnel and the effect of the increase in the number of newly opened centers, which are not yet at normal productivity levels.

General and administrative expenses. General and administrative expenses consist of those costs not specifically attributable to the dialysis centers, or the direct costs associated with our ancillary services and strategic initiatives, and include expenses for corporate and divisional administration, including centralized accounting, billing and cash collection functions, and regulatory compliance oversight. General and administrative expenses as a percentage of current period operating revenues were 9.3%, 9.3%, and 9.2% in 2007, 2006, and 2005, respectively. The absolute dollar increase in general and administrative expense for 2007 was primarily due to higher labor costs, professional fees for legal and compliance initiatives and government investigations, stock-based compensation expense under SFAS No. 123(R), and the timing of certain expenditures, partially offset by lower integration costs related to the DVA Renal Healthcare acquisition. The absolute dollar increase in general and administrative expense for 2006 was primarily due to higher labor and benefit costs, professional fees for legal and compliance initiatives and government investigations, integration costs associated with the DVA Renal Healthcare acquisition and stock-based compensation expense under SFAS No. 123(R).

Depreciation and amortization. Depreciation and amortization was approximately 4% of current period operating revenues for each of the past three years. The absolute dollar increase in depreciation and amortization in 2007 was primarily due to additional centers from acquisitions and newly opened centers. The absolute dollar increase in 2006 was also due to additional centers from acquisitions and newly opened centers, as well as amortization of intangible assets associated with the DVA Renal Healthcare acquisition, offset by the amortization of the Alliance and Product Supply Agreement as described below.

Provision for uncollectible accounts. The provision for uncollectible accounts receivable was 2.6% for 2007 and 2006 and is expected to remain stable in 2008. The provision for uncollectible accounts receivable was approximately 2.1% of current period operating revenues for the full year 2005.

Minority interests and equity income, net. Minority interests net of equity income increased by approximately $10 million in 2007, and increased by approximately $14 million in 2006. The increases for both years were primarily due to an increase in new dialysis centers having minority partners, growth in the earnings of our joint ventures and an increase in non-wholly-owned subsidiaries.

Product Supply Agreement. We entered into an Alliance and Product Supply Agreement (Product Supply Agreement) with Gambro AB and Gambro Renal Products, Inc. on October 5, 2005, in conjunction with our acquisition of DVA Renal Healthcare. The agreement committed us to purchase a significant majority of our hemodialysis products, supplies and equipment at fixed prices through 2015. The agreement was amended on August 25, 2006 (the Amended Product Supply Agreement) to reduce our purchase obligations for certain hemodialysis product supplies and equipment and to allow for the termination of purchase obligations for certain equipment then affected by an import ban issued by the U.S. Food and Drug Administration (FDA) if the import ban was not lifted by June 30, 2007.

As a result of the reductions in the amount of purchase obligations required under the Amended Product Supply Agreement, we recorded a net valuation gain of $38 million during 2006. This valuation gain represents the difference in the amortized original fair value between the Product Supply Agreement and that of the Amended Product Supply Agreement, as of the effective date of the amendment.

On July 2, 2007, we notified Gambro Renal Products, Inc. that we were electing to be permanently relieved of our obligation under the Amended Product Supply Agreement to purchase dialysis machines (the Affected Products) because the Affected Products remained subject to the FDA import ban after June 30, 2007. All other

purchase obligations under the Amended Product Supply Agreement, which continues to require us to purchase a significant majority of our hemodialysis non-equipment product supplies, such as dialyzers, at fixed prices, remain in place.

As a result of the termination of our purchase obligations for the Affected Products, we recorded a net valuation gain of $55 million in 2007. This valuation gain represents the difference in the amortized original fair value of the Amended Product Supply Agreement and that of the Amended Product Supply Agreement as adjusted for the termination of the Affected Products as of June 30, 2007.

Impairments and valuation adjustments. We perform impairment or valuation reviews for our property and equipment, amortizable intangibles, investments in and advances to third-party dialysis businesses, and our ancillary services and strategic initiatives at least annually and whenever a change in condition indicates that a review is warranted. Such changes include shifts in our business strategy or plans, the quality or structure of our relationships with our partners, or when a center experiences deteriorating operating performance. Goodwill is also assessed at least annually for possible valuation impairment using fair value methodologies. No significant impairments or valuation adjustments were recognized during the periods presented.

Debt expense

Debt expense for 2007, 2006, and 2005 consisted of interest expense of approximately $243 million, $263 million, and $134 million, respectively, amortization of deferred financing costs of approximately $10 million in 2007, $10 million in 2006, and $5 million in 2005, and in 2007 and 2006, included the write-off of approximately $4 million and $3 million of deferred financing costs associated with the principal prepayments on our term loans. The decrease in interest expense in 2007 as compared to 2006 was primarily attributable to lower average outstanding principal balances during 2007 under our Senior Secured Credit Facilities, as a result of principal prepayments, and decreases in the LIBOR-based variable interest rates on the unhedged portion of our debt. Our overall weighted average interest rate in 2007 was 6.49% as compared to 6.64% in 2006. The increase in interest expense in 2006 as compared to 2005 was primarily attributable to additional borrowings outstanding during 2006 under our Senior Secured Credit Facilities, the increase in the average outstanding balances of our senior and senior subordinated notes, which were issued in March 2005, and increases in the LIBOR-based variable interest rates on the unhedged portion of our debt.

Other income

Other income, net was approximately $22 million, $13 million, and $9 million for 2007, 2006, and 2005, respectively, consisted principally of interest income. The increase in other income in 2007 and 2006 was primarily due to an increase in our cash and investments. The increase in 2007 was also due to gains on sale of investments.

Provision for income taxes

The provision for income taxes for 2007 represented an effective annualized tax rate of 39.2%, compared with 39.2% and 37.4% in 2006 and 2005, respectively. The changes in the effective tax rates in 2006 were primarily due to state income taxes and tax valuation allowance adjustments. We currently project that the effective income tax rate for 2008 will be in the range of 39.0% to 40.0%.

Accounts receivable

Our accounts receivable balances at December 31, 2007 and 2006 represented approximately 66 and 70 days of revenue, respectively, net of bad debt provision. The relative decrease in the days of net revenue in accounts receivable as of December 31, 2007 was a result of improved cash collections.

As of December 31, 2007 approximately $23 million in unreserved accounts receivable, representing approximately 2% of our total accounts receivable balance, were more than six months old. There were no significant unreserved balances over one year old. Approximately 1% of our treatments are classified as "patient pay". Virtually all revenue realized is from government and commercial payors, as discussed above.

Amounts pending approval from third-party payors as of December 31, 2007 and 2006, other than the standard monthly processing, consisted of approximately $31 million and $16 million, respectively, associated with Medicare bad debt claims, classified as "other receivables". Currently, our Medicare bad debt claims are typically paid to us before the Medicare fiscal intermediary audits the claims. However, the payment received from Medicare is subject to adjustment based upon the actual results of the audits. Such audits typically occur one to four years after the claims are filed. As a kidney dialysis provider, our revenue is not subject to cost report settlements except for potentially limiting the collectibility of Medicare bad debt claims.

DVA Renal Healthcare acquisition

On October 5, 2005, we completed our acquisition of DVA Renal Healthcare, Inc. from Gambro, Inc. under a stock purchase agreement dated December 6, 2004, for $3.06 billion. DVA Renal Healthcare was one of the largest dialysis service providers in the United States, operating 566 outpatient dialysis centers serving approximately 43,000 patients and generating annual revenues of approximately $2 billion. The operating results of DVA Renal Healthcare are included in our consolidated financial statements from October 1, 2005.

Divestitures per Federal Trade Commission Consent Order. As a condition of completing the DVA Renal Healthcare acquisition, we were required by the Federal Trade Commission to divest a total of 69 outpatient dialysis centers and to terminate two management services agreements. On October 6, 2005, DaVita and DVA Renal Healthcare completed the sale of 71 outpatient renal dialysis centers, and terminated the two management services agreements. In addition, effective January 1, 2006, we completed the sale of three additional centers to Renal Advantage, Inc. that were previously pending state regulatory approval in Illinois. We received total cash consideration of approximately $330 million for all of the centers divested and used approximately $13 million to purchase the minority interest ownership of a joint venture, to distribute a minority owner's share of the sale proceeds, and to pay related transaction costs. We also paid related income taxes of approximately $85 million on these divestitures during the first quarter of 2006. As part of this transaction, Renal Advantage assumed specific liabilities related to the centers and all other liabilities were retained by us. See Note 19 to the Consolidated Financial Statements.

The operating results of the historical DaVita divested centers are accounted for as discontinued operations in our consolidated financial statements for 2005.

Liquidity and capital resources

Available liquidity. As of December 31, 2007 our cash balance was $447 million and we had undrawn Senior Secured Credit Facilities totaling $250 million, of which approximately $41 million was committed for outstanding letters of credit. We also had other undrawn revolving lines of credit totaling $7.2 million associated with several of our joint ventures. We believe that we will have sufficient liquidity, operating cash flows and access to borrowings to fund our scheduled debt service and other obligations for the foreseeable future. Our primary sources of liquidity are cash from operations and cash from borrowings.

Cash flow from operations during 2007 amounted to $533 million, compared with $520 million for 2006. Cash flow from operations in 2007 included cash interest payments of approximately $245 million and cash tax payments of $206 million. Cash flow from operations in 2006 included an income tax payment of approximately $85 million associated with the divestiture of certain centers in conjunction with the DVA Renal Healthcare acquisition, and cash interest payments of $272 million and other cash tax payments of $125 million. Non-operating cash outflows in 2007 included $272 million for capital asset expenditures, including $162 million for new center developments and relocations, and an additional $127 million for acquisitions.

During 2007 we also received $37 million from the maturity and sale of investments as well as an additional $88 million associated with stock option exercises and other share issuances and the related excess tax benefits. We also repurchased 0.1 million shares of our common stock for approximately $6.4 million. Non-operating cash outflows in 2006 included $263 million for capital asset expenditures, including $143 million for new center developments and relocations, and an additional $87 million for acquisitions. In 2006, we received approximately $22 million for the sale of discontinued operations and asset sales. During 2007, we acquired a total of 16 dialysis centers, opened 64 new dialysis centers, sold or closed 6 centers, and discontinued providing management and administrative services to 21 centers. We also acquired a 50% noncontrolling ownership interest in a joint venture that operates six dialysis centers. During 2006 we acquired a total of 26 dialysis centers, including two centers that we previously held a minority owned interest, opened 55 new dialysis centers and divested, sold or closed 14 centers.

We currently expect to spend approximately $120 million for general maintenance capital asset expenditures in 2008, and approximately $200 million for new center development, relocations and center acquisitions. Our current projections include opening approximately the same number of centers in 2008 that we opened in 2007. We expect to generate approximately $480 million to $530 million of operating cash flow in 2008.

2007 capital structure changes and other capital items.

Our Senior Secured Credit Facilities are guaranteed by substantially all of our direct and indirect wholly-owned subsidiaries and are secured by substantially all of our and our subsidiary guarantors' assets. The Senior Secured Credit Facilities also contain customary affirmative and negative covenants and require compliance with financial covenants, including an interest rate coverage ratio and a leverage ratio that determines the interest rate margins on term loan A and the revolving line of credit. The Senior Secured Credit Facilities in general also contain limits on the general amount of capital expenditures for internal growth, acquisitions and capital improvements, see discussion below, as well as limits on the amount of tangible net assets for non-guarantor subsidiaries.

During 2007, we made principal payments totaling $50 million on term loan A and $400 million on term loan B. The term loan B payment was made from the proceeds of issuing new senior notes as discussed below. These principal payments were prepayments. As a result of the principal prepayment made in 2007 we wrote off a total of $4.4 million of deferred financing costs, which is included in debt expense.

Term Loan A

On February 27, 2007, our interest rate margin on term loan A was reduced by 0.25% as a result of achieving certain financial ratios as defined in the Senior Secured Credit Facilities. Term loan A currently bears interest at LIBOR plus a margin of 1.50%, for an overall effective rate of 6.35% at December 31, 2007. The interest rate margin is subject to adjustment depending upon certain financial conditions and could range from 1.50% to 2.25%. Term loan A matures in October 2011 and requires annual principal payments of $14.9 million in 2008, $61.3 million in 2009, $87.5 million in 2010 and $65.6 million in 2011, respectively.

Term Loan B

On February 23, 2007, we amended and restated our existing Senior Secured Credit Facilities to, among other things, reduce the interest rate margin on term loan B by 0.50%, and to amend certain financial covenants. The amended term loan B bears interest at LIBOR plus a margin of 1.50%, for an overall effective rate of 5.80%, including the impact of our swap agreements, except for the forward interest rate swap agreements, as of December 31, 2007. Other terms that were changed included the amount by which we can elect to increase the revolving and term loan commitments from $500 million to $750 million and certain limitations on purchases, redemptions or acquisitions of capital stock, the payment of dividends and distributions in cash. Further,

limitations on capital expenditures for internal growth will not apply during the periods in which our leverage ratio is less than 3.5:1. Our leverage ratio as of December 31, 2007 was less than 3.5:1. We incurred financing costs of $1.8 million which were deferred and also expensed $0.2 million of other costs in connection with this transaction. Term loan B matures in October 2012 and requires principal payments of $1.7 billion in year 2012.

Senior and Senior Subordinated Notes

On February 23, 2007, we issued $400 million of 6⅝% senior notes due 2013 in a private offering, realizing $405 million in proceeds, which included a $5 million premium, and incurred $2.7 million in related deferred financing costs. These senior notes are part of the same series of debt securities as the $500 million aggregate principal amount of 6⅝% senior notes that were issued in March 2005. The effective interest rate for the $400 million of 6⅝% senior notes is 6.45%. The senior notes are guaranteed by substantially all of our direct and indirect wholly-owned subsidiaries and require semi-annual interest payments which began March 15, 2007. The senior notes may be redeemed by us in whole or part at any time on or after March 15, 2009, at certain specified prices. We used $400 million of these proceeds to pay down our term loan B as discussed above.

Our senior and senior subordinated notes, as of December 31, 2007, consisted of $900 million of 6⅝% senior notes due 2013 and $850 million of 7¼% senior subordinated notes due 2015. The notes are guaranteed by substantially all of our direct and indirect wholly-owned subsidiaries and require semi-annual interest payments in March and September. We may redeem some or all of the senior notes at any time as described above and some or all of the senior subordinated notes at any time on or after March 15, 2010.

Interest rate swaps

As of December 31, 2007, we maintained a total of nine interest rate swap agreements with amortizing notional amounts totaling $968 million. These agreements had the economic effect of modifying the LIBOR-based variable interest rate on an equivalent amount of our debt to fixed rates ranging from 3.08% to 4.27%, resulting in an overall weighted average effective interest rate of 5.37% on the hedged portion of our Senior Secured Credit Facilities, including the term loan B margin of 1.50%. The swap agreements expire in 2008 through 2010 and require quarterly interest payments. In addition, we maintain two forward interest rate swap agreements with notional amounts totaling $200 million. These forward interest rate swaps will have the economic effect of modifying the LIBOR-based interest rates to fixed rates of 4.05% and 4.70% on our term loan B outstanding debt. These forward interest rate swaps agreements take effect September 30, 2008, require quarterly interest payments beginning in December 2008, and expire in 2010. During 2007, 2006, and 2005 we accrued net cash benefits (obligations) of approximately $14.5 million, $15.8 million, and $(0.3) million, respectively from these swaps, which are included in debt expense. During 2005, we also incurred additional net cash obligations of $1.5 million from these swaps, which is included in swap valuation gains. We estimate that approximately $0.5 million of existing unrealized pre-tax losses in other comprehensive income at December 31, 2007 will be reclassified into income in 2008. As of December 31, 2007 and 2006, the total fair value of these swaps was a net liability of $0.5 million, and an asset of $29.5 million, respectively. The 2007 amount was primarily included in other long-term liabilities and the 2006 amount was primarily included in other long-term assets. Also during 2007 and 2006, we recorded $16.0 million and $1.8 million, respectively, net of tax, as reductions to other comprehensive income for valuation losses, net of amounts reclassified into income.

As of December 31, 2007, we had approximately 50% of our variable rate debt and approximately 74% of our total debt economically fixed.

As a result of the swap agreements, our overall effective weighted average interest rate on the Senior Secured Credit Facilities was 5.90%, based upon the current margins in effect of 1.50%, as of December 31, 2007.

At December 31, 2007, our overall average effective interest rate was 6.37%.

NxStage Agreement

On February 7, 2007, we entered into a National Provider Agreement with NxStage, Inc. The agreement provides us the ability to purchase NxStage home-based hemodialysis products at a potential discount depending upon the achievement of certain volume targets. The agreement has an initial term of three years, terminating on December 31, 2009, and may be extended in six-month increments up to two additional years if certain volume targets are met. As a part of the agreement, we purchased outright all of our NxStage System One equipment then in use for $5.1 million, and will purchase a majority of our future home-based hemodialysis equipment and supplies from NxStage. In connection with the provider agreement, we purchased two million shares of NxStage common stock in a private placement offering for $20 million, representing an ownership position of approximately 7%. We subsequently sold our NxStage Inc. shares, in the second and third quarters of 2007 for approximately $25.9 million and recognized a pre-tax gain of $5.9 million or $3.6 million after tax. This pre-tax gain is included in other income.

Stock-based compensation and other equity matters

Effective January 1, 2006, we implemented Statement of Financial Accounting Standards (SFAS) No. 123(R) *Share-Based Payment*, which requires the measurement and recognition of cost for all stock-based awards made to employees and directors, including stock options, stock appreciation rights, stock units, and discounted employee stock purchases. Under SFAS No. 123(R) our stock-based compensation awards are measured at estimated fair value on the date of grant and recognized as compensation expense over their requisite service periods. SFAS No. 123(R) supersedes our previous accounting under Accounting Principles Board Opinion (APB) No. 25 *Accounting for Stock Issued to Employees*, under which we did not recognize compensation expense for most of our stock options. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 relating to the application of SFAS No. 123(R), and we have applied the provisions of SAB No. 107 in our adoption of SFAS No. 123(R).

We implemented SFAS No. 123(R) using the modified prospective transition method. In accordance with this method, our consolidated financial statements for periods prior to fiscal year 2006 have not been restated to reflect this change. SFAS No. 123(R) also requires that tax benefits realized from stock award exercise gains in excess of stock-based compensation expense recognized for financial statement purposes be reported on a prospective basis as cash flows from financing activities rather than as operating cash flows. We also elected to use the method available under Financial Accounting Standards Board, or FASB, Staff Position FSP No. 123(R)-3 *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*, which provides an alternative method for calculating historical excess tax benefits from the method described in SFAS No. 123(R) for stock-based compensation awards.

Under SFAS No. 123(R), stock-based compensation recognized during a period is based on the estimated grant-date fair value of the portion of the stock-based award vesting during that period, adjusted for expected forfeitures. Stock-based compensation recognized in our consolidated financial statements for 2007 and 2006 includes compensation cost for stock-based awards granted prior to, but not fully vested as of, December 31, 2005 and subsequent stock-based awards granted through December 31, 2006 and 2007. Prior to 2006, we recognized the effect of stock unit forfeitures as they occurred, and the effect of transitioning to recognition of expense based on expected forfeitures was insignificant. Shares issued upon exercise of stock awards are generally issued from shares in treasury. We have utilized the Black-Scholes-Merton valuation model for estimating the fair value of stock options and stock-settled stock appreciation rights granted in 2007, 2006 and all prior periods.

For the years ended December 31, 2007 and 2006, we recognized $34.1 million and $26.4 million, respectively, in stock-based compensation expense for stock options, stock-settled stock appreciation rights, stock units and discounted employee stock plan purchases, which is primarily included in general and administrative expenses in continuing operations. The estimated tax benefits recorded for this stock-based

compensation in 2007 and 2006 were $12.8 million and $9.7 million, respectively. As of December 31, 2007, there was $78.6 million of total estimated unrecognized compensation cost related to nonvested stock-based compensation arrangements under our equity compensation and stock purchase plans. We expect to recognize this cost over a weighted average remaining period of 1.6 years.

During the years ended December 31, 2007 and 2006, we received $54.7 million and $37.9 million, respectively, in cash proceeds from stock option exercises and $32.8 million and $40.4 million, respectively, in total actual tax benefits upon the exercise of stock awards.

On May 29, 2007, our stockholders approved an amendment to our Amended and Restated Certificate of Incorporation, to increase the number of shares of authorized common stock from 195,000,000 to 450,000,000 shares. Our stockholders also approved an amendment and restatement of our Employee Stock Purchase Plan to increase the number of shares of common stock available for issuance under that plan by 800,001 shares, and approved an amendment and restatement of our 2002 Equity Compensation Plan to increase the number of shares of common stock available for issuance under that plan by 6,000,000 shares and, among other things, to remove certain available share recycling features, to change the limit on the maximum number of shares of common stock that may be subject to awards granted to any single recipient in any consecutive twenty-four month period so that it applies only to awards of stock options and stock appreciation rights, and to provide additional exceptions from the three year minimum vesting period generally applicable to grants of restricted stock units and other full share awards.

2006 capital structure changes. During 2006, we made principal payments totaling $62 million on our term loan A and $338 million on term loan B which included mandatory principal payments of $35 million and $24.5 million respectively. All of the mandatory principal payments were paid in advance of the scheduled payment dates in 2006. As a result of the principal prepayment made in 2006, we wrote-off approximately $3.3 million of deferred financing costs, which is included in debt expense.

On March 1, 2006, our interest rate margins on our term loan A and term loan B were reduced by 0.25% as a result of achieving certain financial ratios as defined in the Senior Secured Credit Facilities. At December 31, 2006, the term loan A interest rate was based on LIBOR plus 1.75% and the term loan B interest rate was based on LIBOR plus 2.00%. The margins were subject to adjustment depending upon changes in our financial ratios and could have ranged from 1.50% to 2.25% for the revolving line of credit and term loan A, and 2.00% to 2.25% for term loan B.

As of December 31, 2006, our senior and senior subordinated notes consisted of $500 million of 6 $^{5}/_{8}$% senior notes due 2013 and $850 million of 7 $^{1}/_{4}$% senior subordinated notes due 2015. The notes are guaranteed by substantially all of our direct and indirect wholly-owned subsidiaries and require semi-annual interest payments. We may redeem some or all of the senior notes at any time on or after March 15, 2009 and some or all of the senior subordinated notes at any time on or after March 15, 2010.

As of December 31, 2006, we maintained a total of nine interest rate swap agreements, with amortizing notional amounts totaling $1,341 million. These agreements had the economic effect of modifying the LIBOR-based variable interest rate on an equivalent amount of our debt to fixed rates ranging from 3.08% to 4.27%, resulting in a weighted average effective interest rate of 5.88%, on the hedged portion of our Senior Secured Credit Facilities, including the term loan B margin of 2.00%. The swap agreements require quarterly interest payments, bear amortizing notional amounts, and expire in 2008 through 2010.

As of December 31, 2006, the interest rates were economically fixed on approximately 56% of our variable rate debt and approximately 72% of our total debt.

As a result of the swap agreements at December 31, 2006, our overall effective weighted average interest rate on our Senior Secured Credit Facilities was 6.61%, based upon the current margins in effect ranging from 1.75% to 2.00%, and our overall average effective interest rate was 6.76%.

Off-balance sheet arrangements and aggregate contractual obligations

In addition to the debt obligations reflected on our balance sheet, we have commitments associated with operating leases, letters of credit and our investments in third-party dialysis businesses. Substantially all of our facilities are leased. We have potential acquisition obligations for several jointly-owned centers and for some of our non-wholly-owned subsidiaries, in the form of put provisions, which are exercisable at the third-party owners' future discretion. These put provisions, if exercised, would require us to purchase the third-party owners' interests at either the appraised fair market value or a predetermined multiple of earnings or cash flow attributable to the equity interest put to us, which approximates fair value. We also have potential cash commitments to provide operating capital advances as needed to several other third-party owned centers, noncontrolling-owned centers and physician–owned vascular access clinics that we operate under administrative services agreements.

The following is a summary of these contractual obligations and commitments as of December 31, 2007 (in millions):

	Less Than 1 year	1-3 years	3-5 years	After 5 years	Total
Scheduled payments under contractual obligations:					
Long-term debt	$ 22	$152	$1,772	$1,750	$3,696
Interest payments on senior and senior subordinated notes	121	243	243	183	790
Capital lease obligations	1	1	1	4	7
Operating leases	170	288	223	336	1,017
FIN No. 48 tax liabilities	4	9	4	—	17
	$318	$693	$2,243	$2,273	$5,527
Potential cash requirements under existing commitments:					
Letters of credit	$ 41				$ 41
Acquisition of dialysis centers	131	99	54	46	330
Working capital advances to third-parties under administrative services agreements	18				18
	$190	$ 99	$ 54	$ 46	$ 389

Not included above are interest payments related to our Senior Secured Credit Facilities. Our Senior Secured Credit Facilities as of December 31, 2007 bear interest at LIBOR plus current margins of 1.50%. The term loan A and the revolving line of credit are adjustable depending upon our achievement of certain financial ratios. At December 31, 2007, our Senior Secured Credit Facilities had an overall effective weighted average interest rate of 5.90%, including the effects of our swap agreements. Interest payments are due at the maturity of specific debt tranches within each term loan, which can range in maturity from one month to twelve months. Future interest payments will depend upon the amount of mandatory principal payments and principal prepayments, as well as changes in the LIBOR-based interest rates and changes in the interest rate margins. Assuming no principal prepayments on our Senior Secured Credit Facilities during 2008 and no changes in the effective interest rate, approximately $116 million of interest would be required to be paid in 2008.

Our Amended Alliance and Product Supply Agreement with Gambro AB and Gambro Renal Products, Inc. (the Amended Product Supply Agreement) requires us to purchase a significant majority of certain hemodialysis products, supplies and equipment at fixed prices through 2015. On July 2, 2007, we notified Gambro Renal Products, Inc. that we were electing to be permanently relieved of our purchase obligation under the Amended

Product Supply Agreement to purchase dialysis machines (the Affected Products) because the Affected Products remained subject to an FDA import ban after June 30, 2007. Our total expenditures for the years ended December 31, 2007 and 2006 on products under the Amended Product Supply Agreement were approximately 2% and 4%, respectively, of our total operating costs. The actual amount of purchases in future years under the Amended Product Supply Agreement will depend upon a number of factors, including the operating and capital requirements of our centers, the number of centers we acquire, growth of our existing centers, and Gambro Renal Products' ability to meet our needs. See Note 19 to the consolidated financial statements.

Settlements of approximately $11.0 million of existing FASB Interpretation 48 (FIN 48) liabilities are excluded from the above table as reasonably reliable estimates of their timing cannot be made.

Contingencies

The majority of our revenues are from government programs and may be subject to adjustment as a result of: (1) examination by government agencies or contractors, for which the resolution of any matters raised may take extended periods of time to finalize; (2) differing interpretations of government regulations by different fiscal intermediaries or regulatory authorities; (3) differing opinions regarding a patient's medical diagnosis or the medical necessity of services provided; and (4) retroactive applications or interpretations of governmental requirements. In addition, our revenues from commercial payors may be subject to adjustment as a result of potential claims for refunds, as a result of government actions or as a result of other claims by commercial payors.

United States Attorney inquiries

In February 2007, we received a request for information from the Office of Inspector General, U.S. Department of Health and Human Services, or OIG, for records relating to Epogen®, or EPO, claims submitted to Medicare. In August 2007, we received a subpoena from the OIG seeking similar documents. The requested documents relate to services provided from 2001 to 2004 by a number of our centers. The request and subpoena were sent from the OIG's offices in Houston and Dallas, Texas. We are cooperating with the inquiry and are producing the requested records. We have been in contact with the United States Attorney's Office, or U.S. Attorney's Office, for the Eastern District of Texas, which has stated that this is a civil inquiry related to EPO claims. There appears to be substantial overlap between this issue and the ongoing review of EPO utilization and claims by the U.S. Attorney's Office, for the Eastern District of Missouri in St. Louis described below. To our knowledge, no proceedings have been initiated against us at this time. Although we cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against us and exclusion from future participation in the Medicare and Medicaid programs.

On March 4, 2005, we received a subpoena from the U.S. Attorney's Office for the Eastern District of Missouri in St. Louis. The subpoena requires production of a wide range of documents relating to our operations, including documents related to, among other things, pharmaceutical and other services provided to patients, relationships with pharmaceutical companies, and financial relationships with physicians and joint ventures. The subpoena covers the period from December 1, 1996 through the present. In October 2005, we received a follow-up request for additional documents related to specific medical director and joint venture arrangements. In February 2006, we received an additional subpoena for documents, including certain patient records relating to the administration and billing of EPO. In May 2007, we received a request for documents related to durable medical equipment (DME) and supply companies owned and operated by us. We are producing documents and providing information to the government. We are also cooperating, and intend to continue to cooperate, with the government's investigation, including by participating in discussions and meetings with the government. The subpoenas have been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against us in connection with this inquiry. Any negative findings could result in

substantial financial penalties against us, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. To our knowledge, no proceedings have been initiated against us at this time. Although we cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as this to continue for a considerable period of time. Responding to the subpoenas will continue to require management's attention and significant legal expense.

On October 25, 2004, we received a subpoena from the U.S. Attorney's Office for the Eastern District of New York in Brooklyn. The subpoena covers the period from 1996 to present and requires the production of a wide range of documents relating to our operations, including DaVita Laboratory Services. Gambro Healthcare received a similar subpoena in November 2004. The subpoena also includes specific requests for documents relating to testing for PTH levels and to products relating to vitamin D therapies. The subpoena has been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against us in connection with this inquiry. Any negative findings could result in substantial financial penalties against us, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. Other participants in the dialysis industry received a similar subpoena, including Fresenius Medical Group. To our knowledge, no proceedings have been initiated against us at this time. Although we cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena may continue to require management's attention and significant legal expense.

Other

We have received several notices of claims from commercial payors and other third parties related to historical billing practices and claims against DVA Renal Healthcare (formerly known as Gambro Healthcare) related to historical Gambro Healthcare billing practices and other matters covered by their settlement agreement with the Department of Justice. At least one commercial payor has filed an arbitration demand against us, as described below, and additional commercial payors have threatened litigation. We intend to defend against these claims vigorously; however, we may not be successful and these claims may lead to litigation and any such litigation may be resolved unfavorably. Although the ultimate outcome of these claims cannot be predicted at this time, an adverse result in excess of our established reserves, with respect to one or more of these claims could have a material adverse effect on our business, financial condition, results of operations and liquidity.

In December 2007, we entered into a Settlement Agreement with the State of New York to resolve certain billing issues that had been the subject of inquiry by the New York Attorney General's Medicaid Fraud Control Unit, or MFCU. We had received several informal inquiries from representatives of the MFCU regarding billing practices for facilities managed by us in New York. The Settlement Agreement covers numerous dialysis facilities in New York for which we, through our subsidiaries, provide administrative services. We paid approximately $1.5 million in settlement, which included the amount of the overpayments by the New York Medicaid program plus interest; no fines or penalties were assessed.

In October 2007, we were contacted by the Attorney General's Office for the State of Nevada. The Attorney General's Office informed us that it was conducting a criminal investigation of our operations in Nevada and that the investigation related to the billing of pharmaceuticals, including EPO. On February 8, 2008, the Attorney General's Office informed us that the criminal investigation has been discontinued. The Attorney General's Office further advised us that Nevada Medicaid intends to conduct audits of ESRD providers in Nevada, including us, and that such audits will relate to the issues that were the subjects of the criminal investigation. Any negative findings could result in substantial financial penalties against us and exclusion from future participation in the Medicare and Medicaid programs. To our knowledge, no proceedings have been initiated against us at this time.

On August 28, 2007, Sheet Metal Workers National Health Fund and Glenn Randle filed a complaint in the United States District Court for the Central District of California against us. The complaint also names as

defendants Amgen, Inc. and Fresenius Medical Care Holdings, Inc. The complaint is styled as a class action and alleges four claims against us, including violations of the federal RICO statute, California's unfair competition law, California's false advertising law and for unjust enrichment. The complaint's principal allegations against us are that the defendants engaged in a scheme to unlawfully promote the administration of EPO to hemodialysis patients intravenously, as opposed to subcutaneously, and to over-utilize EPO. We intend to vigorously defend against these claims. We also intend to vigorously oppose the certification of this matter as a class action. At this time, we cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

On August 8, 2005, Blue Cross/Blue Shield of Louisiana filed a complaint in the United States District Court for the Western District of Louisiana against Gambro AB, DVA Renal Healthcare (formerly Gambro Healthcare) and related entities. The plaintiff sought to bring its claims as a class action on behalf of itself and all entities that paid any of the defendants for health care goods and services from on or about January 1991 through at least December 2004. The complaint alleged, among other things, damages resulting from facts and circumstances underlying Gambro Healthcare's December 2004 settlement agreement with the Department of Justice and certain agencies of the United States Government. In March 2006, the case was dismissed and the plaintiff was compelled to seek arbitration to resolve the matter. In November 2006, the plaintiff filed a demand for class arbitration against us and DVA Renal Healthcare. We intend to vigorously defend against these claims. We also intend to vigorously oppose the certification of this matter as a class action. At this time, we cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

In June 2004, Gambro Healthcare was served with a complaint filed in the Superior Court of California by one of its former employees who worked for its California acute services program. The complaint, which is styled as a class action, alleges, among other things, that DVA Renal Healthcare (formerly Gambro Healthcare) failed to provide overtime wages, defined rest periods and meal periods, or compensation in lieu of such provisions and failed to comply with certain other California labor code requirements. We intend to vigorously defend against this claim. We also intend to vigorously oppose the certification of this matter as a class action. Although the ultimate outcome of these claims cannot be predicted, we do not expect that an unfavorable result, if any, would have a material adverse effect on our business, financial condition, liquidity or results of operations.

In addition to the foregoing, we are subject to claims and suits, including from time to time, contractual disputes and professional and general liability claims, as well as audits and investigations by various government entities, in the ordinary course of business. We believe that the ultimate resolution of any such pending proceedings, whether the underlying claims are covered by insurance or not, will not have a material adverse effect on our financial condition, results of operations or cash flows.

Critical accounting estimates and judgments

Our consolidated financial statements and accompanying notes are prepared in accordance with United States generally accepted accounting principles. These accounting principles require us to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and contingencies. All significant estimates, judgments and assumptions are developed based on the best information available to us at the time made and are regularly reviewed and updated when necessary. Actual results will generally differ from these estimates. Changes in estimates are reflected in our financial statements in the period of change based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies. Interim changes in estimates are applied prospectively within annual periods. Certain accounting estimates, including those concerning revenue recognition and accounts receivable, impairments of long-lived assets, accounting for income taxes, quarterly variable compensation accruals, purchase accounting valuation estimates and stock-based compensation are considered to be critical to evaluating and understanding our financial results because they involve inherently uncertain matters and their application requires the most difficult and complex judgments and estimates.

Revenue recognition and accounts receivable. There are significant estimating risks associated with the amount of revenue that we recognize in a reporting period. Payment rates are often subject to significant

uncertainties related to wide variations in the coverage terms of the more than 1,100 commercial healthcare plans under which we receive payments. In addition, ongoing insurance coverage changes, geographic coverage differences, differing interpretations of contract coverage, and other payor issues complicate the billing and collection process. Revenue recognition uncertainties inherent in our operations are addressed in AICPA Statement of Position (SOP) No. 00-1. As addressed in SOP No. 00-1, net revenue recognition and allowances for uncollectible billings require the use of estimates of the amounts that will actually be realized considering, among other items, retroactive adjustments that may be associated with regulatory reviews, audits, billing reviews and other matters.

Revenues associated with Medicare and Medicaid programs are recognized based on a) the payment rates that are established by statute or regulation for the portion of the payment rates paid by the government payor (e.g., 80% for Medicare patients) and b) for the portion not paid by the primary government payor, the estimated amounts that will ultimately be collectible from other government programs paying secondary coverage (e.g., Medicaid secondary coverage), the patient's commercial health plan secondary coverage, or the patient.

Commercial healthcare plans, including contracted managed-care payors, are billed at our usual and customary rates, however, revenue is recognized based on estimated net realizable revenue for the services provided. Net realizable revenue is estimated based on contractual terms for the patients under healthcare plans with which we have formal agreements, non-contracted healthcare plan coverage terms if known, estimated secondary collections, historical collection experience, historical trends of refunds and payor payment adjustments (retractions), inefficiencies in our billing and collection processes that can result in denied claims for payments, and regulatory compliance issues. Determining applicable primary and secondary coverage for our more than 107,000 patients at any point in time, together with the changes in patient coverages that occur each month, requires complex, resource-intensive processes. Collections, refunds and payor retractions typically continue to occur for up to three years and longer after services are provided.

We generally expect our range of dialysis revenue estimating risk to be within 1% of total revenue, which can represent as much as 6.0% of operating income. Changes in estimates are reflected in the then-current financial statements based on on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies. Changes in revenue estimates for prior periods are separately disclosed and reported if material to the current reporting period and longer term trend analyses, and have not been significant.

Lab service revenues for current period dates of services are recognized at the estimated net realizable amounts to be received.

Impairments of long-lived assets. We account for impairment of long-lived assets, which include property and equipment, investments in third-party dialysis businesses, amortizable intangible assets and goodwill, in accordance with the provisions of applicable accounting guidance. Impairment reviews are performed at least annually, and whenever a change in condition occurs which indicates that the carrying amounts of assets may not be recoverable.

Such changes include changes in our business strategies and plans, changes in the quality or structure of our relationships with our partners and deteriorating operating performance of individual dialysis centers. We use a variety of factors to assess the realizable value of assets depending on their nature and use. Such assessments are primarily based upon the sum of expected future undiscounted net cash flows over the expected period the asset will be utilized, as well as market values and conditions. The computation of expected future undiscounted net cash flows can be complex and involves a number of subjective assumptions. Any changes in these factors or assumptions could impact the assessed value of an asset and result in an impairment charge equal to the amount by which its carrying value exceeds its actual or estimated fair value.

Accounting for income taxes. We estimate our income tax provision to recognize our tax expense for the current year, and our deferred tax liabilities and assets for future tax consequences of events that have been recognized in our financial statements, measured using enacted tax rates and laws expected to apply in the periods when the deferred tax liabilities or assets are expected to be realized. In accordance with Financial Accounting Standards Board Interpretation 48 (FIN 48) *Accounting for Income Tax Uncertainties*, which went effective January 1, 2007, we assess our tax positions on a more-likely-than-not criteria and also determine the actual amount of benefit to recognize in the financial statements. Deferred tax assets are assessed based upon the likelihood of recoverability from future taxable income and, to the extent that recovery is not likely, a valuation allowance is established. The allowance is regularly reviewed and updated for changes in circumstances that would cause a change in judgment about the realizability of the related deferred tax assets. These calculations and assessments involve complex estimates and judgments because the ultimate tax outcome can be uncertain and future events unpredictable.

Variable compensation accruals. We estimate variable compensation accruals quarterly based upon the annual amounts expected to be earned and paid out resulting from the achievement of certain teammate-specific and/or corporate financial and operating goals. Our estimates, which include compensation incentives for bonuses, and other awards, are updated periodically based on changes in our economic condition or cash flows that could ultimately impact the actual final award. Actual results reflected in each fiscal quarter may vary due to the subjectivity involved in anticipating fulfillment of specific and/or corporate goals, as well as the final determination and approval of amounts by our Board of Directors.

Purchase accounting valuation estimates. We make various assumptions and estimates regarding the valuation of tangible and intangible assets associated with our acquisitions. These assumptions can have a material effect on our balance sheet valuations and the related amount of depreciation and amortization expense that will be recognized in the future. Long-lived tangible and intangible assets are subject to our regular ongoing impairment assessments.

Stock-based compensation. We account for stock-based awards to employees and directors in accordance with the provisions of SFAS No. 123(R) *Share-Based Payments. Under SFAS No. 123(R),* stock-based compensation is recognized during a period based on the estimated grant-date fair value of the portion of the stock-based award vesting during that period, adjusted for expected forfeitures. Stock-based compensation recognized in our consolidated financial statements for the year ended December 31, 2007 and 2006 includes compensation costs for stock-based awards granted prior to, but not fully vested as of December 31, 2005, and stock-based awards granted in those years. We estimate the grant-date fair value of stock awards using complex option pricing models that rely heavily on estimates from us about uncertain future events, including the expected term of the awards, the expected future volatility of our stock price, and expected future risk-free interest rates.

Significant new accounting standards

On January 1, 2008, we adopted SFAS No. 157 *Fair Value Measurements* except for the nonfinancial assets and liabilities that are subject to a one-year deferral allowed by FASB Staff Position (FSP) FAS157-2 *Effective Date of FASB Statement No. 157.* This standard establishes a framework for measuring fair value and also requires additional disclosures about fair value measurements. The standard applies to assets and liabilities that are carried at fair value on a recurring basis. On February 12, 2008, FSP FAS157-2 was issued delaying the effective date of SFAS No. 157 until fiscal years beginning after November 15, 2008 for nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The implementation of this standard relating to the assets and liabilities carried at fair value on a recurring basis is not expected to have a material impact on our consolidated financial statements.

On January 1, 2008, we adopted SFAS No. 159 *Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of SFAS No. 115.* This standard allows companies the alternative to measure

certain financial assets and liabilities at fair value on an instrument-by-instrument basis that are currently not required to be measured at fair value. The standard is also designed to reduce the volatility in earnings caused by measuring related assets and liabilities differently and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The implementation of this standard is not expected to have a material impact on our consolidated financial statements.

In December 2007, the FASB issued Statement No. 141(R) *Business Combinations,* which replaces SFAS No. 141 *Business Combinations*. This standard requires all business combinations to be accounted for under the acquisition method (previously referred to as the purchase method). Under the acquisition method, the acquirer recognizes the assets acquired, the liabilities assumed, contractual contingencies, as well as any noncontrolling interest in the acquiree at their fair values at the acquisition date. Noncontractual contingencies are recognized at the acquisition date at their fair values only if it is more likely than not that they meet the definition of an asset or a liability in FASB Concepts Statement No. 6 *Elements of Financial Statements.* Transaction costs are excluded from the acquisition accounting and will be expensed as incurred. Any contingent consideration included by the acquirer as part of the purchase price must also be measured at fair value at the acquisition date and will be classified as either equity or a liability. This standard also requires a company that obtains control but acquires less than 100% of an acquiree to record 100% of the fair value of the acquiree assets, liabilities, and noncontrolling interests at the acquisition date. This standard is effective for periods beginning on or after December 15, 2008. We are currently in the process of assessing the expected impact of this standard on our consolidated financial statements.

In December 2007, the FASB issued Statement No. 160 *Noncontrolling Interests in Consolidated Financial Statements*, which amends Accounting Research Bulletin, No. 51 *Consolidated Financial Statements.* This standard requires noncontrolling interests to be treated as a separate component of equity, but apart from the parent's equity and not as a liability, or an item outside of equity. This will eliminate diversity that currently exists in accounting for transactions between an entity and its noncontrolling interests. This standard also specifies that consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income, and that changes in the parent's ownership interest while it retains a controlling financial interest should be accounted for as equity transactions. This standard also expands disclosures in the financial statements to include a reconciliation of the beginning and ending balances of the equity attributable to the parent and the noncontrolling owners and a schedule showing the effects of changes in a parent's ownership interest in a subsidiary on the equity attributable to the parent. This standard is effective for periods beginning on or after December 15, 2008. We are currently in the process of assessing the expected impact of this standard on our consolidated financial statements.

On January 1, 2007, we adopted the provisions of FASB Interpretation 48 (FIN 48) *Accounting for Income Tax Uncertainties*, which clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS Statement No. 109 *Accounting for Income Taxes*. The Interpretation prescribes a recognition threshold of more-likely-than-not and a measurement attribute on all tax positions taken or expected to be taken in a tax return in order to be recognized in the financial statements. In making this assessment, a company must determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based solely on the technical merits of the position and must assume that the tax position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. Once the recognition threshold is met, the tax position is then measured to determine the actual amount of benefit to recognize in the financial statements. In addition, the recognition threshold of more-likely-than-not must continue to be met in each reporting period to support continued recognition of the tax benefit. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the financial reporting period in which that threshold is no longer met. See note 12 to the consolidated financial statements for the impact of adopting this interpretation.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and which includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

During the last fiscal year, the Company conducted an evaluation, under the oversight of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's internal control over financial reporting. This evaluation was completed based on the criteria established in the report titled "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based upon our evaluation under the COSO framework, we have concluded that the Company's internal control over financial reporting was effective as of December 31, 2007.

The Company's independent registered public accounting firm, KPMG LLP, has issued an attestation report on the Company's internal control over financial reporting, which report is included in this Annual Report.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
DaVita Inc.:

We have audited DaVita Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). DaVita Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, DaVita Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2007, and our report dated February 27, 2008 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Seattle, Washington
February 27, 2008

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
DaVita Inc.:

We have audited the accompanying consolidated balance sheets of DaVita Inc. and subsidiaries as of December 31, 2007, and 2006, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DaVita Inc. and subsidiaries as of December 31, 2007 and 2006 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 12 to the consolidated financial statements, DaVita Inc. and subsidiaries adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Income Tax Uncertainties, effective January 1, 2007. As discussed in Note 17 to the consolidated financial statements, DaVita Inc. and subsidiaries adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123(R), Share-Based Payment, effective January 1, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of DaVita Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2008 expressed an unqualified opinion on the effectiveness of DaVita Inc.'s internal control over financial reporting.

KPMG LLP

Seattle, Washington
February 27, 2008

Consolidated Statements of Income
(dollars in thousands, except per share data)

	Year ended December 31,		
	2007	2006	2005
Net operating revenues	$ 5,264,151	$ 4,880,662	$ 2,973,918
Operating expenses and charges:			
Patient care costs	3,590,344	3,390,351	2,035,243
General and administrative	491,236	453,516	272,463
Depreciation and amortization	193,470	173,295	116,836
Provision for uncollectible accounts	136,682	126,203	61,916
Minority interests and equity income, net	45,485	35,833	22,089
Valuation gain on alliance and product supply agreement	(55,275)	(37,968)	—
Total operating expenses and charges	4,401,942	4,141,230	2,508,547
Operating income	862,209	739,432	465,371
Debt expense	(257,147)	(276,706)	(139,586)
Swap valuation gain	—	—	4,548
Refinancing charges	—	—	(8,170)
Other income, net	22,460	13,033	8,934
Income from continuing operations before income taxes	627,522	475,759	331,097
Income tax expense	245,744	186,430	123,675
Income from continuing operations	381,778	289,329	207,422
Discontinued operations			
Income from discontinued operations, net of tax	—	—	13,157
Gain on disposal of discontinued operations, net of tax	—	362	8,064
Net income	$ 381,778	$ 289,691	$ 228,643
Earnings per share:			
Basic earnings per share from continuing operations	$ 3.61	$ 2.79	$ 2.06
Basic earnings per share	$ 3.61	$ 2.80	$ 2.27
Diluted earnings per share from continuing operations	$ 3.55	$ 2.73	$ 1.99
Diluted earnings per share	$ 3.55	$ 2.74	$ 2.20
Weighted average shares for earnings per share:			
Basic	105,893,000	103,520,000	100,762,000
Diluted	107,418,000	105,793,000	104,068,000

See notes to consolidated financial statements.

Consolidated Balance Sheets
(dollars in thousands, except per share data)

	December 31, 2007	December 31, 2006
ASSETS		
Cash and cash equivalents	$ 447,046	$ 310,202
Short-term investments	40,278	4,734
Accounts receivable, less allowance of $195,953 and $171,757	927,949	932,385
Inventories	80,173	89,119
Other receivables	198,744	148,842
Other current assets	34,482	25,124
Deferred income taxes	247,578	199,090
Total current assets	1,976,250	1,709,496
Property and equipment, net	939,326	849,966
Amortizable intangibles, net	183,042	203,721
Investments in third-party dialysis businesses	19,446	1,813
Long-term investments	22,562	13,174
Other long-term assets	35,401	45,793
Goodwill	3,767,933	3,667,853
	$6,943,960	$6,491,816
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 225,461	$ 251,686
Other liabilities	486,151	473,219
Accrued compensation and benefits	334,961	341,766
Current portion of long-term debt	23,431	20,871
Income taxes payable	16,492	24,630
Total current liabilities	1,086,496	1,112,172
Long-term debt	3,683,887	3,730,380
Other long-term liabilities	83,448	50,076
Alliance and product supply agreement, net	41,307	105,263
Deferred income taxes	166,055	125,642
Minority interests (fair value of potential put obligations—$330,000 and $192,000)	150,517	122,359
Commitments and contingencies		
Shareholders' equity:		
Preferred stock ($0.001 par value, 5,000,000 shares authorized; none issued)		
Common stock ($0.001 par value, 450,000,000 and 195,000,000 shares authorized; 134,862,283 shares issued; 107,130,127 and 104,636,608 shares outstanding)	135	135
Additional paid-in capital	707,080	630,091
Retained earnings	1,515,290	1,129,621
Treasury stock, at cost (27,732,156 and 30,225,675 shares)	(487,744)	(526,920)
Accumulated other comprehensive (loss) income	(2,511)	12,997
Total shareholders' equity	1,732,250	1,245,924
	$6,943,960	$6,491,816

See notes to consolidated financial statements.

Consolidated Statements of Cash Flow

(dollars in thousands)

	Year ended December 31,		
	2007	2006	2005
Cash flows from operating activities:			
Net income	$ 381,778	$ 289,691	$ 228,643
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	193,470	173,295	119,719
Valuation gain on alliance and product supply agreement	(55,275)	(37,968)	—
Stock-based compensation expense	34,149	26,389	3,353
Tax benefits from stock award exercises	32,788	40,375	38,484
Excess tax benefits from stock award exercises	(25,541)	(37,251)	—
Deferred income taxes	18,601	2,342	(63,357)
Minority interests in income of consolidated subsidiaries	46,702	38,141	24,714
Distributions to minority interests	(48,029)	(32,271)	(16,246)
Equity investment income	(1,217)	(2,308)	(1,406)
(Gain)/loss on disposal of discontinued operations and other dispositions	(2,825)	239	(15,856)
Non-cash debt expense and non-cash rent charges	12,713	27,736	5,157
Refinancing charges	—	—	8,170
Swap valuation gain	—	—	(4,548)
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:			
Accounts receivables	15,911	(74,737)	(62,021)
Inventories	11,271	(18,587)	11,980
Other receivables and other current assets	(61,049)	(34,044)	1,893
Other long-term assets	(14,528)	(9,791)	(2,039)
Accounts payable	(9,216)	40,712	28,869
Accrued compensation and benefits	9,691	101,555	21,664
Other current liabilities	657	88,841	72,615
Income taxes	(12,779)	(67,329)	90,958
Other long-term liabilities	5,764	4,541	(5,192)
Net cash provided by operating activities	533,036	519,571	485,554
Cash flows from investing activities:			
Additions of property and equipment, net	(272,212)	(262,708)	(161,365)
Acquisitions and purchases of other ownership interests	(127,094)	(86,504)	(3,202,404)
Proceeds from discontinued operations and asset sales	12,289	22,179	298,849
Purchase of investments held-for-sale	(52,085)	(3,726)	—
Purchase of investments held-to-maturity	(23,061)	—	—
Proceeds from the sale of investments held-for-sale	32,274	3,030	—
Maturities of investments	4,795	—	—
Purchase of a noncontrolling ownership interest in an unconsolidated joint venture	(17,550)	—	—
Contributions from minority owners	18,463	21,263	20,308
Purchase of intangible assets	(2,291)	(5,597)	(751)
Net cash used in investing activities	(426,472)	(312,063)	(3,045,363)
Cash flows from financing activities:			
Borrowings	13,113,640	6,354,784	6,832,557
Payments on long-term debt	(13,160,942)	(6,761,743)	(4,058,951)
Deferred financing costs	(4,511)	(2)	(77,884)
Excess tax benefits from stock award exercises	25,541	37,251	—
Stock award exercises and other share issuances, net	62,902	40,593	43,919
Purchase of treasury stock	(6,350)	—	—
Net cash provided by (used in) financing activities	30,280	(329,117)	2,739,641
Net increase (decrease) in cash and cash equivalents	136,844	(121,609)	179,832
Cash and cash equivalents at beginning of year	310,202	431,811	251,979
Cash and cash equivalents at end of year	$ 447,046	$ 310,202	$ 431,811

See notes to consolidated financial statements.

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Consolidated Statements of Shareholders' Equity and Comprehensive Income
(dollars and shares in thousands)

	Common stock		Additional paid-in capital	Retained earnings	Treasury stock		Accumulated other comprehensive (loss)income	Total
	Shares	Amount			Shares	Amount		
Balance at December 31, 2004	134,862	$135	$542,714	$ 611,287	(36,295)	$(632,732)	$ 1,730	$ 523,134
Comprehensive income:								
Net income				228,643				228,643
Unrealized gain on interest rate swaps, net of tax							16,821	16,821
Less reclassification of net swap realized gains into net income, net of tax							(3,745)	(3,745)
Total comprehensive income								241,719
Stock purchase shares issued			657		64	1,118		1,775
Stock unit shares issued			(492)		28	492		—
Stock option shares issued			(14,965)		3,276	57,109		42,144
Stock-based compensation expense			3,353					3,353
Excess tax benefits from stock awards exercised			38,484					38,484
Balance at December 31, 2005	134,862	$135	$569,751	$ 839,930	(32,927)	$(574,013)	$14,806	$ 850,609
Comprehensive income:								
Net income				289,691				289,691
Unrealized gains on interest rate swaps, net of tax							7,862	7,862
Less reclassification of net swap realized gains into net income, net of tax							(9,671)	(9,671)
Total comprehensive income								287,882
Stock purchase shares issued			1,861		80	1,403		3,264
Stock unit shares issued			(1,860)		160	2,790		930
Stock option shares issued			(5,023)		2,461	42,900		37,877
Stock-based compensation expense			26,389					26,389
Excess tax benefits from stock awards exercised			38,973					38,973
Balance at December 31, 2006	134,862	$135	$630,091	$1,129,621	(30,226)	$(526,920)	$12,997	$1,245,924
Comprehensive income:								
Net income				381,778				381,778
Unrealized losses on interest rate swaps, net of tax							(7,169)	(7,169)
Less reclassification of net swap realized gains into net income, net of tax							(8,858)	(8,858)
Unrealized gains on investments, net of tax							4,211	4,211
Less reclassification of net investment realized gains into net income, net of tax							(3,692)	(3,692)
Total comprehensive income								366,270
Cumulative effect of change in accounting principle SFAS Interpretation No (FIN) 48				3,891				3,891
Stock purchase shares issued			3,831		124	2,160		5,991
Stock unit shares issued			(1,848)		120	2,098		250
Stock options and SSARs exercised			13,429		2,361	41,268		54,697
Stock-based compensation expense			34,149					34,149
Excess tax benefits from stock awards exercised			27,428					27,428
Purchase of treasury stock					(111)	(6,350)		(6,350)
Balance at December 31, 2007	134,862	$135	$707,080	$1,515,290	(27,732)	$(487,744)	$(2,511)	$1,732,250

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(dollars in thousands, except per share data)

1. Organization and summary of significant accounting policies

Organization

DaVita Inc. operates kidney dialysis centers and provides related renal care services primarily in dialysis centers and in contracted hospitals across the United States. As of December 31, 2007, the Company operated or provided administrative services to 1,359 outpatient dialysis centers located in 43 states and the District of Columbia, serving approximately 107,000 patients. The business includes dialysis and related services and other ancillary services and strategic initiatives which relate primarily to our core business of providing renal care services.

Basis of presentation

These consolidated financial statements and accompanying notes are prepared in accordance with United States generally accepted accounting principles. The financial statements include DaVita and its subsidiaries, partnerships and other entities in which it maintains a 100% or majority voting interest, an other controlling financial interest, or of which it is the primary beneficiary (collectively, the Company). All significant intercompany transactions and balances have been eliminated. Non-consolidated equity investments are recorded under the equity or cost method of accounting based upon whether the Company has significant influence over the investee. Prior year balances and amounts have been classified to conform to the current year presentation.

The operating results of DVA Renal Healthcare, Inc. are included in the Company's consolidated financial statements from October 1, 2005. The operating results of the historical DaVita divested centers and its one related management services agreement are reflected as discontinued operations for 2005.

Use of estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and contingencies. Although actual results in subsequent periods will differ from these estimates, such estimates are developed based on the best information available to management and management's best judgments at the time made. All significant assumptions and estimates underlying the reported amounts in the financial statements and accompanying notes are regularly reviewed and updated. Changes in estimates are reflected in the financial statements based upon on-going actual experience trends, or subsequent settlements and realizations depending on the nature and predictability of the estimates and contingencies. Interim changes in estimates related to annual operating costs are applied prospectively within annual periods.

The most significant assumptions and estimates underlying these financial statements and accompanying notes involve revenue recognition and provisions for uncollectible accounts, impairments and valuation adjustments, accounting for income taxes, quarterly variable compensation accruals, purchase accounting valuation estimates and stock-based compensation. Specific estimating risks and contingencies are further addressed within these notes to the consolidated financial statements.

Net operating revenues and accounts receivable

Revenues associated with Medicare and Medicaid programs are recognized based on: (a) the payment rates that are established by statute or regulation for the portion of the payment rates paid by the government payor (e.g., 80% for Medicare patients) and (b) for the portion not paid by the primary government payor, estimates of the amounts ultimately collectible from other government programs paying secondary coverage (e.g., Medicaid secondary coverage), the patient's commercial health plan secondary coverage, or the patient. Revenues

associated with commercial health plans are estimated based on contractual terms for the patients under healthcare plans with which we have formal agreements, non-contracted health plan coverage terms if known, estimated secondary collections, historical collection experience, historical trends of refunds and payor payment adjustments (retractions), inefficiencies in our billing and collection processes that can result in denied claims for payments, and regulatory compliance issues.

Operating revenues are recognized in the period services are provided. Revenues consist primarily of payments from Medicare, Medicaid and commercial health plans for dialysis and ancillary services provided to patients. A usual and customary fee schedule is maintained for our dialysis treatment and other patient services; however, actual collectible revenue is normally recognized at a discount from the fee schedule.

Commercial revenue recognition involves substantial estimating risks. With many larger, commercial insurers the Company has several different contracts and payment arrangements, and these contracts often include only a subset of the Company's centers. It is often not possible to determine which contract, if any, should be applied prior to billing. In addition, for services provided by non-contracted centers, final collection may require specific negotiation of a payment amount, typically at a significant discount from the Company's usual and customary rates.

Services covered by Medicare and Medicaid are less subject to estimating risk. Both Medicare and Medicaid rates use prospective payment methods established in advance with definitive terms. Medicare payments for bad debt claims are subject to individual center profitability, as established by cost reports, and require evidence of collection efforts. As a result, billing and collection of Medicare bad debt claims are often delayed significantly, and final payment is subject to audit.

Medicaid payments, when Medicaid coverage is secondary, may also be difficult to estimate. For many states, Medicaid payment terms and methods differ from Medicare, and may prevent accurate estimation of individual payment amounts prior to billing.

Revenue recognition uncertainties inherent in the Company's operations are addressed in AICPA Statement of Position (SOP) No. 00-1 *Auditing Health Care Third-Party Revenues and Related Receivables*. As addressed in SOP No. 00-1, net revenue recognition and allowances for uncollectible billings require the use of estimates of the amounts that will actually be realized considering, among other items, retroactive adjustments that may be associated with regulatory reviews, audits, billing reviews and other matters.

The Company's range of revenue estimating risk is generally expected to be within 1% of total revenue. Changes in revenue estimates for prior periods are separately disclosed, if material.

Management and administrative support services are provided to dialysis centers and physician practices that the Company does not own or in which the Company does not maintain a controlling ownership interest. The management fees are principally determined as a percentage of the managed operations' revenues or cash collections and in some cases an additional component based upon a percentage of operating income. Management fees are included in net operating revenues as earned, and represent less than 1% of total operating revenues.

Other income, net

Other income includes interest income on cash investments and other non-operating gains and losses.

Cash and cash equivalents

Cash equivalents are highly liquid investments with maturities of three months or less at date of purchase.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and consist principally of pharmaceuticals and dialysis-related supplies. Rebates are recorded when earned and are based on the achievement of certain factors such as process improvements, data submission and some combination of these factors.

Assets of discontinued operations

Assets to be disposed of that the Company has committed to sell, are available for immediate sale, or for which a sale is probable, will be classified as held for sale in accordance with SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets* and are included in other current assets. Assets held for sale are not depreciated while they are classified as held for sale.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and amortization and is further reduced by any impairments. Maintenance and repairs are charged to expense as incurred. Depreciation and amortization expenses are computed using the straight-line method over the useful lives of the assets estimated as follows: buildings, 20 to 40 years; leasehold improvements, the shorter of their economic useful life or the expected lease term; and equipment and information systems, principally 3 to 8 years. Disposition gains and losses are included in current operating expenses.

Investments

In accordance with SFAS No. 115 *Accounting for Certain Investments in Debt and Equity Securities*, and based upon the Company's intentions and ability to hold certain assets until maturity, the Company classifies certain debt securities as held-to-maturity and measures them at amortized cost. Based upon the Company's other strategies involving investments, the Company classifies equity securities that have readily determinable fair values and certain other debt securities as available for sale and records them at fair value. Unrealized gains or losses from available for sale investments are recorded in other comprehensive income until realized.

Amortizable intangibles

Amortizable intangible assets and liabilities include non-competition and similar agreements, lease agreements, hospital acute services contracts, deferred debt issuance costs and the Alliance and Product Supply Agreement, each of which have determinate useful lives. Non-competition and similar agreements are amortized over the terms of the agreements, typically ten years, using the straight-line method. Lease agreements and hospital acute service contracts are amortized straight-line over the term of the lease and the contract period, respectively. Deferred debt issuance costs are amortized to debt expense over the term of the related debt using the effective interest method. The Alliance and Product Supply Agreement intangible liability is being amortized straight-line over the term of the agreement, which is ten years.

Goodwill

Goodwill represents the difference between the purchase cost of acquired businesses and the fair value of the identifiable tangible and intangible net assets acquired. Goodwill is not amortized, but is assessed for valuation impairment as circumstances warrant and at least annually. An impairment charge would be recorded to the extent the book value of goodwill exceeds its fair value. The Company operates as one reporting unit for goodwill impairment assessments.

Impairment of long-lived assets

Long-lived assets, including property and equipment, investments in third party dialysis businesses, and amortizable intangible assets, are reviewed for possible impairment at least annually and whenever significant events or changes in circumstances indicate that an impairment may have occurred, including changes in our business strategy and plans, changes in the quality or structure of our relationships with our partners and deteriorating operating performance of individual dialysis centers. An impairment is indicated when the sum of the expected future undiscounted net cash flows identifiable to an asset or asset group is less than its carrying value. Impairment losses are determined from actual or estimated fair values, which are based on market values, net realizable values or projections of discounted net cash flows, as appropriate. Impairment charges are included in operating expenses. Interest is not accrued on impaired loans unless the estimated recovery amounts justify such accruals.

Income taxes

Federal and state income taxes are computed at current enacted tax rates, less tax credits using the asset and liability method. Deferred taxes are adjusted both for items that do not have tax consequences and for the cumulative effect of any changes in tax rates from those previously used to determine deferred tax assets or liabilities. Tax provisions include amounts that are currently payable, changes in deferred tax assets and liabilities that arise because of temporary differences between the timing of when items of income and expense are recognized for financial reporting and income tax purposes, changes in the recognition of tax positions due to the application of Financial Accounting Standards Board, or FASB, Interpretation 48 (FIN 48), and any changes in the valuation allowance caused by a change in judgment about the realizability of the related deferred tax assets. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

Self insurance

The Company maintains insurance reserves for professional and general liability and workers' compensation in excess of certain individual and or aggregate amounts not covered by third-party carriers. The Company estimates the self-insured retention portion of professional and general liability and workers' compensation risks using third-party actuarial calculations that are based upon historical claims experience and expectations for future claims.

Minority interests

Consolidated income is reduced by the proportionate amount of income attributable to minority interests in majority-owned joint ventures and other non-wholly-owned subsidiaries. Minority interests represent the equity interests of third-party owners in consolidated entities which are not wholly-owned. As of December 31, 2007, third parties held minority ownership interests in 106 consolidated entities.

Stock-based compensation

Effective January 1, 2006, the Company implemented Statement of Financial Accounting Standards (SFAS) No. 123(R) *Share-Based Payment*, which requires the measurement and recognition of cost for all stock-based awards made to employees and directors, including stock options, stock appreciation rights, stock units and discounted employee stock purchases. Under this standard, the Company's stock-based compensation awards are measured at their estimated fair value on the date of grant and recognized as compensation expense on the straight-line method over their individual requisite service periods. The Company implemented SFAS No. 123(R) using the modified prospective transition method.

Prior to 2006, the Company accounted for stock-based compensation in accordance with Accounting Principles Board Opinion (APB) No. 25 *Accounting for Stock Issued to Employees*, as permitted under SFAS

No. 123 *Accounting for Stock-Based Compensation.* Under APB No. 25, stock option grants to employees and directors did not result in an expense if the exercise price was at least equal to the market price at the date of grant. However, under APB No. 25 the Company did recognize compensation expense for stock units, which were valued at the closing stock price on the date of grant and amortized over their respective vesting periods, and for modifications to stock awards as required under FASB Interpretation No. 44 *Accounting for Certain Transactions Involving Stock Compensation.*

Interest rate swap agreements

The Company has entered into interest rate swap agreements as a means of hedging its exposure to variable-based interest rate changes (LIBOR). These agreements are not held for trading or speculative purposes, and have the economic effect of converting portions of our variable rate debt to a fixed rate. At December 31, 2007, the Company had nine interest rate swap agreements with amortizing notional amounts totaling $968,000 and two forward interest rate swap agreements with notional amounts totaling $200,000. These agreements are designated as cash flow hedges, and as a result hedge-effective gains or losses resulting from changes in the fair values of these swaps are reported in other comprehensive income until such time as each specific swap tranche is realized, at which time the amounts are reclassified into net income. Net amounts paid or received under the hedge-effective swaps have been reflected as adjustments to interest expense. In 2005, certain portions of the swap agreements were ineffective as hedges as a result of changes in the Company's debt structure, and as such the ineffective portions of $4,548 were included in net income, see Note 13 to the consolidated financial statements.

New accounting standards

On January 1, 2008, the Company adopted SFAS No. 157 *Fair Value Measurements* except for the nonfinancial assets and liabilities that are subject to a one-year deferral allowed by FASB Staff Position (FSP) FAS 157-2 *Effective Date of FASB Statement No. 157.* This standard establishes a framework for measuring fair value and also requires additional disclosures about fair value measurements. The standard applies to assets and liabilities that are carried at fair value on a recurring basis. On February 12, 2008, FSP FAS157-2 was issued delaying the effective date of SFAS No. 157 until fiscal years beginning after November 15, 2008 for nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The implementation of this standard relating to assets and liabilities carried at fair value on a recurring basis is not expected to have a material impact on the Company's consolidated financial statements.

On January 1, 2008, the Company adopted SFAS No. 159 *Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of SFAS No. 115.* This standard allows companies the alternative to measure certain financial assets and liabilities at fair value on an instrument-by-instrument basis that are currently not required to be measured at fair value. The standard is also designed to reduce the volatility in earnings caused by measuring related assets and liabilities differently and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The implementation of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued Statement No. 141(R) *Business Combinations,* which replaces SFAS No. 141 *Business Combinations.* This standard requires all business combinations to be accounted for under the acquisition method (previously referred to as the purchase method). Under the acquisition method, the acquirer recognizes the assets acquired, the liabilities assumed, contractual contingencies, as well as any noncontrolling interest in the acquiree at their fair values at the acquisition date. Noncontractual contingencies are recognized at the acquisition date at their fair values only if it is more likely than not that they meet the definition of an asset or

a liability in FASB Concepts Statement No. 6 *Elements of Financial Statements.* Transaction costs are excluded from the acquisition accounting and will be expensed as incurred. Any contingent consideration included by the acquirer as part of the purchase price must also be measured at fair value at the acquisition date and will be classified as either equity or a liability. This standard also requires a company that obtains control but acquires less than 100% of an acquiree to record 100% of the fair value of the acquiree assets, liabilities, and noncontrolling interests at the acquisition date. This standard is effective for periods beginning on or after December 15, 2008. The Company is currently in the process of assessing the expected impact of this standard on its consolidated financial statements.

In December 2007, the FASB issued Statement No. 160 *Noncontrolling Interests in Consolidated Financial Statements*, which amends Accounting Research Bulletin No. 51 *Consolidated Financial Statements.* This standard requires noncontrolling interests to be treated as a separate component of equity, but apart from the parent's equity and not as a liability, or as an item outside of equity. This will eliminate diversity that currently exists in accounting for transactions between an entity and its noncontrolling interests. This standard also specifies that consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income, and that changes in the parent's ownership interest while it retains a controlling financial interest should be accounted for as equity transactions. This standard also expands disclosures in the financial statements to include a reconciliation of the beginning and ending balances of the equity attributable to the parent and the noncontrolling owners and a schedule showing the effects of changes in a parent's ownership interest in a subsidiary on the equity attributable to the parent. This standard is effective for periods beginning on or after December 15, 2008. The Company is currently in the process of assessing the expected impact of this standard on its consolidated financial statements.

2. Earnings per share

Basic net income per share is calculated by dividing net income by the weighted average number of common shares and vested stock units outstanding. Diluted net income per share includes the dilutive effect of stock options, stock-settled stock appreciation rights and unvested stock units under the treasury stock method.

The reconciliations of the numerators and denominators used to calculate basic and diluted net income per share are as follows:

	Year ended December 31,		
	2007	2006	2005
	(in thousands, except per share)		
Basic:			
Income from continuing operations	$381,778	$289,329	$207,422
Income from discontinued operations, net of tax	—	—	13,157
Gain on disposal of discontinued operations, net of tax	—	362	8,064
Net income	$381,778	$289,691	$228,643
Weighted average shares outstanding during the year	105,848	103,471	100,713
Vested stock units	45	49	49
Weighted average shares for basic earnings per share calculation	105,893	103,520	100,762
Basic earnings per share from continuing operations, net of tax	$ 3.61	$ 2.79	$ 2.06
Income from discontinued operations, net of tax	—	—	0.13
Gain on disposal of discontinued operations, net of tax	—	0.01	0.08
Basic net income per share	$ 3.61	$ 2.80	$ 2.27
Diluted:			
Income from continuing operations	$381,778	$289,329	$207,422
Income from discontinued operations, net of tax	—	—	13,157
Gain on disposal of discontinued operations, net of tax	—	362	8,064
Net income	$381,778	$289,691	$228,643
Weighted average shares outstanding during the year	105,848	103,471	100,713
Vested stock units	45	49	49
Assumed incremental shares from stock plans	1,525	2,273	3,306
Weighted average shares for diluted earnings per share calculation	107,418	105,793	104,068
Diluted earnings per share from continuing operations, net of tax	$ 3.55	$ 2.73	$ 1.99
Income from discontinued operations, net of tax	—	—	0.13
Gain on disposal of discontinued operations, net of tax	—	0.01	0.08
Diluted net income per share	$ 3.55	$ 2.74	$ 2.20

Stock plan award shares for stock options and stock appreciation rights that have exercise or base prices greater than the average market price of shares outstanding during the year were not included in the computation of diluted earnings per share because they were anti-dilutive. These excluded stock plan shares were as follows: 260,000 shares at $56.63 to $64.21 per share in 2007, 932,600 shares at $54.86 to $60.21 per share in 2006, and 2,419,750 shares at $45.60 to $52.81 per share in 2005.

3. Accounts receivable

Less than 10% of the accounts receivable balances as of December 31, 2007 and 2006 were more than six months old, and there were no significant balances over one year old. Approximately 1% of our accounts receivable as of December 31, 2007 and 2006 relate to collections from patients. Accounts receivable are principally from Medicare and Medicaid programs and commercial insurance plans.

4. Other receivables

Other receivables were comprised of the following:

	December 31,	
	2007	2006
Supplier rebates and other non-trade receivables	$151,939	$119,889
Medicare bad debt claims	31,400	15,990
Transition services receivable associated with divested centers	—	2,406
Operating advances under management services agreements	15,405	10,557
	$198,744	$148,842

Operating advances under management services agreements are generally unsecured.

5. Other current assets

Other current assets consist principally of prepaid expenses and operating deposits.

6. Property and equipment

Property and equipment were comprised of the following:

	December 31,	
	2007	2006
Land	$ 11,827	$ 13,593
Buildings	32,448	39,438
Leasehold improvements	731,426	620,483
Equipment and information systems	814,512	686,426
New center and capital asset projects in progress	33,027	48,747
	1,623,240	1,408,687
Less accumulated depreciation and amortization	(683,914)	(558,721)
	$ 939,326	$ 849,966

Depreciation and amortization expense on property and equipment was $178,990, $160,717 and $105,254 for 2007, 2006 and 2005, respectively.

Interest on debt incurred during the development of new centers and other capital asset projects is capitalized as a component of the asset cost based on the respective in-process capital asset balances. Interest capitalized was $3,878, $4,708 and $1,912 for 2007, 2006 and 2005, respectively.

(dollars in thousands, except per share data)

7. Amortizable intangibles

Amortizable intangible assets were comprised of the following:

	December 31, 2007	December 31, 2006
Noncompetition and other agreements	$ 276,182	$ 261,836
Lease agreements	8,738	8,738
Deferred debt issuance costs	72,618	73,826
	357,538	344,400
Less accumulated amortization	(174,496)	(140,679)
Total amortizable intangible assets	$ 183,042	$ 203,721

Amortizable intangible liabilities were comprised of the following:

	December 31, 2007	December 31, 2006
Alliance and product supply agreement commitment (See Note 19)	$ 68,200	$120,300
Less accumulated amortization	(26,893)	(15,037)
	$ 41,307	$105,263

Net amortization expense from noncompetition and other agreements and the amortizable intangible liabilities was $14,480, $12,578 and $11,582 for 2007, 2006 and 2005, respectively. Lease agreements are amortized to rent expense, which was $2,240 in 2007, $3,309 in 2006, and $690 in 2005, respectively. Deferred debt issuance costs are amortized to debt expense as described in Note 13 to the consolidated financial statements.

Scheduled amortization charges from intangible assets and liabilities as of December 31, 2007 were as follows:

	Noncompetition and other agreements	Deferred debt issuance costs	Alliance and Product Supply Agreement liability
2008	$22,808	$9,772	$ (5,330)
2009	19,428	9,646	(5,330)
2010	18,340	9,374	(5,330)
2011	17,488	8,914	(5,330)
2012	16,138	6,418	(5,330)
Thereafter	39,206	5,510	(14,657)

8. Investments in third-party businesses

Investments in non-consolidated dialysis businesses and related advances were $19,446 and $1,813 at December 31, 2007 and 2006. During 2007, 2006 and 2005, the Company recognized income of $1,217, $2,308 and $1,406, respectively, relating to investments in non-consolidated businesses under the equity method. These amounts are included as a reduction to minority interest expense in the consolidated statements of income.

On December 31, 2007, the Company acquired a 50% noncontrolling ownership interest in a joint venture that operates six dialysis centers for $17,550. During 2006, the Company acquired a majority voting interest in

one business that was previously minority-controlled and sold its interest in one minority-controlled business. The Company did not recognize a gain or loss on the sale as the investment was carried at fair value as a result of the DVA Renal Healthcare acquisition.

9. Investments

In accordance with SFAS No. 115 and based on the Company's intentions and strategy involving investments, the Company classifies certain debt securities as held-to-maturity and records them at amortized cost. Equity securities that have readily determinable fair values and other debt securities classified as available for sale are recorded at fair value.

The Company's investments consist of the following:

	December 31, 2007			December 31, 2006		
	Held to maturity	Available for sale	Total	Held to maturity	Available for sale	Total
Certificates of deposit and U.S. treasury notes due within one year	$19,804	$ —	$19,804	$1,500	$ —	$ 1,500
Investments in mutual funds	—	43,036	43,036	—	16,408	16,408
	$19,804	$43,036	$62,840	$1,500	$16,408	$17,908
Short-term investments	$19,804	$20,474	$40,278	$1,500	$ 3,234	$ 4,734
Long-term investments	—	22,562	22,562	—	13,174	13,174
	$19,804	$43,036	$62,840	$1,500	$16,408	$17,908

The cost of the certificates of deposit and U.S. treasury notes at December 31, 2007 and 2006, as well as the investments in mutual funds at December 31, 2006, approximates fair value. As of December 31, 2007, the available for sale investments included $850 of gross pre-tax unrealized gains. During 2007, the Company recorded gross pre-tax unrealized gains of $6,892 in other comprehensive income associated with changes in the fair value of these investments as well as the NxStage common stock, as discussed below. During 2007, the Company sold investments in mutual funds for net proceeds of $6,406, and recognized a pre-tax gain of $104, or $64 after tax, that was previously recorded in other comprehensive income. This pre-tax gain is included in other income. The Company also received $4,795 from maturities of certificates of deposits and treasury notes, during 2007.

On February 7, 2007, the Company entered into a National Provider Agreement with NxStage, Inc. The agreement provides the Company with the ability to purchase NxStage home-based hemodialysis products at a potential discount depending upon the achievement of certain volume targets. The agreement has an initial term of three years, terminating on December 31, 2009, and may be extended in six-month increments up to two additional years if certain volume targets are met. As a part of the agreement, the Company purchased outright all of its NxStage System One equipment then in use for $5,100, and will purchase a majority of its future home-based hemodialysis equipment and supplies from NxStage. In connection with the provider agreement, the Company purchased two million shares of NxStage common stock in a private placement offering for $20,000, representing an ownership position of approximately 7% in NxStage. The Company subsequently sold these shares in the second and third quarters of 2007 for net proceeds of $25,868 and recognized a pre-tax gain of $5,938, or $3,628 after tax, that was previously recorded in other comprehensive income. The pre-tax gain is included in other income.

(dollars in thousands, except per share data)

10. Goodwill

Changes in the book value of goodwill were as follows:

	Year ended December 31,	
	2007	2006
Balance at January 1	$3,667,853	$3,594,383
Acquisitions	105,609	79,948
DVA Renal Healthcare income tax adjustments and other adjustments	(4,951)	(5,811)
Divestitures and other adjustments	(578)	(667)
Balance at December 31	$3,767,933	$3,667,853

11. Other liabilities

Other accrued liabilities were comprised of the following:

	December 31,	
	2007	2006
Payor refunds and retractions	$333,089	$322,155
Insurance and self-insurance accruals	66,222	74,607
Accrued interest	48,506	48,781
Accrued non-income tax liabilities	12,386	11,610
Other	25,948	16,066
	$486,151	$473,219

12. Income taxes

On January 1, 2007, the Company adopted the provisions of FASB Interpretation 48 (FIN 48) *Accounting for Income Tax Uncertainties*, which clarifies the accounting for uncertainty in income taxes recognized in the consolidated financial statements in accordance with SFAS Statement No. 109 *Accounting for Income Taxes*. The Interpretation prescribes a recognition threshold of more-likely-than-not and a measurement attribute on all tax positions taken or expected to be taken in a tax return in order to be recognized in the financial statements. In making this assessment, a company must determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based solely on the technical merits of the position and must assume that the tax position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. Once the recognition threshold is met, the tax position is then measured to determine the actual amount of benefit to recognize in the financial statements. In addition, the recognition threshold of more-likely-than-not must continue to be met in each reporting period to support continued recognition of the tax benefit. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the financial reporting period in which that threshold is no longer met.

As a result of implementing FIN 48, the Company recognized an increase of $22,860 to the beginning balance of its current and long-term deferred tax assets, offset by increases in its current taxes payable and other long-term liabilities of $18,969. This recognized net tax benefit of $3,891 was recorded as an increase to the beginning balance of retained earnings on January 1, 2007. The Company also recorded a decrease of $4,951 to

the beginning balance of current taxes payable and long-term deferred tax liabilities, and a corresponding decrease to goodwill as a result of recognizing tax benefits associated with our acquisition of DVA Renal Healthcare.

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

	Year ended December 31, 2007
Balance January 1, 2007	$27,925
Additions for tax positions related to 2007	1,798
Additions for tax positions related to prior years	416
Reductions for tax positions related to prior years	(3,200)
Settlements	(1,195)
Balance December 31, 2007	$25,744

As of December 31, 2007, it is reasonably possible that $17,493 of unrecognized tax benefits may be recognized within the next 12 months, primarily related to the filing of a tax accounting method change request for recently acquired entities. This change will have no impact on the Company's effective tax rate. As of December 31, 2007, unrecognized tax benefits totaling $7,522 would affect the Company's effective tax rate, if recognized.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in its income tax expense. At December 31, 2007, the Company had approximately $2,600 accrued for interest and penalties related to unrecognized tax benefits.

The Company and its subsidiaries file U.S. federal income tax returns and various state returns. The Company is no longer subject to U.S. federal, state and local examinations by tax authorities for years before 2003. The Internal Revenue Service (IRS) completed an examination of the Company's U.S. federal income tax returns for 2003 and 2004 during the second quarter of 2007. The examination did not result in any material impact to the Company's consolidated financial statements.

Income tax expense consisted of the following:

	Year ended December 31,		
	2007	2006	2005
Current:			
Federal	$196,697	$159,054	$178,569
State	30,446	24,009	33,564
Deferred:			
Federal	14,945	(12)	(60,866)
State	3,656	2,354	(10,502)
	$245,744	$185,405	$140,765

(dollars in thousands, except per share data)

The allocations of income tax expense were as follows:

	Year ended December 31,		
	2007	2006	2005
Continuing operations	$245,744	$186,430	$123,675
Discontinued operations	—	—	8,377
Gain on discontinued operations	—	(1,025)	8,713
	$245,744	$185,405	$140,765

Deferred tax assets and liabilities arising from temporary differences were as follows:

	December 31,	
	2007	2006
Receivables, primarily allowance for doubtful accounts	$ 61,184	$ 47,054
Alliance and product supply agreement	16,069	40,947
Accrued liabilities	191,140	154,169
Other	43,218	27,638
Deferred tax assets	311,611	269,808
Valuation allowance	(9,353)	(10,656)
Net deferred tax assets	302,258	259,152
Intangible assets	(206,236)	(155,762)
Property and equipment	(12,825)	(18,953)
Other	(1,674)	(10,989)
Deferred tax liabilities	(220,735)	(185,704)
Net deferred tax assets	$ 81,523	$ 73,448

At December 31, 2007, the Company had state net operating loss carryforwards of approximately $147,890 that expire through 2027, and federal net operating loss carryforwards of $16,579 that expire through 2027. The utilization of these losses may be limited in future years based on the profitability of certain separate-return entities. The valuation allowance decrease of $1,303 related to changes in the estimated tax benefit of capital losses and federal and state operating losses of separate-return entities, of which an increase of $1,157 is included as a component of tax expense and a $2,460 decrease is an adjustment to income taxes payable in connection with the adoption of FIN 48. A total of approximately $2,700 of valuation allowance will reduce goodwill when the related tax benefits are first recognized.

The reconciliation between our effective tax rate from continuing operations and the U.S. federal income tax rate is as follows:

	Year ended December 31,		
	2007	2006	2005
Federal income tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	3.5	3.9	3.4
Changes in deferred tax valuation allowances	0.2	(0.1)	(0.7)
Other	0.5	0.4	(0.3)
Effective tax rate	39.2%	39.2%	37.4%

13. Long-term debt

Long-term debt was comprised of the following:

	December 31, 2007	December 31, 2006
Senior Secured Credit Facilities:		
Term loan A	$ 229,250	$ 279,250
Term loan B	1,705,875	2,105,875
Senior and senior subordinated notes	1,750,000	1,350,000
Acquisition obligations and other notes payable	11,047	9,197
Capital lease obligations	6,667	6,929
Total principal debt outstanding	3,702,839	3,751,251
Premium on the 6-⅝% senior notes	4,479	—
	3,707,318	3,751,251
Less current portion	(23,431)	(20,871)
	$3,683,887	$3,730,380

Scheduled maturities of long-term debt at December 31, 2007 were as follows:

2008	$ 23,431
2009	63,916
2010	89,034
2011	66,570
2012	1,706,541
Thereafter	1,753,347

Senior Secured Credit Facility

The Senior Secured Credit Facilities are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and are secured by substantially all of the Company's and its subsidiary guarantors' assets. The Senior Secured Credit Facilities also contain customary affirmative and negative covenants and require compliance with financial covenants, including an interest rate coverage ratio, and a leverage ratio that determines the interest rate margins on term loan A and the revolving line of credit. The Senior Secured Credit Facilities in general also contain limits on the general amount of capital expenditures for internal growth, acquisitions and capital improvements (see discussion below) as well as limits on the amount of tangible net assets for non-guarantor subsidiaries.

Term Loans

Term loan A and term loan B total outstanding borrowings each consist of various individual tranche amounts that can range in maturity from one month to twelve months. Each specific tranche bears interest at a LIBOR rate determined by the maturity of that specific tranche and the interest rates are reset as each specific tranche matures. The overall weighted average interest rate for each term loan is determined based upon the LIBOR interest rates in effect for each individual tranche plus the interest rate margin.

During 2007 and 2006, the Company made principal payments totaling $50,000 and $62,000 on term loan A, respectively, and $400,000 and $338,000 on term loan B, respectively. The principal payments made on term loan A and term loan B in 2007 were prepayments. The term loan B prepayment was made from the proceeds of issuing the senior notes as discussed below. In 2006, $35,000 were mandatory principal payments as required for term loan A and $24,500 were mandatory principal payments as required for term loan B. The

balance of the principal payments in 2006 were prepayments. As a result of the principal prepayment made in 2007 and 2006, the Company wrote off a total of $4,371 and $3,270, respectively, of deferred financing costs, which is included in debt expense.

Term Loan A

On February 27, 2007, the Company's interest rate margin on its term loan A was reduced by 0.25% as a result of achieving certain financial ratios as defined in the Senior Secured Credit Facilities.

Term loan A currently bears interest at LIBOR plus a margin of 1.50%, for an overall weighted average effective rate of 6.35% at December 31, 2007. The interest rate margin is subject to adjustment depending upon certain financial conditions and could range from 1.50% to 2.25%. Term loan A matures in October 2011 and requires annual principal payments of $14,875 in 2008, $61,250 in 2009, $87,500 in 2010 and $65,625 in 2011, respectively.

Term Loan B

On February 23, 2007, the Company amended and restated its existing Senior Secured Credit Facilities to, among other things, reduce the interest rate margin on term loan B by 0.50%, and to amend certain financial covenants. The amended term loan B bears interest at LIBOR plus a margin of 1.50%, for an overall weighted average effective rate of 5.80%, including the impact of the Company's swap agreements, except for the forward interest rate swap agreements, as of December 31, 2007. Other terms that were changed included the amount by which the Company can elect to increase the revolving and term loan commitments from $500,000 to $750,000 and certain limitations on purchases, redemptions or acquisitions of capital stock, the payment of dividends and distributions in cash. Further, limitations on capital expenditures for internal growth will not apply during the periods in which the Company's leverage ratio is less than 3.5:1. The Company's leverage ratio as of December 31, 2007 was less than 3.5:1. The Company incurred financing costs of $1,781 which were deferred and also expensed $248 of other costs in connection with this transaction, which are included in debt expense. Term loan B matures in October 2012 and requires principal payments of $1,705,875 in year 2012.

Revolving Lines of Credit

The Company has an undrawn revolving line under the Senior Secured Credit Facilities totaling $250,000, of which approximately $41,000 was committed for outstanding letters of credit. The Company also has other undrawn revolving lines of credit totaling $7,200 associated with several of its joint ventures.

Senior and Senior Subordinated Notes

On February 23, 2007, the Company issued $400,000 of 6 $^5/_8$% senior notes due 2013 in a private offering, realizing $405,080 in proceeds, which included a $5,080 premium, and incurred $2,719 in related deferred financing costs. These senior notes are part of the same series of debt securities as the $500,000 aggregate principal amount of 6 $^5/_8$% senior notes that were issued in March 2005. The effective interest rate for the $400,000 of 6 $^5/_8$% senior notes is 6.45%. The senior notes are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and require semi-annual interest payments which began March 15, 2007. The senior notes may be redeemed by the Company in whole or part at any time on or after March 15, 2009, at certain specified prices. The Company used $400,000 of these proceeds to pay down its term loan B as discussed above.

The Company's senior and senior subordinated notes, as of December 31, 2007, consisted of $900,000 of 6$^5/_8$% senior notes due 2013 and $850,000 of 7 $^1/_4$% senior subordinated notes due 2015. The notes are guaranteed by substantially all of the Company's direct and indirect wholly-owned subsidiaries and require semi-annual interest payments in March and September. The Company may redeem some or all of the senior notes at any time as described above and some or all of the senior subordinated notes at any time on or after March 15, 2010.

Interest rate swaps

As of December 31, 2007, the Company maintained a total of nine interest rate swap agreements with amortizing notional amounts totaling $968,000. These agreements had the economic effect of modifying the LIBOR-based variable interest rate on an equivalent amount of debt to fixed rates ranging from 3.08% to 4.27%, resulting in an overall weighted average effective interest rate of 5.37% on the hedged portion of our Senior Secured Credit Facilities, including the term loan B margin of 1.50%. The swap agreements expire in 2008 through 2010 and require quarterly interest payments. In addition, the Company maintains two forward interest rate swap agreements with notional amounts totaling $200,000. These forward interest rate swaps will have the economic effect of modifying the LIBOR-based interest rates to fixed rates of 4.05% and 4.70% on the Company's term loan B outstanding debt. These forward interest rate swaps take effect on September 30, 2008, require quarterly interest payments beginning in December 2008, and expire in 2010. During 2007, 2006, and 2005 the Company accrued net cash benefits (obligations) of approximately $14,497, $15,791, and $(285), respectively, from these swaps, which are included in debt expense. During 2005, the Company also incurred additional net cash obligations of $1,461 from these swaps, which is included in swap valuation gains. The Company estimates that approximately $500 of existing unrealized pre-tax losses in other comprehensive income at December 31, 2007, will be reclassified into income in 2008. As of December 31, 2007 and 2006, the total fair value of these swaps was a net liability of $511 and an asset of $29,544, respectively. The 2007 amount was primarily included in other long-term liabilities and the 2006 amount was primarily included in other long-term assets. Also during 2007, the Company recorded $16,027, net of tax, as reductions to other comprehensive income for valuation losses, net of amounts reclassified into income.

As of December 31, 2007, the Company had approximately 50% of its variable rate debt and approximately 74% of its total debt economically fixed.

As a result of the swap agreements, the Company's overall Senior Secured Credit Facilities effective weighted average interest rate was 5.90%, based upon the current margins in effect of 1.50%, as of December 31, 2007.

At December 31, 2007, the Company's overall average effective interest rate was 6.37%.

Debt expense

Debt expense consisted of interest expense of $242,720, $262,967 and $134,429, amortization of deferred financing costs of $9,808, $10,469 and $5,157 for 2007, 2006 and 2005, respectively, and in 2007 and 2006, included the write-off of $4,371 and $3,270, respectively, of deferred financing costs. Debt expense in 2007 also included $248 of other costs associated with the amendment and reinstatement of the Senior Secured Credit Facilities. These interest expense amounts are net of capitalized interest.

2005 Transactions

In conjunction with the repayment and extinguishment of the Company's prior Senior Secured Credit Facilities during 2005, the Company wrote off deferred financing costs of $8,170 and reclassified into net income $8,100 of swap valuation gains that were previously recorded in other comprehensive income. These gains represented the accumulated fair value of several interest rate swap instruments that became ineffective as cash flow hedges as a result of the repayment of the prior Senior Secured Credit Facilities. In addition, the Company

(dollars in thousands, except per share data)

recorded a net loss of $2,100 related to changes in fair values of these swaps that were not effective as interest rate hedges until they were redesignated in the second quarter of 2005.

Portions of the Company's various interest rate swap agreements that were previously designated and expected to be effective as forward cash flow hedges became ineffective as a result of the Company not having any variable rate LIBOR-based interest payments during a portion of 2005. This resulted in a net charge of $1,700 to swap valuation gains, which includes the $1,461 discussed above as well as a reclassification into income of $2,000 of swap valuation losses that were previously recorded in other comprehensive income. The swap payment periods that began after October 2005 were highly effective as cash flow hedges with gains or losses from changes in their fair values reported in other comprehensive income.

14. Leases

The majority of the Company's facilities are leased under non-cancelable operating leases, ranging in terms from five to ten years, which contain renewal options of five to ten years at the fair rental value at the time of renewal or at rates subject to periodic consumer price index increases. The Company also leases certain equipment under capital leases.

Future minimum lease payments under non-cancelable operating leases and capital leases are as follows:

	Operating leases	Capital leases
2008	$ 170,192	$ 1,579
2009	151,344	1,162
2010	136,480	962
2011	121,913	966
2012	101,035	987
Thereafter	336,131	4,452
	$1,017,095	10,108
Less portion representing interest		(3,441)
Total capital lease obligations, including current portion		$ 6,667

Rent expense under all operating leases for 2007, 2006, and 2005 was $200,626, $187,139 and $109,511, respectively. Rent expense is recorded on a straight line basis, over the term of the lease, for leases that contain fixed escalation causes. Leasehold improvement incentives are deferred and amortized to rent expense over the term of the lease. The net book value of property and equipment under capital leases was $7,191, $5,765 and $6,094 at December 31, 2007, 2006 and 2005, respectively. Capital lease obligations are included in long-term debt. See Note 13 to the consolidated financial statements.

15. Employee benefit plans

The Company has a savings plan for substantially all employees which has been established pursuant to the provisions of Section 401(k) of the Internal Revenue Code, or IRC. The plan provides for employees to contribute a percentage of their base annual salaries on a tax-deferred basis not to exceed IRC limitations. The Company does not provide any matching contributions.

During 2000, the Company established the DaVita Inc. Profit Sharing Plan. Contributions to this defined contribution benefit plan are made at the discretion of the Company as determined and approved by the Board of

Directors. All contributions are deposited into an irrevocable trust. The profit sharing award for each eligible participant is based upon the achievement of employee-specific and/or corporate financial and operating goals. During 2004 the Company elected to discontinue funding the profit sharing plan and to distribute similar awards directly to the recipients, or at their discretion to their 401(k) accounts. In December 2007, the DaVita Profit Sharing Plan was merged into the Company's 401(k) Plan.

On October 5, 2005, the Company's Board of Directors approved the adoption of the DaVita Voluntary Deferral Plan. This plan is non-qualified and permits certain employees whose annualized base salary equals or exceeds a minimum annual threshold amount as set by the Company to elect to defer all or a portion of their annual bonus payment and, as originally adopted, up to 15% of their base salary into a deferral account maintained by the Company. Total contributions to this plan in 2007 and 2006 were $1,601, and $1,296, respectively. Effective January 1, 2006, the elective deferral percentage for base salary was increased to up to 50% of a participant's base salary. Deferred amounts are generally paid out in cash at the participant's election either in the first or second year following retirement or in a specified future period at least three to four years after the deferral election was effective. Participants are credited with their proportional amount of annual earnings from the plan. The assets of this plan are held in a "rabbi trust" and as such are subject to the claims of the Company's general creditors in the event of its bankruptcy.

As part of the acquisition of DVA Renal Healthcare on October 5, 2005, the Company acquired an Executive Retirement Plan for certain members of management. The plan is non-qualified and contributions to the plan were made at the discretion of DVA Renal Healthcare based upon a pre-determined percentage of a participant's base salary. Effective November 2005, all contributions to this plan were discontinued and the balance of the plan assets will be paid out upon termination of each individual participant.

The Company maintains a non-qualified deferred compensation plan for key employees. Company contributions are discretionary and are deposited into a rabbi trust. Participants in the plan are subject to a vesting period and typically receive annual distributions from the plan commencing one year after grant date, although in certain situations distributions are paid upon termination or retirement. Participants also have the option to direct their balances into certain investment funds and are credited with their proportional amount of earnings from the investments. The assets of this plan as held in the rabbi trust and are subject to the claims of the Company's general creditors in the event of its bankruptcy. During 2007 and 2006, the Company contributed $15,710 and $2,430 into the plan.

The Company also maintains a non-qualified deferred compensation plan for certain employees. Company contributions to the plan are discretionary and are deposited into a rabbi trust that is not subject to general creditors claims in the event of bankruptcy by the Company. Participants in the plan are subject to a vesting period and will receive their proportionate amount of the Company's contribution plus earnings in December of 2008. Participants are credited with their proportional amount of earnings from the investments within the plan. During 2007, the Company contributed $14,774 into this plan.

The fair value of the assets held in trust as of December 31, 2007, and 2006 totaled $43,036 and $16,408, respectively. The assets are available for sale and as such are recorded at fair market value with changes in the fair market values being recorded in other comprehensive income. Any fair market value changes to the corresponding liability balance will be recorded as compensation expense. See Note 9 to the consolidated financial statements.

Most of the Company's outstanding employee stock plan awards include a provision accelerating the vesting of the award in the event of a change of control. The Company also maintains a change of control protection program for its employees who do not have a significant number of stock awards, which has been in place since 2001, and which provides for cash bonuses to employees in the event of a change of control. Based on the market price of the Company's stock and the outstanding shares of its common stock on December 31, 2007, these cash bonuses would total approximately $234,000 if a control transaction occurred at that price and

the Company's Board of Directors did not modify the program. This amount has not been accrued at December 31, 2007, and would only be accrued upon a change of control. These compensation programs may affect the price an acquirer would be willing to pay.

16. Contingencies

The majority of the Company's revenues are from government programs and may be subject to adjustment as a result of: (1) examination by government agencies or contractors, for which the resolution of any matters raised may take extended periods of time to finalize; (2) differing interpretations of government regulations by different fiscal intermediaries or regulatory authorities; (3) differing opinions regarding a patient's medical diagnosis or the medical necessity of services provided; and (4) retroactive applications or interpretations of governmental requirements. In addition, the Company's revenues from commercial payors may be subject to adjustment as a result of potential claims for refunds, as a result of government actions or as a result of other claims by commercial payors.

United States Attorney inquiries

In February 2007, the Company received a request for information from the Office of Inspector General, U.S. Department of Health and Human Services, or OIG, for records relating to Epogen®, or EPO, claims submitted to Medicare. In August 2007, the Company received a subpoena from the OIG seeking similar documents. The requested documents relate to services provided from 2001 to 2004 by a number of the Company's centers. The request and subpoena were sent from the OIG's offices in Houston and Dallas, Texas. The Company is cooperating with the inquiry and is producing the requested records. The Company has been in contact with the United States Attorney's Office, or U.S. Attorney's Office, for the Eastern District of Texas, which has stated that this is a civil inquiry related to EPO claims. There appears to be substantial overlap between this issue and the ongoing review of EPO utilization and claims by the U.S. Attorney's Office, for the Eastern District of Missouri in St. Louis described below. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena will continue to require management's attention and significant legal expense. Any negative findings could result in substantial financial penalties against the Company and exclusion from future participation in the Medicare and Medicaid programs.

On March 4, 2005, the Company received a subpoena from the U.S. Attorney's Office for the Eastern District of Missouri in St. Louis. The subpoena requires production of a wide range of documents relating to our operations, including documents related to, among other things, pharmaceutical and other services provided to patients, relationships with pharmaceutical companies, and financial relationships with physicians and joint ventures. The subpoena covers the period from December 1, 1996 through the present. In October 2005, the Company received a follow-up request for additional documents related to specific medical director and joint venture arrangements. In February 2006, the Company received an additional subpoena for documents, including certain patient records relating to the administration and billing of EPO. In May 2007, the Company received a request for documents related to durable medical equipment (DME) and supply companies owned and operated by the Company. The Company is producing documents and providing information to the government. The Company is also cooperating, and intends to continue to cooperate, with the government's investigation, including by participating in discussions and meetings with the government. The subpoenas have been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against the Company in connection with this inquiry. Any negative findings could result in substantial financial penalties against the Company, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. To the Company's knowledge, no proceedings have been initiated against the Company at this

time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as this to continue for a considerable period of time. Responding to the subpoenas will continue to require management's attention and significant legal expense.

On October 25, 2004, the Company received a subpoena from the U.S. Attorney's Office for the Eastern District of New York in Brooklyn. The subpoena covers the period from 1996 to present and requires the production of a wide range of documents relating to the Company's operations, including DaVita Laboratory Services. Gambro Healthcare received a similar subpoena in November 2004. The subpoena also includes specific requests for documents relating to testing for parathyroid hormone levels, or PTH, and to products relating to vitamin D therapies. The subpoena has been issued in connection with a joint civil and criminal investigation. It is possible that criminal proceedings may be initiated against the Company in connection with this inquiry. Any negative findings could result in substantial financial penalties against the Company, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. Other participants in the dialysis industry received a similar subpoena, including Fresenius Medical Group. To the Company's knowledge, no proceedings have been initiated against the Company at this time. Although the Company cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as these to continue for a considerable period of time. Responding to the subpoena may continue to require management's attention and significant legal expense.

Other

The Company has received several notices of claims from commercial payors and other third parties related to historical billing practices and claims against DVA Renal Healthcare (formerly known as Gambro Healthcare) related to historical Gambro Healthcare billing practices and other matters covered by their settlement agreement with the Department of Justice. At least one commercial payor has filed an arbitration demand against the Company, as described below, and additional commercial payors have threatened litigation. The Company intends to defend against these claims vigorously; however, the Company may not be successful and these claims may lead to litigation and any such litigation may be resolved unfavorably. Although the ultimate outcome of these claims cannot be predicted at this time, an adverse result in excess of the Company's established reserves, with respect to one or more of these claims could have a material adverse effect on the Company's business, financial condition, results of operations and liquidity.

In December 2007, the Company entered into a Settlement Agreement with the State of New York to resolve certain billing issues that had been the subject of inquiry by the New York Attorney General's Medicaid Fraud Control Unit, or MFCU. The Company had received several informal inquiries from representatives of MFCU regarding billing practices for facilities managed by the Company in New York. The Settlement Agreement covers numerous dialysis facilities in New York for which the Company, through its subsidiaries, provides administrative services. The Company paid $1,457 in settlement, which included the amount of the overpayments by the New York Medicaid program plus interest; no fines or penalties were assessed.

In October 2007, the Company was contacted by the Attorney General's Office for the State of Nevada. The Attorney General's Office informed the Company that it was conducting a criminal investigation of the Company's operations in Nevada and that the investigation related to the billing of pharmaceuticals, including EPO. On February 8, 2008, the Attorney General's Office informed the Company that the criminal investigation has been discontinued. The Attorney General's Office further advised the Company that Nevada Medicaid intends to conduct audits of ESRD providers in Nevada, including the Company, and that such audits will relate to the issues that were the subjects of the criminal investigation. Any negative findings could result in substantial financial penalties against the Company and exclusion from future participation in the Medicare and Medicaid programs. To the Company's knowledge, no proceedings have been initiated against the Company at this time.

On August 28, 2007, Sheet Metal Workers National Health Fund and Glenn Randle filed a complaint in the United States District Court for the Central District of California against the Company. The complaint also

names as defendants Amgen, Inc. and Fresenius Medical Care Holdings, Inc. The complaint is styled as a class action and alleges four claims against the Company, including violations of the federal RICO statute, California's unfair competition law, California's false advertising law and for unjust enrichment. The complaint's principal allegations against the Company are that the defendants engaged in a scheme to unlawfully promote the administration of EPO to hemodialysis patients intravenously, as opposed to subcutaneously, and to over-utilize EPO. The Company intends to vigorously defend against these claims. The Company also intends to vigorously oppose the certification of this matter as a class action. At this time, the Company cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

On August 8, 2005, Blue Cross/Blue Shield of Louisiana filed a complaint in the United States District Court for the Western District of Louisiana against Gambro AB, DVA Renal Healthcare (formerly Gambro Healthcare) and related entities. The plaintiff sought to bring its claims as a class action on behalf of itself and all entities that paid any of the defendants for health care goods and services from on or about January 1991 through at least December 2004. The complaint alleged, among other things, damages resulting from facts and circumstances underlying Gambro Healthcare's December 2004 settlement agreement with the Department of Justice and certain agencies of the United States Government. In March 2006, the case was dismissed and the plaintiff was compelled to seek arbitration to resolve the matter. In November 2006, the plaintiff filed a demand for class arbitration against the Company and DVA Renal Healthcare. The Company intends to vigorously defend against these claims. The Company also intends to vigorously oppose the certification of this matter as a class action. At this time, the Company cannot predict the ultimate outcome of this matter or the potential range of damages, if any.

In June 2004, Gambro Healthcare was served with a complaint filed in the Superior Court of California by one of its former employees who worked for its California acute services program. The complaint, which is styled as a class action, alleges, among other things, that DVA Renal Healthcare (formerly Gambro Healthcare) failed to provide overtime wages, defined rest periods and meal periods, or compensation in lieu of such provisions and failed to comply with certain other California labor code requirements. The Company intends to vigorously defend against this claim. The Company also intends to vigorously oppose the certification of this matter as a class action. Although the ultimate outcome of these claims cannot be predicted, the Company does not expect that an unfavorable result, if any, would have a material adverse effect on the Company's business, financial condition, liquidity or results of operations.

In addition to the foregoing, the Company is subject to claims and suits, including from time to time, contractual disputes and professional and general liability claims, as well as audits and investigations by various government entities, in the ordinary course of business. The Company believes that the ultimate resolution of any such pending proceedings, whether the underlying claims are covered by insurance or not, will not have a material adverse effect on its financial condition, results of operations or cash flows.

17. Shareholders' equity and stock-based compensation

Authorized capital stock of the Company

On May 29, 2007, DaVita's stockholders approved an amendment to its Amended and Restated Certificate of Incorporation to increase the number of shares of authorized common stock from 195,000,000 to 450,000,000 shares.

Stock-based compensation

Effective January 1, 2006, the Company implemented Statement of Financial Accounting Standards (SFAS) No. 123(R) *Share-Based Payment*, which requires the measurement and recognition of cost for all stock-

based awards made to employees and directors, including stock options, stock appreciation rights, stock units and discounted employee stock purchases. Under this standard, the Company's stock-based compensation awards are measured at estimated grant-date fair value and recognized as compensation expense over their requisite service periods. SFAS No. 123(R) supersedes the Company's previous accounting under Accounting Principles Board Opinion (APB) No. 25 *Accounting for Stock Issued to Employees*, under which the Company did not recognize compensation expense for most of its stock options. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 relating to the application of SFAS No. 123(R), and the Company has applied the provisions of SAB 107 in its adoption of SFAS No. 123(R).

The Company implemented SFAS No. 123(R) using the modified prospective transition method. In accordance with this method, our consolidated financial statements for periods prior to fiscal year 2006 have not been restated to reflect this change. The standard also requires that tax benefits realized from stock award exercise gains in excess of stock-based compensation expense recognized for financial statement purposes be reported on a prospective basis as cash flows from financing activities rather than as operating cash flows. The Company also elected to use the method available under FASB Staff Position FSP No. 123(R)-3 *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*, which provides an alternative method for calculating historical excess tax benefits from the method described in SFAS No. 123(R) for stock-based compensation awards.

Under SFAS No. 123(R), stock-based compensation recognized during a period is based on the estimated grant-date fair value of the portion of each stock-based award vesting during that period, adjusted for expected forfeitures. Stock-based compensation recognized in the Company's consolidated financial statements for the years ended December 31, 2007 and 2006 includes compensation cost for stock-based awards granted prior to, but not fully vested as of, December 31, 2005 and stock-based awards granted in 2006 and 2007. The Company previously recognized the effect of stock unit forfeitures as they occurred, and the effect of transitioning to recognition of expense based on expected forfeitures was insignificant. Shares issued upon exercise of stock awards are generally issued from shares in treasury.

Prior to 2006, the Company accounted for stock-based compensation in accordance with APB No. 25 *Accounting for Stock Issued to Employees*, as allowed under SFAS No. 123 *Accounting for Stock-based Compensation*. Under APB No. 25, stock option grants to employees did not result in an expense if the exercise price was at least equal to the market price at the date of grant. However, under APB No. 25 the Company did recognize compensation expense for stock units, which were valued at the closing stock price on the date of grant and amortized over their respective vesting periods, and for modifications to stock awards as required under FASB Interpretation No. 44 *Accounting for Certain Transactions Involving Stock Compensation*.

Stock-based compensation plans and agreements

On May 29, 2007, the Company's stockholders approved an amendment and restatement of the Company's Employee Stock Purchase Plan to increase the number of shares of common stock available for issuance under that plan by 800,001 shares, and approved an amendment and restatement of the Company's 2002 Equity Compensation Plan to increase the number of shares of common stock available for issuance under that plan by 6,000,000 shares and, among other things, to remove certain available share recycling features, to change the limit on the maximum number of shares of common stock that may be subject to awards granted to any single recipient in any consecutive twenty-four month period so that such limit applies only to awards of stock options and stock appreciation rights, and to provide additional exceptions from the three year minimum vesting period generally applicable to grants of restricted stock units and other full share awards.

The Company's stock-based compensation plans and agreements are described below.

2002 Plan. The DaVita Inc. 2002 Equity Compensation Plan as amended on May 29, 2007 (the 2002 Plan) provides for grants of stock-based awards to employees, directors and other individuals providing services to the

Company, except that incentive stock options may only be awarded to employees. The 2002 Plan mandates a maximum award term of five years, and stipulates that stock options and stock appreciation rights be granted with prices not less than the fair market value on the date of grant. The 2002 Plan further requires that full share awards such as restricted stock units reduce shares available under the 2002 Plan at a rate of 3.0:1. The Company's nonqualified stock options, stock appreciation rights and stock units awarded under the 2002 Plan generally vest over 48 to 60 months from the date of grant. At December 31, 2007, there were 9,703,821 stock options and stock-settled stock appreciation rights and 204,345 stock units outstanding and 10,945,124 shares available for future grants under the 2002 Plan.

1999 Plan. The 1999 Non-Executive Officer and Non-Director Equity Compensation Plan (the 1999 Plan) provides for grants of stock options to employees and other individuals providing services, other than executive officers and members of the Board of Directors. The Company awards nonqualified stock options under the 1999 Plan which are generally issued with exercise prices equal to the market price of the stock on the date of grant, vest over 48 to 52 months from the date of grant and bear maximum award terms of five years. At December 31, 2007, there were 269,651 stock options outstanding and 305,274 shares available for future grants under the 1999 Plan.

Predecessor plans. Upon shareholder approval of the 2002 Plan on April 11, 2002, the following predecessor plans were terminated, except with respect to options then outstanding: the 1994 Equity Compensation Plan, the 1995 Equity Compensation Plan, the 1997 Equity Compensation Plan, and the 1999 Equity Compensation Plan. Shares available for future grants under these predecessor plans were transferred to the 2002 Plan upon its approval, and cancelled predecessor plan awards become available for new awards under the 2002 Plan. Stock options granted under these terminated plans were generally issued with exercise prices equal to the market price of the stock on the date of grant, vested over four years from the date of grant, and bore maximum award terms of five to 10 years. The RTC Plan, a special purpose option plan related to the merger between the Company and Renal Treatment Centers, Inc. in 1998, was terminated in 1999. At December 31, 2007, there were 567,069 stock options outstanding under these terminated plans.

Deferred stock unit agreements. During 2001 through 2003, the Company made nonqualified stock unit awards to members of the Board of Directors and certain key executive officers under stand-alone contractual deferred stock unit agreements. These awards vest over one to four years and are settled in stock when they vest or at a later date at the election of the recipient. At December 31, 2007, 63,636 stock units remained outstanding under these agreements.

A combined summary of the status of awards under these stock-based compensation plans and agreements, including base shares for stock appreciation rights and shares subject to stock option and stock unit awards, is as follows:

	Year ended December 31, 2007				
	Stock options and stock appreciation rights			Stock units	
	Awards	Weighted average exercise price	Weighted average remaining contractual life	Awards	Weighted average remaining contractual life
Outstanding at beginning of year	9,779,805	$38.06		437,735	
Granted	3,918,328	$53.22		38,643	
Exercised	(2,448,579)	$24.49		(120,175)	
Forfeited	(709,013)	$48.72		(88,222)	
Outstanding at end of period	10,540,541	$46.13	3.3	267,981	2.4
Awards exercisable at end of period	3,075,862	$36.52	2.5	44,881	1.3
Weighted-average fair value of awards granted during 2007	$ 13.89			$ 54.69	
Weighted-average fair value of awards granted during 2006	$ 13.38			$ 51.72	

Range of exercise prices	Awards outstanding	Weighted average exercise price	Awards exercisable	Weighted average exercise price
$ 0.00–$ 0.00	267,981	$ —	44,881	$ —
$ 0.01–$10.00	556,519	4.31	556,519	4.31
$10.01–$20.00	142,114	14.55	142,114	14.55
$20.01–$30.00	422,470	27.97	260,785	27.81
$30.01–$40.00	576,367	31.24	140,218	32.27
$40.01–$50.00	3,746,418	47.93	1,484,495	47.06
$50.01–$60.00	5,048,153	53.37	486,065	53.28
$60.01–$70.00	48,500	61.24	5,666	60.21
Total	10,808,522	$44.99	3,120,743	$36.00

For the years ended December 31, 2007, 2006, and 2005, the aggregate intrinsic value of stock awards exercised was $86,283, $109,562 and $104,000, respectively. At December 31, 2007, the aggregate intrinsic value of stock awards outstanding was $123,390 and the aggregate intrinsic value exercisable was $63,603.

Estimated fair value of stock-based compensation awards

The Company has estimated the grant-date fair value of stock option and stock-settled stock appreciation rights awards using the Black-Scholes-Merton valuation model and stock unit awards at intrinsic value on the date of grant. The following assumptions were used in estimating these values and determining the total stock-based compensation attributable to the current period:

Expected term of the awards: The expected term of awards granted represents the period of time that they are expected to remain outstanding from the date of grant. The Company determines the expected term of its stock awards based on its historical experience with similar awards, considering the Company's historical exercise and post-vesting termination patterns, and the terms expected by peer companies in near industries.

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Expected volatility: Expected volatility represents the volatility anticipated over the expected term of the award. The Company determines the expected volatility for its awards based on the volatility of the price of its common stock over the most recent retrospective period commensurate with the expected term of the award, considering the volatility expectations implied by the market price of its exchange-traded options and the volatilities expected by peer companies in near industries.

Expected dividend yield: The Company has not paid dividends on its common stock and does not currently expect to pay dividends during the term of stock awards granted.

Risk-free interest rate: The Company bases the expected risk-free interest rate on the implied yield currently available on stripped interest coupons of U.S. Treasury issues with a remaining term equivalent to the expected term of the award.

A summary of the weighted average valuation inputs described above used for estimating the grant-date fair value of stock options and stock-settled stock appreciation rights granted in the periods indicated is as follows:

	Year ended December 31,		
	2007	2006	2005 pro-forma
Expected term	3.7 years	3.5 years	3.2 years
Expected volatility	25%	25%	27%
Expected dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	4.4%	5.0%	4.1%

The Company estimates expected forfeitures based upon historical experience with separate groups of employees that have exhibited similar forfeiture behavior in the past. Stock-based compensation expense is recorded only for awards that are expected to vest.

Employee stock purchase plan

The Employee Stock Purchase Plan as amended on May 29, 2007 entitles qualifying employees to purchase up to $25 of the Company's common stock during each calendar year. The amounts used to purchase stock are accumulated through payroll withholdings or through optional lump sum payments made in advance of the first day of the purchase right period. This compensatory plan allows employees to purchase stock for the lesser of 100% of the fair market value on the first day of the purchase right period or 85% of the fair market value on the last day of the purchase right period. Purchase right periods begin on January 1 and July 1, and end on December 31. Payroll withholdings and lump-sum payments related to the plan, included in accrued compensation and benefits, were $4,711, $5,991, and $3,264 at December 31, 2007, 2006 and 2005, respectively. Subsequent to December 31, 2007, 2006 and 2005, 98,353, 123,920 and 80,442 shares, respectively, were issued to satisfy obligations under the plan. At December 31, 2007, there were 1,156,305 shares available for future grants under this plan.

The fair value of employees' purchase rights was estimated as of the beginning dates of the purchase right periods using the Black-Scholes-Merton valuation model with the following weighted average assumptions for purchase right periods in 2007, 2006 and 2005, respectively: expected volatility of 23%, 23% and 27%; risk-free interest rate of 4.9%, 4.9% and 3.2%, and no dividends. Using these assumptions, the weighted average estimated fair value of these purchase rights was $13.96, $12.35 and $10.64 for 2007, 2006 and 2005, respectively.

Stock-based compensation expense and proceeds

For the years ended December 31, 2007 and 2006, the Company recognized $34,149 and $26,389, respectively, in stock-based compensation expense for stock options, stock appreciation rights, stock units and employee stock plan purchases, which is primarily included in general and administrative expenses in continuing operations. The estimated tax benefits recorded for this stock-based compensation in 2007 and 2006 were $12,820 and $9,678, respectively. As of December 31, 2007, there was $78,605 of total estimated unrecognized compensation cost related to nonvested stock-based compensation arrangements under the Company's equity compensation and stock purchase plans. The Company expects to recognize this cost over a weighted average remaining period of 1.6 years.

During the years ended December 31, 2007, 2006 and 2005, the Company received $54,697, $37,877 and $42,144 in cash proceeds from stock option exercises and $32,788, $40,375 and $38,484 in total actual tax benefits upon the exercise of stock awards, respectively.

Pro forma 2006 comparison under SFAS No. 123(R) and APB No. 25

The following table presents the impact of the adoption of SFAS No. 123(R) on selected items from the Company's consolidated financial statements for the year ended December 31, 2006:

	Year ended December 31, 2006	
	As reported under SFAS No. 123(R)	If reported under APB No. 25 proforma
Consolidated statement of income:		
Operating income	$ 739,432	$ 761,752
Income from continuing operations before income taxes	$ 475,759	$ 498,079
Income from continuing operations	$ 289,329	$ 303,554
Net income	$ 289,691	$ 303,916
Basic earnings per share from continuing operations	$ 2.79	$ 2.93
Basic earnings per share	$ 2.80	$ 2.94
Diluted earnings per share from continuing operations	$ 2.73	$ 2.86
Diluted earnings per share	$ 2.74	$ 2.86
Consolidated statement of cash flows:		
Net cash provided by operating activities	$ 519,571	$ 556,822
Net cash used in financing activities	$(329,117)	$(366,368)

(dollars in thousands, except per share data)

Pro forma 2005 results under SFAS No. 123

The weighted average grant-date fair value of stock awards granted in 2005 was $12.94. If the Company had adopted the fair value-based compensation expense provisions of SFAS No. 123 upon the issuance of that standard, net earnings and net earnings per share would have been adjusted to the pro forma amounts indicated below (shares in 000's):

	Year ended December 31, 2005
Net income:	
As reported	$228,643
Add: Stock-based employee compensation expense included in reported net income, net of tax	2,112
Deduct: Total stock-based employee compensation expense under the fair value-based method, net of tax	(12,180)
Pro forma net income	$218,575
Pro forma basic earnings per share:	
Pro forma net income for basic earnings per share calculation	$218,575
Weighted average shares outstanding	100,713
Vested stock units	49
Weighted average shares for basic earnings per share calculation	100,762
Basic net income per share—Pro forma	$ 2.17
Basic net income per share—As reported	$ 2.27
Pro forma diluted earnings per share:	
Pro forma net income for diluted earnings per share calculation	$218,575
Weighted average shares outstanding	100,713
Vested stock units	49
Assumed incremental shares from stock plans	3,167
Weighted average shares for diluted earnings per share calculation	103,929
Diluted net income per share—Pro forma	$ 2.10
Diluted net income per share—As reported	$ 2.20

Other equity transactions

During 2007, the Company repurchased 111,300 shares of its common stock for $6,350. As of December 31, 2007, the total outstanding Board authorizations for share repurchases were approximately $243,000.

Shareholder rights plan

The Company's Board of Directors approved a shareholder rights plan on November 14, 2002. This plan is designed to assure that DaVita's shareholders receive fair treatment in the event of any proposed takeover of DaVita.

Pursuant to this plan, the Board approved the declaration of a dividend distribution of one common stock purchase right for each outstanding share of its common stock payable on December 10, 2002 to holders of record of DaVita common stock on November 29, 2002. This rights distribution was not taxable to DaVita shareholders. As a result of the stock split that occurred during the second quarter of 2004, two-thirds of a right are now attached to each share of the Company's common stock. Two-thirds of a right will also attach to each newly issued or reissued share of common stock. These rights will become exercisable if a person or group acquires, or announces a tender offer for, 15% or more of DaVita's outstanding common stock. The triggering person's stock purchase rights will become void at that time and will not become exercisable.

Each right initially entitles its holder to purchase one share of common stock from the Company at a price of $125.00. If the rights become exercisable, and subject to adjustment for authorized shares available, each purchase right will then entitle its holder to purchase $125.00 of common stock at a price per share equal to 50% of the average daily closing price of the Company's common stock for the immediately preceding 30 consecutive trading days. If DaVita is acquired in a merger or other business combination transaction after the rights become exercisable, provisions will be made to allow the holder of each right to purchase $125.00 of common stock from the acquiring company at a price equal to 50% of the average daily closing price of that company's common stock for the immediately preceding 30 consecutive trading days.

The Board of Directors may elect to redeem the rights at $0.01 per purchase right at any time prior to, or exchange common stock for the rights at an exchange ratio of one share per right at any time after, a person or group acquires or announces a tender offer for 15% or more of DaVita's outstanding common stock. The exercise price, number of shares, redemption price or exchange ratio associated with each right may be adjusted as appropriate upon the occurrence of certain events, including any stock split, stock dividend or similar transaction. These purchase rights will expire no later than November 14, 2012.

Charter documents & Delaware law

The Company's charter documents include provisions that may deter hostile takeovers, delay or prevent changes of control or changes in management, or limit the ability of stockholders to approve transactions that they may otherwise determine to be in their best interests. These include provisions prohibiting stockholders from acting by written consent, requiring 90 days advance notice of stockholder proposals or nominations to the Board of Directors and granting the Board of Directors the authority to issue up to five million shares of preferred stock and to determine the rights and preferences of the preferred stock without the need for further stockholder approval.

The Company is also subject to Section 203 of the Delaware General Corporation Law that, subject to exceptions, would prohibit the Company from engaging in any business combinations with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder. These restrictions may discourage, delay or prevent a change in the control of the Company.

(dollars in thousands, except per share data)

18. Other comprehensive income

Charges and credits to other comprehensive income have been as follows:

	2005		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized gains on interest rate swaps	$27,530	$(10,709)	$16,821
Less reclassification of net swap realized gains into net income	(6,129)	2,384	(3,745)
Net swap activity	$21,401	$ (8,325)	$13,076

	2006		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized gains on interest rate swaps	$ 12,869	$(5,007)	$ 7,862
Less reclassification of net swap realized gains into net income	(15,828)	6,157	(9,671)
Net swap activity	$ (2,959)	$ 1,150	$(1,809)

	2007		
	Before tax amount	Tax (expense) benefit	Net-of-tax amount
Unrealized losses on interest rate swaps	$(11,733)	$ 4,564	$ (7,169)
Less reclassification of net swap realized gains into net income	(14,498)	5,640	(8,858)
Net swap activity	(26,231)	10,204	(16,027)
Unrealized gains on investments	6,892	(2,681)	4,211
Less reclassification of net investment realized gains into net income	(6,042)	2,350	(3,692)
Net investment activity	850	(331)	519
Total	$(25,381)	$ 9,873	$(15,508)

Changes in accumulated other comprehensive income have been as follows:

	Interest rate swaps	Investment securities	Accumulated other comprehen-sive income
Balance December 31, 2005	$ 14,806	—	$ 14,806
Net activity	(1,809)	—	(1,809)
Balance December 31, 2006	12,997	—	12,997
Net activity	(16,027)	519	(15,508)
Balance December 31, 2007	$ (3,030)	$519	$ (2,511)

19. Acquisitions and divestitures

Acquisitions

The total acquisition amounts were as follows:

	Year ended December 31		
	2007	2006	2005
Cash paid, net of cash acquired	$127,094	$85,658	$3,202,404
Deferred purchase price and other acquisition obligations	1,195	585	9,331
Aggregate purchase cost	$128,289	$86,243	$3,211,735
Cash adjustments for previous acquisitions including DVA Renal Healthcare	$ —	$ 846	$ —
Number of chronic dialysis centers acquired (before divestitures)	16	26	609

Routine Acquisitions

During 2007, 2006, and 2005, the Company acquired dialysis businesses, other than DVA Renal Healthcare, consisting of 16 centers, 26 centers and 54 centers for a total of $57,783, $86,243 and $168,240, respectively, in cash and deferred purchase price obligations. In 2007 the Company also purchased 85% of HomeChoice Partners (HCP) pursuant to a stock purchase agreement for $70,506 in cash and deferred purchase price obligations, subject to further contingent price adjustments. HCP provides infusion therapy services to patients with acute or chronic conditions that can be treated at home or at an ambulatory infusion site. The assets and liabilities for all acquisitions were recorded at their estimated fair market values at the dates of the acquisitions and are included in the Company's financial statements and operating results from the designated effective dates of the acquisitions.

The initial purchase cost allocations for acquired businesses are recorded at fair values based upon the best information available to management and are finalized when identified pre-acquisition contingencies have been resolved and other information arranged to be obtained has been received, but in no case in excess of one year from the acquisition date. Certain specific assets and liabilities including certain identified intangibles, relating to the acquisition of HCP remain outstanding that require the Company to obtain additional information in order to properly assess and finalize the potential impact, if any, to the consolidated financial statements. The Company does not expect the impact of such additional adjustments to be material. Any additional valuation adjustments that would need to be recorded will be offset with a corresponding adjustment to goodwill. Adjustments to purchase accounting for prior acquisitions and payments for acquisitions in process have been included in the periods recognized.

The aggregate purchase cost allocations for routine dialysis and other related businesses were as follows:

	Year ended December 31,		
	2007	2006	2005
Tangible assets, principally leasehold improvements and equipment	$ 20,085	$ 7,623	$ 17,381
Amortizable intangible assets	12,271	8,584	15,631
Goodwill	105,609	79,948	139,485
Liabilities assumed	(9,676)	(9,912)	(4,257)
Aggregate purchase cost	$128,289	$86,243	$168,240

Amortizable intangible assets acquired during 2007, 2006 and 2005 had weighted-average estimated useful lives of eight, ten and ten years, respectively. The total amount of goodwill deductible for tax purposes associated

(dollars in thousands, except per share data)

with these acquisitions for 2007, 2006, and 2005 was approximately $106,000, $80,000 and $140,000, respectively.

Acquisition of DVA Renal Healthcare, Inc.

On October 5, 2005, the Company acquired all of the outstanding common stock of DVA Renal Healthcare, Inc. under a stock purchase agreement dated December 6, 2004, for $3,060,000. DVA Renal Healthcare was one of the largest dialysis service providers in the United States. The Company acquired DVA Renal Healthcare in an effort to more effectively offer chronic kidney disease services and technologies in a cost efficient manner. The purchase price reflects (i) the cash purchase price of approximately $1,800,000 for all of the outstanding common stock of DVA Renal Healthcare and (ii) the assumption and payment of approximately $1,260,000 of DVA Renal Healthcare indebtedness. The Company also incurred approximately $30,000 in acquisition-related costs. The operating results of DVA Renal Healthcare, Inc. are included in the Company's consolidated financial statements from October 1, 2005.

The original allocations of purchase cost were recorded at fair value based upon the best information available to management at that time. The fair values of property and equipment and amortizable intangible assets and liabilities were valued by an independent third party. During 2006, the Company completed the final valuations of certain assets, properties and leasehold improvements, settlements liabilities and contingencies that were previously unresolved. During 2007, the Company allocated certain income tax adjustments to goodwill after the purchase cost allocations had been finalized. These valuation adjustments were not material to the consolidated financial statements and were recorded with a corresponding adjustment to goodwill. See Note 10 to the consolidated financial statements.

The final aggregate purchase cost allocation for DVA Renal Healthcare was as follows:

Current assets	$ 490,090
Property and equipment, net	313,315
Other long-term assets and intangible assets	148,875
Goodwill	2,546,565
Current liabilities assumed	(272,420)
Alliance and Product Supply agreement and other intangible liabilities	(168,287)
Other long-term liabilities	(14,643)
Aggregate purchase costs	$3,043,495

Total consideration paid to purchase DVA Renal Healthcare also included imputed interest of $2,818, which is included in debt expense.

The centers acquired from Gambro Healthcare are subject to a five-year Corporate Integrity Agreement in connection with its December 2004 settlement with the U.S. Government that imposes significant specific compliance operating and reporting requirements, and requires an annual audit by an independent reporting organization.

In conjunction with the acquisition, the Company entered into an Alliance and Product Supply Agreement (the Product Supply Agreement) with Gambro AB and Gambro Renal Products, Inc (Gambro Renal Products). The Product Supply Agreement has an initial term of seven years and will automatically renew for three additional one-year periods if the Company has not negotiated the terms of an extension during the initial term. Because the Product Supply Agreement results in higher costs for most of the products covered by the Product

Supply Agreement than would be otherwise available to the Company, the Product Supply Agreement represented an intangible liability initially valued at $162,100 as of the acquisition date.

The Product Supply Agreement committed the Company to purchase a significant majority of its hemodialysis products, supplies and equipment at fixed prices through 2015. The agreement was amended on August 25, 2006 (the Amended Product Supply Agreement) to reduce the Company's purchase obligations for certain hemodialysis product supplies and equipment and to allow for the termination of purchase obligations for certain equipment then affected by an import ban issued by the U.S. Food and Drug Administration (FDA) if the import ban was not lifted by June 30, 2007.

As a result of the reductions in the amount of purchase obligations required under the Amended Product Supply Agreement, the Company recorded a net valuation gain of $37,968 during 2006. This valuation gain represents the difference in the amortized original fair value between the Product Supply Agreement and that of the Amended Product Supply Agreement, as of the effective date of the amendment.

On July 2, 2007, the Company notified Gambro Renal Products that it was electing to be permanently relieved of its obligation under the Amended Product Supply Agreement to purchase dialysis machines (the Affected Products) because the Affected Products remained subject to the FDA import ban after June 30, 2007. All other purchase obligations under the Amended Product Supply Agreement, which continues to require the Company to purchase a significant majority of its hemodialysis non-equipment product supplies, such as dialyzers, at fixed prices, remain in place.

As a result of the termination of the Company's purchase obligations for the Affected Products, the Company recorded a net valuation gain of $55,275 in the second quarter of 2007. This valuation gain represents the difference in the amortized original fair value of the Amended Product Supply Agreement and that of the Amended Product Supply Agreement as adjusted for the termination of the Affected Products as of June 30, 2007.

During 2007 and 2006, the Company purchased $90,696 and $146,408 of hemodialysis product supplies from Gambro Renal Products, representing 2% and 4%, respectively, of the Company's total operating costs.

Discontinued operations

In accordance with a consent order issued by the Federal Trade Commission on October 4, 2005, the Company was required to divest a total of 69 outpatient dialysis centers and to terminate two management services agreements in order to complete the acquisition of DVA Renal Healthcare. In conjunction with the consent order, on October 6, 2005, the Company and DVA Renal Healthcare completed the sale of 70 outpatient dialysis centers to Renal Advantage Inc., formerly known as RenalAmerica, Inc. and also completed the sale of one other center to a separate physician group, and terminated the two management services agreements. In addition, effective January 1, 2006, the Company completed the sale of three additional centers to Renal Advantage, Inc. that were pending state regulatory approval in Illinois. The Company received total cash consideration of approximately $330,000 for all of the centers divested and used approximately $13,000 to purchase the minority interest ownership of a joint venture, to distribute a minority owner's share of the sale proceeds, and to pay related transaction costs. The Company also paid income taxes of approximately $85,000 on these divestitures in the first quarter of 2006. As part of this transaction, Renal Advantage assumed specific liabilities related to the centers, and all other liabilities were retained by the Company. In 2005, the Company recorded a gain of approximately $8,064, net of tax, related to the divestiture of its historical DaVita centers. Included in the gain on divestitures is the recognition of a $26,500 tax valuation allowance benefit resulting from the utilization of prior years' capital losses offsetting the taxable gain on sale, and income tax expense of $27,133 relating to the write-off of book goodwill not deductible for tax purposes. In 2006, the Company recorded a loss of $311, net of tax, related to the divesture of its three centers. The loss on disposal of these centers includes an income tax expense totaling $1,274, of which $900 was related to the write off of book goodwill not deductible

(dollars in thousands, except per share data)

for tax purposes. In 2006, the company also recorded a net gain of $673 as an adjustment to the previously reported gain on disposal of discontinued operations.

The results of operations of the historical DaVita outpatient dialysis centers and the held for sale centers, are reflected as discontinued operations for 2005.

The results from discontinued operations were as follows:

	Year Ended December 31, 2005
Net operating revenues	$98,454
Income before income taxes	21,534
Income tax	8,377
Income from discontinued operations	$13,157

Net assets of discontinued operations sold were as follows:

	2006
Current assets	$ —
Other current assets held for sale	15,129
Property and equipment, net	—
Amortizable intangibles, net	—
Goodwill and other purchase price adjustments	667
Other current liabilities and minority interest	(351)
Net assets from discontinued operations	$15,445

Pro forma financial information

The following summary, prepared on a pro forma basis, combines the results of operations as if all acquisitions in 2007 and 2006 had been consummated as of the beginning of 2006, after including the impact of certain adjustments such as amortization of intangibles, interest expense on acquisition financing and income tax effects.

	Year ended December 31,	
	2007	2006
	(unaudited)	
Pro forma net revenues	$5,333,587	$5,009,650
Pro forma net income	392,465	306,783
Pro forma income from continuing operations	392,465	306,421
Pro forma basic net income per share	3.71	2.96
Pro forma diluted net income per share	3.65	2.90
Pro forma basic income from continuing operations	3.71	2.96
Pro forma diluted income from continuing operations	3.65	2.90

20. Concentrations

Approximately 64% of the Company's total dialysis revenue in 2007, 65% in 2006 and 60% in 2005 are from government-based programs, principally Medicare and Medicaid. Accounts receivable from Medicare and Medicaid were approximately $236,000 and $250,000, respectively as of December 31, 2007 and 2006. No other single payor accounted for more than 5% of total accounts receivable.

A significant physician-prescribed pharmaceutical administered during dialysis, EPO, is provided by a sole supplier and accounted for slightly more than one-fifth of net operating revenues. Although the Company currently receives discounted prices for EPO, the supplier has unilateral pricing discretion and in the future the Company may not be able to achieve the same cost levels historically obtained.

21. Other commitments

The Company has obligations to purchase the interests held by third parties in several of its joint ventures and non-wholly-owned subsidiaries. These obligations are in the form of put provisions, and are exercisable at the third-party owners' discretion. If these put provisions are exercised, the Company would be required to purchase the third-party owners' interests at either the appraised fair market value or a predetermined multiple of cash flow or earnings, which is intended to approximate fair value. As of December 31, 2007, the Company's potential obligations under these put provisions totaled approximately $330,000 of which approximately $131,000 were exercisable within one year. Additionally, the Company has certain other potential commitments to provide operating capital to several noncontrolling-owned centers and to third-party centers that the Company operates under administrative service agreements of approximately $18,000.

The Company is obligated under mandatorily redeemable instruments in connection with certain consolidated joint ventures. Future distributions may be required for the minority partner's interests in limited-life entities which dissolve after terms of ten to fifty years. As of December 31, 2007, such distributions would be valued below the related minority interests balances in the consolidated balance sheet.

Other than operating leases, disclosed in Note 14 to the consolidated financial statements, and the letters of credit and the interest rate swap agreements, disclosed in Note 13 to the consolidated financial statements, or as described above the Company has no off balance sheet financing arrangements as of December 31, 2007.

22. Fair values of financial instruments

Financial instruments consist primarily of cash, accounts receivable, notes receivable, assets available for sale, accounts payable, accrued compensation and benefits, other accrued liabilities, interest rate swap agreements and debt. The balances of the non-debt financial instruments excluding assets available for sale (see Note 9) are presented in the consolidated financial statements at December 31, 2007 and 2006 at their approximate fair values due to the short-term nature of their settlements. Borrowings under the Company's Senior Secured Credit Facilities, of which $1,935,125 was outstanding as of December 31, 2007, reflect fair value as they are subject to fees and adjustable rates competitively determined in the marketplace. The fair value of the Company's senior and senior subordinated notes were approximately $1,745,250 at December 31, 2007 based upon quoted market prices. The fair values of the interest rate swaps were a net liability of approximately $511 as of December 31, 2007, which is recorded primarily in other long-term liabilities.

23. Supplemental cash flow information

The table below provides supplemental cash flow information:

	Year ended December 31,		
	2007	2006	2005
Cash paid:			
Income taxes	$205,955	$209,982	$ 82,275
Interest	245,325	271,711	86,035
Non-cash investing and financing activities:			
Fixed assets acquired under capital lease obligations	2,769	—	—
Contributions to consolidated partnerships	14,735	13,568	11,326
Refinancing charges	—	—	8,170
Liabilities assumed in conjunction with common stock acquisitions	1,653	—	300,462

(dollars in thousands, except per share data)

24. Selected quarterly financial data (unaudited)

	2007				2006			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Net operating revenues	$1,354,869	$1,318,381	$1,312,735	$1,278,166	$1,272,617	$1,237,041	$1,207,816	$1,163,188
Operating income	195,263	212,412	261,217	193,317	188,511	217,094	171,752	162,075
Income from continuing operations	85,717	94,455	125,024	76,582	74,129	93,091	64,329	57,780
Discontinued operations, net of tax	—	—	—	—	—	1,765	(1,092)	(311)
Net income	85,717	94,455	125,024	76,582	74,129	94,856	63,237	57,469
Basic earnings per share from continuing operations	0.80	0.89	1.19	0.73	0.71	0.90	0.62	0.56
Basic earnings per share	0.80	0.89	1.19	0.73	0.71	0.91	0.61	0.56
Diluted earnings per share from continuing operations	0.79	0.88	1.17	0.72	0.70	0.88	0.61	0.55
Diluted earnings per share	$ 0.79	$ 0.88	$ 1.17	$ 0.72	$ 0.70	$ 0.90	$ 0.60	$ 0.55

25. Condensed consolidating financial statements

The following information is presented in accordance with Rule 3-10 of Regulation S-X. The operating and investing activities of the separate legal entities included in the Company's consolidated financial statements are fully interdependent and integrated. Revenues and operating expenses of the separate legal entities include intercompany charges for management and other services. The senior notes and the senior subordinated notes were issued by the Company and are guaranteed by substantially all of its direct and indirect wholly-owned subsidiaries. Each of the guarantor subsidiaries has guaranteed the notes on a joint and several, full and unconditional basis. Non-wholly-owned subsidiaries, joint ventures, partnerships and third parties are not guarantors of these obligations.

Condensed Consolidating Statements of Income

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
For the year ended December 31, 2007					
Net operating revenues	$ 365,728	$4,534,153	$754,163	$(389,893)	$5,264,151
Operating expenses	208,042	3,921,146	617,159	(389,893)	4,356,457
Minority interests and equity income, net	—	—	—	45,485	45,485
Operating income	157,686	613,004	137,004	(45,485)	862,209
Debt (expense)	(259,745)	(256,050)	(4,002)	262,650	(257,147)
Other income, net	284,038	—	1,072	(262,650)	22,460
Income tax expense (benefit)	70,972	175,854	(1,082)	—	245,744
Equity earnings in subsidiaries	270,771	88,565	—	(359,336)	—
Net income	$ 381,778	$ 269,665	$135,156	$(404,821)	$ 381,778
For the year ended December 31, 2006					
Net operating revenues	$ 351,566	$4,263,363	$639,690	$(373,957)	$4,880,662
Operating expenses	200,846	3,751,164	527,344	(373,957)	4,105,397
Minority interests and equity income, net	—	—	—	35,833	35,833
Operating income	150,720	512,199	112,346	(35,833)	739,432
Debt (expense)	(280,288)	(291,095)	(2,052)	296,729	(276,706)
Other income, net	308,288	—	1,474	(296,729)	13,033
Income tax expense	70,201	116,183	46	—	186,430
Discontinued operations, net of tax	—	362	—		362
Equity earnings in subsidiaries	181,172	75,889	—	(257,061)	—
Net income	$ 289,691	$ 181,172	$111,722	$(292,894)	$ 289,691
For the year ended December 31, 2005					
Net operating revenues	$ 224,501	$2,541,928	$451,141	$(243,652)	$2,973,918
Operating expenses	122,021	2,263,234	344,855	(243,652)	2,486,458
Minority interests and equity income, net				22,089	22,089
Operating income	102,480	278,694	106,286	(22,089)	465,371
Debt (expense), refinancing charges, and swap gains, net	(141,487)	(108,144)	(2,495)	108,918	(143,208)
Other income, net	117,570		282	(108,918)	8,934
Income tax expense	29,461	93,537	677		123,675
Discontinued operations, net of tax	—	15,179	6,042		21,221
Equity earnings in subsidiaries	179,541	87,349		(266,890)	—
Net income	$ 228,643	$ 179,541	$109,438	$(288,979)	$ 228,643

(dollars in thousands, except per share data)

Condensed Consolidating Balance Sheets

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
As of December 31, 2007					
Cash and cash equivalents	$ 443,157	$	$ 3,889	$	$ 447,046
Accounts receivable, net		786,765	141,184		927,949
Other current assets	26,528	557,357	17,370		601,255
Total current assets	469,685	1,344,122	162,443		1,976,250
Property and equipment, net	19,317	766,596	153,413		939,326
Amortizable intangible, net	55,629	126,202	1,211		183,042
Investments in subsidiaries	4,286,853	427,436		(4,714,289)	
Receivables from subsidiaries	698,868		61,015	(759,883)	
Other long-term assets and investments	22,729	16,052	38,628		77,409
Goodwill	49,791	3,476,124	242,018		3,767,933
Total assets	$5,602,872	$6,156,532	$658,728	$(5,474,172)	$6,943,960
Current liabilities	$ 182,419	$ 856,638	$ 47,439	$	$1,086,496
Payables to parent		759,883		(759,883)	
Long-term debt and other long-term liabilities	3,688,203	272,448	14,006		3,974,697
Minority interests				150,517	150,517
Shareholders' equity	1,732,250	4,267,523	597,283	(4,864,806)	1,732,250
Total liabilities and shareholders' equity	$5,602,872	$6,156,532	$658,728	$(5,474,172)	$6,943,960
As of December 31, 2006					
Cash and cash equivalents	$ 299,430		$ 10,772		$ 310,202
Accounts receivable, net		$ 809,028	123,357		932,385
Other current assets	6,660	448,421	11,828		466,909
Total current assets	306,090	1,257,449	145,957		1,709,496
Property and equipment, net	30,130	689,039	130,797		849,966
Amortizable intangible assets, net	59,371	142,394	1,956		203,721
Investments in subsidiaries	3,904,797	388,919	—	$(4,293,716)	—
Receivables from subsidiaries	812,201		30,928	(843,129)	—
Other long-term assets and investments	25,190	14,650	20,940		60,780
Goodwill		3,444,224	223,629		3,667,853
Total assets	$5,137,779	$5,936,675	$554,207	$(5,136,845)	$6,491,816
Current liabilities	$ 166,440	$ 915,554	$ 30,178		$1,112,172
Payables to parent		843,129	—	$ (843,129)	—
Long-term debt and other long-term liabilities	3,725,415	273,195	12,751		4,011,361
Minority interests			—	122,359	122,359
Shareholders' equity	1,245,924	3,904,797	511,278	(4,416,075)	1,245,924
Total liabilities and shareholders' equity	$5,137,779	$5,936,675	$554,207	$(5,136,845)	$6,491,816

Condensed Consolidating Statements of Cash Flows

	DaVita Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Total
For the year ended December 31, 2007					
Cash flows from operating activities					
Net income	$ 381,778	$ 269,665	$ 135,156	$(404,821)	$ 381,778
Changes in operating assets and liabilities and non cash items included in net income	(285,992)	105,895	(73,466)	404,821	151,258
Net cash provided by operating activities	95,786	375,560	61,690	—	533,036
Cash flows from investing activities				—	
Additions of property and equipment	(3,501)	(220,264)	(48,447)	—	(272,212)
Acquisitions	(69,701)	(57,393)	—	—	(127,094)
Proceeds from discontinued operations	—	12,289	—	—	12,289
Other items	(19,811)	(82,317)	62,673	—	(39,455)
Net cash (used in) provided by investing activities	(93,013)	(347,685)	14,226	—	(426,472)
Cash flows from financing activities				—	
Long-term debt	(49,961)	2,212	447	—	(47,302)
Intercompany borrowing	113,333	(30,087)	(83,246)	—	—
Other items	77,582	—	—	—	77,582
Net cash provided by (used in) financing activities	140,954	(27,875)	(82,799)	—	30,280
Net increase (decrease) in cash	143,727	—	(6,883)	—	136,844
Cash at the beginning of the year	299,430	—	10,772		310,202
Cash at the end of the year	$ 443,157	$ —	$ 3,889	$ —	$ 447,046
For the year ended December 31, 2006					
Cash flows from operating activities					
Net income	$ 289,691	$ 181,172	$ 111,722	$(292,894)	$ 289,691
Changes in operating assets and liabilities and non cash items included in net income	(327,844)	370,840	(106,010)	292,894	229,880
Net cash (used in) provided by operating activities	(38,153)	552,012	5,712	—	519,571
Cash flows from investing activities					
Additions of property and equipment	(2,582)	(211,953)	(48,173)	—	(262,708)
Acquisitions	—	(85,153)	(1,351)	—	(86,504)
Proceeds from discontinued operations	12,742	9,437	—	—	22,179
Other items	—	(59,606)	74,576	—	14,970
Net cash provided by (used in) investing activities	10,160	(347,275)	25,052	—	(312,063)
Cash flows from financing activities					
Long-term debt	(408,211)	(1,198)	2,450	—	(406,959)
Intercompany borrowing	238,246	(203,539)	(34,707)	—	—
Other items	77,842	—	—	—	77,842
Net cash used in financing activities	(92,123)	(204,737)	(32,257)	—	(329,117)
Net decrease in cash	(120,116)	—	(1,493)	—	(121,609)
Cash at the beginning of the year	419,546	—	12,265	—	431,811
Cash at the end of the year	$ 299,430	$ —	$ 10,772	$ —	$ 310,202
For the year ended December 31, 2005					
Cash flows from operating activities					
Net income	$ 228,643	$ 179,541	$ 109,438	$(288,979)	$ 228,643
Changes in operating assets and liabilities and non cash items included in net income	79,506	14,071	(125,645)	288,979	256,911
Net cash provided by (used in) operating activities	308,149	193,612	(16,207)	—	485,554
Cash flows from investing activities					
Additions of property and equipment	(11,780)	(101,978)	(47,607)	—	(161,365)
Acquisitions	(3,035,434)	(166,970)	—	—	(3,202,404)
Proceeds from discontinued operations	151,587	147,262	—	—	298,849
Other items	—	(68,146)	87,703	—	19,557
Net cash (used in) provided by investing activities	(2,895,627)	(189,832)	40,096	—	(3,045,363)
Cash flows from financing activities					
Long-term debt	2,776,738	(4,180)	1,048	—	2,773,606
Intercompany borrowing	12,272	400	(12,672)	—	—
Other items	(33,965)	—	—	—	(33,965)
Net cash provided by (used in) financing activities	2,755,045	(3,780)	(11,624)	—	2,739,641
Net increase in cash	167,567	—	12,265	—	179,832
Cash at the beginning of the year	251,979	—	—	—	251,979
Cash at the end of the year	$ 419,546	$ —	$ 12,265	$ —	$ 431,811

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Risk Factors

This Annual Report contains statements that are forward-looking statements within the meaning of the federal securities laws. These statements involve known and unknown risks and uncertainties including the risks discussed below. The risks discussed below are not the only ones facing our business. Please read the cautionary notice regarding forward-looking statements under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operation".

If the average rates that commercial payors pay us decline significantly, it would have a material adverse effect on our revenues, earnings and cash flows.

Approximately 36% of our dialysis revenue for the year ended December 31, 2007 was generated from patients who have commercial payors as the primary payor. The majority of these patients have insurance policies that pay us on terms and at rates that are generally significantly higher than Medicare rates. The payments we receive from commercial payors generate nearly all of our profit. We are experiencing a decrease in some of our commercial payment rates and it is possible that commercial payment rates could be materially lower in the future. The downward pressure on commercial payment rates is a result of general conditions in the market, recent and future consolidations among commercial payors, increased focus on dialysis services and other factors.

We are continuously in the process of negotiating agreements with our commercial payors and certain payors have become increasingly aggressive in their negotiations with us. In the fourth quarter of 2007, our overall commercial rate reductions were in excess of our overall commercial rate increases. In the event that our negotiations continue to result in overall commercial rate reductions in excess of overall commercial rate increases, the cumulative effect could have a material adverse effect on our financial results. Consolidations have significantly increased the negotiating leverage of commercial payors. We expect that some of our contracted rates with commercial payors will decrease as our negotiations with commercial payors continue. In addition to increasing downward pressure on contracted commercial payor rates, payors have been attempting to impose restrictions and limitations on non-contracted or out-of-network providers. We, along with others in the kidney care community, are resisting such activity through regulatory, legislative and legal means. Decreases in out-of-network rates and restrictions on out-of-network access combined with decreases in contracted rates could result in a significant decrease in our overall revenue derived from commercial payors. If the average rates that commercial payors pay us decline significantly, it would have a material adverse effect on our revenues, earnings and cash flows.

If the number of patients with higher-paying commercial insurance declines, then our revenues, earnings and cash flows would be substantially reduced.

Our revenue levels are sensitive to the percentage of our patients with higher-paying commercial insurance coverage. A patient's insurance coverage may change for a number of reasons, including as a result of changes in the patient's or a family member's employment status. Currently, for a patient covered by an employer group health plan, Medicare generally becomes the primary payor after 33 months, or earlier, if the patient's employer group health plan coverage terminates. When Medicare becomes the primary payor, the payment rate we receive for that patient shifts from the employer group health plan rate to the lower Medicare payment rate. If there is a significant reduction in the number of patients under higher-paying commercial plans relative to government-based programs that pay at lower rates, it would have a material adverse effect on our revenues, earnings and cash flows.

Changes in the structure of, and payment rates under the Medicare ESRD program could substantially reduce our revenues, earnings and cash flows.

Approximately one-half of our dialysis revenue for the year ended December 31, 2007 was generated from patients who have Medicare as their primary payor. Currently, the Medicare End Stage Renal Disease, or ESRD, program pays us for dialysis treatment services at fixed rates. The Medicare composite rate is the payment rate

for a dialysis treatment including the supplies used in those treatments, specified laboratory tests and certain pharmaceuticals. Other services and pharmaceuticals, including EPO (a pharmaceutical used to treat anemia, a common complication associated with ESRD), vitamin D analogs and iron supplements, are separately billed. Unlike most other services covered by Medicare, the Medicare ESRD program has not provided for regular inflation increases in payment rates. We experience increases in operating costs that are subject to inflation, such as labor and supply costs, regardless of whether there is a compensating inflation-based increase in Medicare payment rates. To the extent Medicare rates decline or are not adjusted to keep pace with inflation, our revenues, earnings and cash flows would be adversely affected.

In addition, changes to the structure of the composite rate and separately billable payment rates may occur which would reduce our overall payments from the Medicare ESRD program. CMS and Congress continue to examine and propose changes to the payment structure for dialysis services including the addition of services into the composite rate that are currently separately billed, also referred to as bundling. CMS recently released a report to Congress titled "A Design for a Bundled End Stage Renal Disease Prospective Payment System" which proposes a framework for bundling which could result in lower payment rates. If Medicare begins to bundle other services for payment by including in its composite payment rate the pharmaceuticals, laboratory services or other ancillary services that it currently pays separately at rates that would result in lower overall reimbursement, or if there are further changes to or decreases in the payment rate for these separately billed items without a corresponding increase in the composite rate, it could have a material adverse effect on our revenues, earnings and cash flows.

Changes in state Medicaid programs or payment rates could reduce our revenues, earnings and cash flows.

Approximately 4% of our dialysis revenue for the year ended December 31, 2007 was generated from patients who have Medicaid as their primary coverage. As state governments face increasing budgetary pressure, they may propose reductions in payment rates, limitations on eligibility or other changes to Medicaid programs. Currently, Medicaid eligibility requirements mandate that citizen enrollees in Medicaid programs provide documented proof of citizenship. Our revenues, earnings and cash flows could be negatively impacted to the extent that we are not paid by Medicaid or other state programs for services provided to patients that are unable to satisfy the revised eligibility requirements, including undocumented patients living in the U.S. If state governments reduce the rates paid by Medicaid programs for dialysis and related services, further limit eligibility for Medicaid coverage or adopt changes to the Medicaid payment structure which reduces our overall payments from Medicaid, then our revenues, earnings and cash flows could be adversely affected.

Changes in clinical practices and payment rates or rules for EPO and other pharmaceuticals could substantially reduce our revenues, earnings and cash flows.

The administration of EPO and other pharmaceuticals accounted for slightly more than 30% of our dialysis revenue for the year ended December 31, 2007, with EPO accounting for slightly more than 20% of our dialysis revenue. Since late 2006, there has been significant media discussion and government scrutiny regarding anemia management practices in the United States which has created confusion and concern in the nephrology community. In late 2006, the House Ways and Means Committee held a hearing on the issue of EPO utilization and in 2007, the FDA required changes to the labeling of EPO and Aranesp® to include a black box warning, the FDA's strongest form of warning label. The FDA has held additional hearings to revisit these label changes as they apply to ESRD and continues to examine the issue. CMS also reviewed its EPO reimbursement policies and in January 2008, changes to the EPO monitoring policy went into effect which further limit reimbursement and which have impacted the prescribing habits of our physicians. Commercial payors have also increasingly examined their administration policies for EPO and, in some cases have modified those policies. Beginning in the second quarter of 2007, EPO utilization by prescribing physicians declined and could continue to decline further. Further changes in physician practice patterns and accepted clinical practices, changes in labeling of other pharmaceuticals in a manner that alters physician practice patterns or accepted clinical practices, changes in

private and governmental payment criteria, including the introduction of EPO administration policies, the conversion to alternate types of administration of EPO or other pharmaceuticals that result in further decreases in utilization or reimbursement for EPO could have a material adverse effect on our revenues, earnings and cash flows. Such changes could also have a negative impact on our patient clinical outcomes.

Changes in EPO pricing and the use and marketing of alternatives to EPO could materially reduce our revenues, earnings and cash flows and affect our ability to care for our patients.

Amgen Inc. is the sole supplier of EPO and may unilaterally decide to increase its price for EPO, subject to certain contractual limitations. Future changes in the cost of EPO could have a material adverse effect on our earnings and cash flows and ultimately reduce our income. Although our agreement with Amgen for EPO includes potential pricing discounts which depend upon the achievement of certain criteria, we cannot predict whether we will continue to receive the discount structure for EPO that we currently receive, or whether we will continue to achieve the same levels of discounts within that structure as we have historically achieved. Our agreement with Amgen also provides for specific rebates off of list price based on process improvement and data submission and some combination of these factors. Factors that could impact our ability to qualify for the discounts and rebates provided for in our agreement with Amgen in the future include: our ability to develop and implement certain process improvements and track certain data elements. Failure to qualify for discounts or meet certain targets and earn the specified rebates could have a material adverse effect on our earnings and cash flows.

Amgen has developed and obtained FDA approval for Aranesp®, a pharmaceutical used to treat anemia that may replace EPO or reduce its use with dialysis patients. In addition, Roche has developed and obtained FDA approval for Mircera®, a pharmaceutical also used to treat anemia. Unlike EPO, which is generally administered in conjunction with each dialysis treatment, these pharmaceuticals are administered less frequently. In the event that these similar alternatives to EPO are marketed for the treatment of dialysis patients, we may realize lower margins on the administration of such pharmaceuticals than are currently realized with EPO. A significant increase in the development and use of similar alternatives to EPO, or a change in administration practices, could have a material adverse impact on our revenues, earnings and cash flows.

Continued inquiries from various governmental bodies with respect to our utilization of EPO will require management's attention, cause us to incur significant legal expense and could result in substantial financial penalties against us, exclusion from future participation in the Medicare and Medicaid programs and could substantially reduce our revenues, earnings and cash flows.

In response to recent clinical studies identifying risks in certain patient populations related to the utilization of EPO and other erythropoiesis-stimulating agents, i.e., Aranesp®, and in response to changes in the labeling of EPO and Aranesp®, there has been substantial media attention and government scrutiny resulting in hearings and proposed legislation regarding utilization and reimbursement. Although we believe our anemia management practices have been compliant with existing laws and regulations, as a result of the current high level of scrutiny and controversy, we may be subject to increased inquiries from a variety of governmental bodies and claims by third parties. For example, the subpoena from the U.S. Attorney's office in the Eastern District of Missouri includes requests for documents regarding the administration of, and billing for, EPO. In August 2007, we received a subpoena from the Office of Inspector General in Houston, Texas for records relating to EPO claims submitted to Medicare. In addition, in August 2007 a complaint was filed against us, Amgen and Fresenius Medical Care Holdings by Sheet Metal Workers Health Fund and Glenn Randle alleging claims related to the administration and use of EPO and in February 2008 the Attorney General's Office for the State of Nevada notified us that they intend to conduct audits of ESRD providers in Nevada relating to the billing of pharmaceuticals, including EPO. Additional inquiries from various agencies and claims by third parties with respect to this issue would continue to require management's attention and significant legal expense and any negative findings could result in substantial financial penalties against us, exclusion from future participation in the Medicare and Medicaid programs and could substantially reduce our revenues, earnings and cash flows.

The investigation related to the subpoena we received on March 4, 2005 from the U.S. Attorney's Office for the Eastern District of Missouri could result in substantial penalties against us.

We are voluntarily cooperating with the U.S. Attorney's Office for the Eastern District of Missouri with respect to the subpoena we received on March 4, 2005, which requested a wide range of documents relating to our operations, including documents related to, among other things, pharmaceutical and other services provided to patients, relationships with pharmaceutical companies and financial relationships with physicians and joint ventures. We received a related request for additional documents regarding specific medical director and joint venture arrangements in October 2005, a related subpoena in February 2006 requesting documents related to certain patient records regarding the administration and billing of EPO and a request for additional documents related to durable medical equipment and supply companies owned and operated by us in May 2007. It is possible that criminal proceedings may be initiated against us in connection with these inquiries. Any negative findings could result in substantial financial penalties against us, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. To our knowledge, no proceedings have been initiated against us at this time. Although we cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as this to continue for a considerable period of time. Responding to the subpoenas will continue to require management's attention and significant legal expense.

The investigation related to the subpoena we received on October 25, 2004 from the U.S. Attorney's Office for the Eastern District of New York could result in substantial penalties against us.

We are voluntarily cooperating with the U.S. Attorney's Office for the Eastern District of New York and the OIG with respect to the subpoena we received on October 25, 2004, which requires production of a wide range of documents relating to our operations, including DaVita Laboratory Services. The subpoena also includes specific requests for documents relating to testing for PTH and to products relating to vitamin D therapies. DVA Renal Healthcare (formerly Gambro Healthcare) received a similar subpoena in November 2004. It is possible that criminal proceedings may be initiated against us in connection with this inquiry. Any negative findings could result in substantial financial penalties against us, exclusion from future participation in the Medicare and Medicaid programs and criminal penalties. To our knowledge, no proceedings have been initiated against us at this time. Although we cannot predict whether or when proceedings might be initiated or when these matters may be resolved, it is not unusual for investigations such as this to continue for a considerable period of time. Responding to the subpoenas may require management's attention and significant legal expense.

If we fail to adhere to all of the complex government regulations that apply to our business, we could suffer severe consequences that would substantially reduce our revenues, earnings and cash flows.

Our dialysis operations are subject to extensive federal, state and local government regulations, including Medicare and Medicaid payment rules and regulations, federal and state anti-kickback laws, the Stark II physician self-referral prohibition and analogous state referral statutes, and federal and state laws regarding the collection, use and disclosure of patient health information. The Medicare and Medicaid reimbursement rules related to claims submission, cost reporting, and payment processes impose complex and extensive requirements upon dialysis providers, and a violation or departure from such requirements may result in government audits, lower reimbursements, recoupments or voluntary repayments, and the potential loss of certification.

The regulatory scrutiny of healthcare providers, including dialysis providers, has increased significantly in recent years. Medicare has increased the frequency and intensity of its certification inspections of dialysis centers. For example, we are required to provide substantial documentation related to the administration of pharmaceuticals, including EPO, and, to the extent that any such documentation is found insufficient, we may be required to refund any amounts received from such administration by government or private payors, and be subject to substantial penalties under applicable laws or regulations. In addition, fiscal intermediaries have increased their prepayment and post-payment reviews.

We endeavor to comply with all of the requirements for receiving Medicare and Medicaid payments and to structure all of our relationships with referring physicians to comply with state and federal anti-kickback laws and the Stark II physician self-referral law. However, the laws and regulations in this area are complex and subject to varying interpretations. For example, none of our medical director agreements establishes compensation using the Stark II safe harbor method; rather, compensation under our medical director agreements is the result of individual negotiation and, we believe, exceeds amounts determined under the safe harbor method. If an enforcement agency were to challenge the level of compensation that we pay our medical directors, we could be required to change our practices, face criminal or civil penalties, pay substantial fines or otherwise experience a material adverse effect as a result of a challenge to these arrangements.

Because of regulatory considerations unique to each of these states, all of our dialysis operations in New York and some of our dialysis operations in New Jersey are conducted by privately-owned companies to which we provide a broad range of administrative services. These operations accounted for approximately 6% of our dialysis revenue for the year ended December 31, 2007. In 2007, changes to New York law were adopted that will permit us to hold licenses to conduct dialysis business directly, but until these changes are implemented and we transfer these operating licenses, we can give no assurances that these arrangements will not be challenged.

If any of our operations are found to violate these or other government regulations, we could suffer severe consequences that would have a material adverse effect on our revenues, earnings and cash flows including:

- Suspension or termination of our participation in government payment programs;
- Refunds of amounts received in violation of law or applicable payment program requirements;
- Loss of required government certifications or exclusion from government payment programs;
- Loss of licenses required to operate healthcare facilities in some of the states in which we operate;
- Reductions in payment rates or coverage for dialysis and ancillary services and related pharmaceuticals;
- Fines, damages or monetary penalties for anti-kickback law violations, Stark II violations, submission of false claims, civil or criminal liability based on violations of law, or other failures to meet regulatory requirements;
- Claims for monetary damages from patients who believe their protected health information has been used or disclosed in violation of federal or state patient privacy laws;
- Mandated practice changes that significantly increase operating expenses; and
- Termination of relationships with medical directors.

If our joint ventures were found to violate the law, we could suffer severe consequences that would have a material adverse effect on our revenues, earnings and cash flows.

As of December 31, 2007 we owned a controlling interest in numerous dialysis related joint ventures, which represented approximately 15% of our dialysis revenue. In addition, we also owned a noncontrolling interest in several other dialysis related joint ventures. We anticipate that we will continue to increase the number of our joint ventures during 2008. Many of our joint ventures with physicians or physician groups also have the physician owners providing medical director services to those centers or other centers we own and operate. Because our relationships with physicians are governed by the anti-kickback statute contained in the Social Security Act, we have sought to structure our joint venture arrangements to satisfy as many safe harbor requirements as we believe are reasonably possible. However, our joint venture arrangements do not satisfy all elements of any safe harbor under the federal anti-kickback statute. Based on the exceptions applicable to ESRD services, we believe that our joint venture arrangements and operations materially comply with the Stark II law. The subpoena we received from the United States Attorney's Office for the Eastern District of Missouri on March 4, 2005, and the related request for additional documents received in October 2005, include requests for documents related to our joint ventures.

If our joint ventures are found to be in violation of the anti-kickback statute or the Stark provisions, we could be required to restructure the joint ventures or refuse to accept referrals for designated health services from

the physicians with whom the joint venture centers have a financial relationship. We also could be required to repay amounts received from Medicare and certain other payors by the joint ventures pursuant to prohibited referrals, and we could be subject to monetary penalties and exclusion from government healthcare programs. If our joint venture centers are subject to any of these penalties, we could suffer severe consequences that would have a material adverse effect on our revenues, earnings and cash flows.

There are significant estimating risks associated with the amount of dialysis revenue that we recognize and if we are unable to accurately estimate our revenue, it could impact the timing of our revenue recognition or have a significant impact on our operating results.

There are significant estimating risks associated with the amount of dialysis revenue that we recognize for a reporting period. Ongoing insurance coverage changes, geographic coverage differences, differing interpretations of contract coverage, and other payor issues complicate the billing and collection process. Determining applicable primary and secondary coverage for our more than 107,000 patients at any point in time, together with the changes in patient coverage that occur each month, requires complex, resource-intensive processes and errors in determining the correct coordination of benefits may result in refunds to payors. Revenues associated with Medicare and Medicaid programs are also subject to estimating risk related to the amounts not paid by the primary government payor that will ultimately be collectible from other government programs paying secondary coverage, the patient's commercial health plan secondary coverage or the patient. Collections, refunds and payor retractions typically continue to occur for up to three years and longer after services are provided. If our estimates of dialysis revenue are materially inaccurate, it could impact the timing of our revenue recognition and have a significant impact on our operating results.

If the ancillary services we provide or the strategic initiatives we invest in are ultimately unsuccessful, we may have to write off our investment and incur other exit costs in one or more of these activities.

Our ancillary services and strategic initiatives include pharmacy services, vascular access services, disease management services, ESRD clinical research programs, ESRD full capitation demonstration projects, ESRD special needs plans, and administrative services provided to noncontrolling owned and third-party owned centers and clinics, each of which is related to our core business of providing dialysis services, as well as the provision of home infusion therapy services which is related to our core competencies. If any of our ancillary services or strategic initiatives do not perform at the level that we anticipate, we may be required to write off our investment in one or more of these activities. As an example, our existing investment in pharmacy services of approximately $17 million at the end of 2007 may be subject to future write-offs.

If a significant number of physicians were to cease referring patients to our dialysis centers, whether due to regulatory or other reasons, our revenues, earnings and cash flows would be substantially reduced.

Many physicians prefer to have their patients treated at dialysis centers where they or other members of their practice supervise the overall care provided as medical director of the center. As a result, the primary referral source for most of our centers is often the physician or physician group providing medical director services to the center. Neither our current nor former medical directors have an obligation to refer their patients to our centers. If a medical director agreement terminates, whether before or at the end of its term, and a new medical director is appointed, it may negatively impact the former medical director's decision to treat his or her patients at our center. If we are unable to enforce noncompetition provisions contained in the terminated medical director agreements, former medical directors may choose to provide medical director services for competing providers or establish their own dialysis centers in competition with ours. Also, if the quality of service levels at our centers deteriorates, it may negatively impact patient referrals and treatment volumes.

Our medical director contracts are for fixed periods, generally three to ten years. Medical directors have no obligation to extend their agreements with us. We may take actions to restructure existing relationships or take positions in negotiating extensions of relationships to assure compliance with the safe harbor provisions of the anti-kickback statute, Stark II law and other similar laws. These actions could negatively impact the decision of

physicians to extend their medical director agreements with us or to refer their patients to us. If the terms of any existing agreement are found to violate applicable laws, we may not be successful in restructuring the relationship which could lead to the early termination of the agreement, or cause the physician to stop referring patients to our centers. If a significant number of physicians were to cease referring patients to our dialysis centers, whether due to regulatory or other reasons, then our revenues, earnings and cash flows would be substantially reduced.

Delays in state Medicare and Medicaid certification of our dialysis centers could adversely affect our revenues, earnings and cash flows.

Before we can begin billing for patients treated in our outpatient dialysis centers who are enrolled in government-based programs, we are required to obtain state and federal certification for participation in the Medicare and Medicaid programs. As state governments face increasing budgetary pressure, certain states may have difficulty certifying dialysis centers in the normal course and significant delays may result. If state governments are unable to certify new centers in the normal course and we experience significant delays in our ability to treat and bill for services provided to patients covered under government programs, it could have an adverse effect on our revenues, earnings, and cash flows.

If we are not able to continue to make acquisitions on reasonable terms or if we face significant patient attrition to our competitors, it could adversely affect our business.

We are facing increased competition in the dialysis industry from large and medium-sized providers which compete directly with us for acquisition targets as well as for individual patients. Acquisitions and patient retention are an important part of our growth strategy. If we are not able to continue to make acquisitions on reasonable terms or if we face significant patient attrition to our competitors, it could adversely affect our business.

The level of our current and future debt could have an adverse impact on our business.

We have substantial debt outstanding and we may incur additional indebtedness in the future. The high level of our indebtedness, among other things, could:

- make it difficult for us to make payments on our debt securities;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and investments and other general corporate purposes;
- expose us to interest rate fluctuations to the extent we have variable rate debt;
- limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds.

If additional debt financing is not available when required or is not available on acceptable terms, we may be unable to grow our business, take advantage of business opportunities, respond to competitive pressures or refinance maturing debt, any of which could have a material adverse effect on our operating results and financial condition.

We will require a significant amount of cash to service our indebtedness. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on our indebtedness and to fund planned capital expenditures and expansion efforts, including any strategic acquisitions we may make in the future, will depend on our ability to generate

cash. This, to a certain extent, is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations in the future, that our currently anticipated growth in revenue and cash flow will be realized on schedule or that future borrowings will be available to us in an amount sufficient to enable us to service our indebtedness, including the senior and senior subordinated notes, or to fund other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. Our Senior Secured Credit Facilities are secured by substantially all of our and our subsidiaries' assets. As such, our ability to refinance our debt or seek additional financing could be limited by such security interest. We cannot assure you that we will be able to refinance our indebtedness on commercially reasonable terms or at all.

If the current shortage of skilled clinical personnel continues or if we experience a higher than normal turnover rate, we may experience disruptions in our business operations and increases in operating expenses.

We are experiencing increased labor costs and difficulties in hiring nurses due to a nationwide shortage of skilled clinical personnel. We compete for nurses with hospitals and other health care providers. This nursing shortage may limit our ability to expand our operations. If we are unable to hire skilled clinical personnel when needed, or if we experience a higher than normal turnover rate for our skilled clinical personnel, our operations and treatment growth will be negatively impacted, which would result in reduced revenues, earnings and cash flows.

Our alliance and product supply agreement with Gambro Renal Products Inc. may limit our ability to achieve cost savings with respect to products and equipment we are required to purchase under this agreement.

We entered into an alliance and product supply agreement with Gambro Renal Products in October 2005 to supply dialysis equipment, machines, dialyzers and certain other products, which was subsequently amended in 2006, in part to permit the termination of our purchase obligations with respect to dialysis machines under certain circumstances. We are no longer obligated under the amended supply agreement to purchase dialysis machines from Gambro Renal Products. In addition, all other purchase obligations under the amended supply agreement remain the same and may limit our ability to realize future cost savings in regard to certain products for which we remain obligated to make purchases under the agreement. For the year ended December 31, 2007, our total spending on hemodialysis products, supplies and equipment with Gambro Renal Products was approximately 2% of our total operating costs.

Planned upgrades to our billing and collections systems and complications associated with the integration of our billing and collections systems could have a material adverse effect on our revenues, cash flows and operating results.

In 2007, we completed the integration of our billing systems into one system and system upgrades will continue in 2008. We may experience difficulties in our ability to successfully bill and collect for services rendered as a result of the integration of our billing and collection systems and as we complete planned upgrades to our billing and collection systems. Complications related to the integration of our billing and collections systems and associated with the upgrade of our billing and collections systems could result in a slow-down of collections, a reduction in the amounts we expect to collect, increased risk of retractions from and refunds to commercial and government payors and noncompliance with reimbursement regulations, could have an adverse impact on the claims review required by the corporate integrity agreement applicable to the centers acquired from Gambro Healthcare, described above. The failure to successfully complete the upgrades to the billing and collection systems could have a material adverse effect on our revenues, cash flows and operating results.

If DVA Renal Healthcare does not comply with the corporate integrity agreement applicable to the centers acquired from Gambro Healthcare, or DVA Renal Healthcare otherwise has failed or fails to comply with government regulations applicable to its operations, we could be subject to additional penalties and otherwise may be materially harmed.

In 2004, Gambro Healthcare entered into a settlement agreement with the Department of Justice and certain agencies of the United States government relating to the Department of Justice's investigation of Gambro Healthcare's Medicare and Medicaid billing practices and its relationships with physicians and pharmaceutical manufacturers. If DVA Renal Healthcare (formerly Gambro Healthcare) does not comply with the terms of the corporate integrity agreement applicable to the centers acquired from Gambro Healthcare, or otherwise has failed or fails to comply with the extensive federal, state and local government regulations applicable to its operations, we could be subject to additional penalties, including monetary penalties or exclusion from participation in government programs, and otherwise may be materially harmed. The costs associated with compliance with the corporate integrity agreement and cooperation with the government are substantial and may increase. In addition, as a result of the settlement agreement, some commercial payors and other third parties have initiated legal proceedings against DVA Renal Healthcare related to the billing practices and other matters covered by the settlement agreement and we could receive similar claims in the future.

Our ability to effectively provide the services we offer could be negatively impacted if certain of our suppliers are unable to meet our needs or if we are unable to effectively access new technology, which could substantially reduce our revenues, earnings and cash flows.

We have significant suppliers that are either the sole or primary source of products critical to the services we provide or to which we have committed obligations to make purchases, including Amgen, Fresenius Medical Care, Gambro Renal Products, Baxter Healthcare Corporation, as well as others. If any of these suppliers are unable to meet our needs for the products they supply and we are not able to find adequate alternative sources, our revenues, earnings and cash flows could be substantially reduced. For example, in July 2007, we notified Gambro Renal Products that we were electing to be permanently relieved of our obligation to purchase dialysis machines which remained subject to an import ban by the FDA. In addition, the technology related to the products critical to the services we provide is subject to new developments and may result in superior products. If we are not able to access superior products on a cost-effective basis or if suppliers are not able to fulfill our requirements for such products, we could face patient attrition which could substantially reduce our revenues, earnings and cash flows.

We may be subject to liability claims for damages and other expenses not covered by insurance that could reduce our earnings and cash flows.

The administration of dialysis and related services to patients may subject us to litigation and liability for damages. Our business, profitability and growth prospects could suffer if we face negative publicity or we pay damages or defense costs in connection with a claim that is outside the scope of any applicable insurance coverage, including claims related to contractual disputes and professional and general liability claims. In addition, we have received several notices of claims from commercial payors and other third parties related to our historical billing practices and the historical billing practices of the centers acquired from Gambro Healthcare and other matters related to their settlement agreement with the Department of Justice. Although the ultimate outcome of these claims cannot be predicted, an adverse result with respect to one or more of these claims could have a material adverse effect on our financial condition, results of operations, and cash flows. We currently maintain programs of general and professional liability insurance. However, a successful claim, including a professional liability, malpractice or negligence claim which is in excess of our insurance coverage could have a material adverse effect on our earnings and cash flows.

In addition, if our costs of insurance and claims increase, then our earnings could decline. Market rates for insurance premiums and deductibles have been steadily increasing. Our earnings and cash flows could be materially and adversely affected by any of the following:

- further increases in premiums and deductibles;
- increases in the number of liability claims against us or the cost of settling or trying cases related to those claims; and
- an inability to obtain one or more types of insurance on acceptable terms.

If businesses we acquire have liabilities that we are not aware of, we could suffer severe consequences that would substantially reduce our revenues, earnings and cash flows.

Our business strategy includes the acquisition of dialysis centers and businesses that own and operate dialysis centers, as well as other ancillary businesses. Businesses we acquire may have unknown or contingent liabilities or liabilities that are in excess of the amounts that we estimated. Although we generally seek indemnification from the sellers of businesses we acquire for matters that are not properly disclosed to us, we are not always successful. In addition, even in cases where we are able to obtain indemnification, we may discover liabilities greater than the contractual limits or the financial resources of the indemnifying party. In the event that we are responsible for liabilities substantially in excess of any amounts recovered through rights to indemnification, we could suffer severe consequences that would substantially reduce our revenues, earnings and cash flows.

Provisions in our charter documents, compensation programs and Delaware law may deter a change of control that our stockholders would otherwise determine to be in their best interests.

Our charter documents include provisions that may deter hostile takeovers, delay or prevent changes of control or changes in our management, or limit the ability of our stockholders to approve transactions that they may otherwise determine to be in their best interests. These include provisions prohibiting our stockholders from acting by written consent, requiring 90 days advance notice of stockholder proposals or nominations to our Board of Directors and granting our Board of Directors the authority to issue preferred stock and to determine the rights and preferences of the preferred stock without the need for further stockholder approval. In addition, on November 14, 2002, the Board of Directors approved a shareholder rights plan that would substantially dilute the interest sought by an acquirer that our Board of Directors does not approve.

Most of our outstanding employee stock options include a provision accelerating the vesting of the options in the event of a change of control. We also maintain a change of control protection program for our employees who do not have a significant number of stock awards, which provides for cash bonuses to the employees in the event of a change of control which has been in place since September 2001. Based on the shares of our common stock outstanding and the market price of our stock on December 31, 2007, these cash bonuses would total approximately $234 million if a change of control transaction occurred at that price and our Board of Directors did not modify this program. These compensation programs may affect the price an acquirer would be willing to pay for our Company.

We are also subject to Section 203 of the Delaware General Corporation Law that, subject to exceptions, would prohibit us from engaging in any business combinations with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder.

These provisions may discourage, delay or prevent an acquisition of our Company at a price that our stockholders may find attractive. These provisions could also make it more difficult for our stockholders to elect directors and take other corporate actions and could limit the price that investors might be willing to pay for shares of our common stock.

Selected Financial Data

The following table presents selected consolidated financial and operating data for the periods indicated. The operating results of DVA Renal Healthcare are included in our operating results from October 1, 2005, and the operating results of the historical DaVita divested centers are reflected as discontinued operations in our consolidated statements of income for 2005 and prior.

	Year ended December 31,				
	2007	2006	2005	2004	2003
	(in thousands, except share data)				
Income statement data:					
Net operating revenues(1)	$ 5,264,151	$ 4,880,662	$ 2,973,918	$ 2,177,330	$ 1,919,278
Operating expenses and charges	4,401,942	4,141,230	2,508,547	1,796,204	1,559,347
Operating income	862,209	739,432	465,371	381,126	359,931
Debt expense(2)	(257,147)	(276,706)	(139,586)	(52,411)	(66,821)
Swap valuations gain, net(3)	—	—	4,548	—	—
Refinancing charges(4)	—	—	(8,170)	—	(26,501)
Other income, net	22,460	13,033	8,934	4,125	3,042
Income from continuing operations before income taxes	627,522	475,759	331,097	332,840	269,651
Income tax expense	245,744	186,430	123,675	128,332	105,173
Income from continuing operations	381,778	289,329	207,422	204,508	164,478
Income from discontinued operations, net of tax (5)	—	—	13,157	17,746	11,313
Gain on disposal of discontinued operations, net of tax (5)	—	362	8,064	—	—
Net income	$ 381,778	$ 289,691	$ 228,643	$ 222,254	$ 175,791
Basic earnings per common share from continuing operations(5)(6)	$ 3.61	$ 2.79	$ 2.06	$ 2.07	$ 1.74
Diluted earnings per common share from continuing operations(5)(6)	$ 3.55	$ 2.73	$ 1.99	$ 1.99	$ 1.56
Weighted average shares outstanding:(6)(8)					
Basic	105,893,000	103,520,000	100,762,000	98,727,000	94,346,000
Diluted	107,418,000	105,793,000	104,068,000	102,861,000	113,760,000
Ratio of earnings to fixed charges(7)	2.92:1	2.38:1	2.86:1	5.26:1	3.98:1
Balance sheet data:					
Working capital	$ 889,754	$ 597,324	$ 664,675	$ 426,985	$ 242,238
Total assets	6,943,960	6,491,816	6,279,762	2,511,959	1,945,530
Long-term debt	3,683,887	3,730,380	4,085,435	1,322,468	1,117,002
Shareholders' equity(8)	1,732,250	1,245,924	850,609	523,134	306,871

(1) Net operating revenues include $3,771 in 2005, $8,293 in 2004, and $24,000 in 2003 of Medicare lab recoveries relating to prior years' services.

(2) Debt expense in 2007 and 2006 includes the write-off of approximately $4.4 million and $3.3 million of deferred financing costs associated with our principal prepayments on the Term loans.

(3) The swap valuation net gains of $4,548 in 2005 represented the accumulated fair value on several swap instruments that were ineffective as cash flow hedges, as a result of the repayment of our Senior Secured Credit Facilities, as well as changes in the fair values of these swaps until they were redesignated as hedges, and represent changes in the fair value of the swaps during periods in which there was no matching variable rate LIBOR-based interest payments.

(4) Refinancing charges of $8,170 in 2005 represented the write-off of deferred financing costs associated with the extinguishment of our prior Senior Secured Credit Facilities. Refinancing charges of $26,501 in 2003 represented the consideration paid to redeem the $125,000 5⅝% Convertible Subordinated Notes due 2006 and the $345,000 7% Convertible Subordinated Notes due 2009 in excess of book value, the write-off of related deferred financing costs and other financing fees associated with the amendment of the prior Senior Secured Credit Facilities.

(5) During 2005, we divested a total of 71 outpatient dialysis centers in conjunction with a consent order issued by the Federal Trade Commission on October 4, 2005 in order for us to complete the acquisition of DVA Renal Healthcare. In addition, we completed the sale of three additional centers that were previously pending state regulatory approval in January 2006. The operating results of the historical DaVita divested and held for sale centers were reflected as discontinued operations in our consolidated financial statements for 2005 and prior.

(6) All share and per-share data for all periods presented prior to 2005 have been adjusted to retroactively reflect the effects of a 3-for-2 stock split that occurred in the second quarter of 2004.

(7) The ratio of earnings to fixed charges was computed by dividing earnings by fixed charges. Earnings for this purpose is defined as pretax income from continuing operations adjusted by adding back fixed charges expensed during the period. Fixed charges include debt expense (interest expense and the write off and amortization of deferred financing costs), the estimated interest component of rental expense on operating leases, and capitalized interest.

(8) Share repurchases consisted of 111,300 shares of common stock for $6,350 in 2007, 3,350,100 shares of common stock for $96,540 in 2004 and 5,162,850 shares of common stock for $107,162 in 2003. Debt of $124,700 and $526 was converted into 7,302,528 and 24,045 shares of common stock in 2003. Shares issued in connection with stock awards amounted to 2,480,899 in 2007, 2,620,125 in 2006, 3,303,451 in 2005, 5,106,783 in 2004, and 3,539,919 in 2003.

Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the New York Stock Exchange under the symbol "DVA". The following table sets forth, for the periods indicated, the high and low closing prices for our common stock as reported by the New York Stock Exchange.

	High	Low
Year ended December 31, 2007:		
1st quarter	$58.54	$51.54
2nd quarter	57.48	52.56
3rd quarter	63.18	52.78
4th quarter	66.53	55.63
Year ended December 31, 2006:		
1st quarter	$60.27	$51.52
2nd quarter	58.75	47.59
3rd quarter	58.79	48.32
4th quarter	59.36	51.89

The closing price of our common stock on February 1, 2008 was $54.27 per share. According to The Bank of New York, our registrar and transfer agent, as of February 1, 2008, there were 5,521 holders of record of our common stock. We have not declared or paid cash dividends to holders of our common stock since 1994. We have no current plans to pay cash dividends and we are restricted from paying dividends under the terms of our Senior Secured Credit Facilities and the indentures governing our senior and senior subordinated notes. Also, see the heading "Liquidity and capital resources" under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the notes to our consolidated financial statements.

Stock Repurchases

The following table summarizes our repurchases of our common stock during 2007:

There were no repurchases of our common stock during 2007 prior to the third quarter of 2007.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
July 1—31, 2007	—	$ —	—	$249.1
August 1—31, 2007	111,300	57.05	111,300	242.8
September 1—December 31, 2007	—	—	—	242.8
Total	111,300	$ —	111,300	$ —

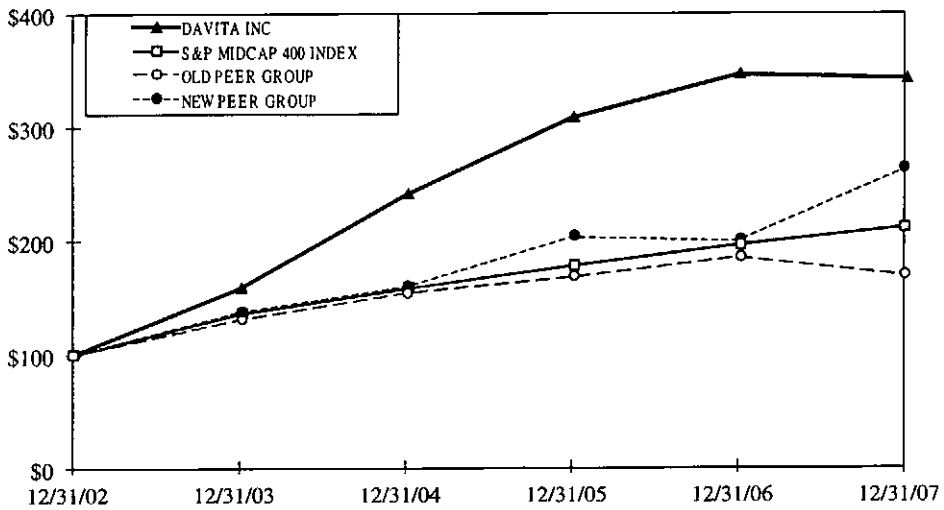
(1) On September 11, 2003, we announced that the Board of Directors authorized the repurchase of up to $200 million of our common stock, with no expiration date. On November 2, 2004, we announced that the Board of Directors approved an increase in our authorization to repurchase shares of our common stock by an additional $200 million. We are authorized to make purchases from time to time in the open market or in privately negotiated transactions, depending upon market conditions and other considerations. However, we are subject to share repurchase limitations under the terms of the Senior Secured Credit Facilities and the indentures governing our senior and senior subordinated notes.

Stock Price Performance

The following graph shows a comparison of our cumulative total returns, the Standard & Poor's MidCap 400 Index and an old and new peer group index. The graph assumes that the value of an investment in our common stock and in each such index was $100.00 on December 31, 2002 and that all dividends have been reinvested. The new peer group index consists of the following companies: Apria Healthcare Group Inc., Express Scripts, Inc., Health Management Associates, Inc., Laboratory Corporation of America Holdings, Lincare Holdings Inc., Medco Health Solutions, Inc., Omnicare, Inc., Pediatrix Medical Group, Inc., Quest Diagnostics Incorporated, Universal Health Services, Inc., and WebMD Health Corp. The old peer group consists of these companies except Express Scripts, Inc., Medco Health Solutions, Inc., Pediatrix Medical Group, Inc., and WebMD Health Corp. and with the addition of Triad Hospitals, Inc. The companies in these peer groups are other providers of healthcare-related services which we believe are most comparable to us. These peer group indices are weighted for the market capitalization of each company within the group.

The comparison in the graph below is based solely on historical data and is not intended to forecast the possible future performance of our common stock.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN AMONG DAVITA INC., S&P MIDCAP 400 INDEX AND OLD AND NEW PEER GROUPS



	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07
DAVITA INC	$100.0	$158.1	$240.4	$307.9	$345.8	$342.6
S&P MIDCAP 400 INDEX	$100.0	$135.6	$157.9	$177.7	$196.1	$211.7
OLD PEER GROUP	$100.0	$130.9	$154.1	$168.1	$185.0	$169.1
NEW PEER GROUP	$100.0	$137.2	$159.4	$203.2	$199.7	$262.2

Note: Assumes an initial investment of $100.00 on December 31, 2002. Total return includes reinvestment of dividends. Triad Hospitals, Inc. is included in the old peer group until June 30, 2007, the company was acquired during July 2007.

Quantitative and Qualitative Disclosures About Market Risk

Interest rate sensitivity

The tables below provide information about our financial instruments that are sensitive to changes in interest rates. For our debt obligations the table presents principal repayments and current weighted average interest rates on our debt obligations as of December 31, 2007. The variable rates presented reflect the weighted average LIBOR rates plus margins in effect at the end of 2007 including the economic effects of our swap agreements. Term loan A and revolving line of credit interest rate margins are subject to adjustment depending upon changes in certain of our financial ratios including a leverage ratio. The margins currently in effect at December 31, 2007 were 1.50%. For our interest rate swap agreements, the table below presents the notional amounts by contract maturity date and the related interest rate terms of the agreements (to pay fixed rates, and to receive LIBOR).

	Expected maturity date								
	2008	2009	2010	2011	2012	Thereafter	Total	Fair Value	Average interest rate
	(dollars in millions)								
Long-term debt:									
Fixed rate	$ 4	$ 1	$ 1	$ 1	$ 0	$1,753	$ 1,760	$ 1,755	6.89%
Variable rate	$ 20	$ 63	$ 88	$ 66	$1,706	$ —	$ 1,943	$ 1,943	5.91%

	Notional amount	Contract maturity date					Pay fixed	Receive variable	Fair value
		2008	2009	2010	2011	2012			
	(dollars in millions)								
Swaps:									
Pay-fixed swaps	$968	$378	$401	$189	$ —	$ —	3.08% to 4.27%	LIBOR	$ 2.2
Forward pay-fixed swaps	$200	$—	$—	$200	$ —	$ —	4.05% to 4.70%	LIBOR	$(2.7)

As of December 31, 2007, we maintained a total of nine interest rate swap agreements, with amortizing notional amounts totaling $968 million. These agreements had the economic effect of modifying the LIBOR-based variable interest rate on an equivalent amount of our debt to fixed rates ranging from 3.08% to 4.27%, resulting in an overall weighted average effective interest rate of 5.37% on the hedged portion of our Senior Secured Credit Facilities, including the term loan B margin of 1.50%. The swap agreements expire in 2008 through 2010 and require quarterly interest payments. In addition, we maintain two forward interest rate swap agreements with notional amounts totaling $200 million. These forward interest rate swaps will have the economic effect of modifying the LIBOR-based interest rates to fixed rates of 4.05% and 4.70% on our term loan B outstanding debt. These forward interest rate swaps agreements take effect September 30, 2008, require quarterly interest payments beginning in December 2008, and expire in 2010. During 2007, we accrued net cash benefits of $14.5 million from these swaps which is included in debt expense. As of December 31, 2007, the total fair value of these swaps was a net liability of $0.5 million. During 2007, we recorded $16.0 million, net of tax, as a reduction to other comprehensive income for valuation losses, net of amounts reclassified into income.

As of December 31, 2007, the interest rates were economically fixed on approximately 50% of our variable rate debt and approximately 74% of our total debt.

As a result of the swap agreements, the overall effective weighted average interest rate on the Senior Secured Credit Facilities was 5.90%, based upon the current margins in effect of 1.50% as of December 31, 2007.

Our overall average effective interest rate during 2007 was 6.49% and as of December 31, 2007 was 6.37%.

One means of assessing exposure to debt-related interest rate changes is a duration-based analysis that measures the potential loss in net income resulting from a hypothetical increase in interest rates of 100 basis

points across all variable rate maturities (referred to as a "parallel shift in the yield curve"). Under this model, with all else constant, it is estimated that such an increase would have reduced net income by approximately $5.5 million, $6.8 million, and $3.2 million, net of tax, for the years ended December 31, 2007, 2006, and 2005, respectively.

Exchange rate sensitivity

We are currently not exposed to any foreign currency exchange rate risk.

CORPORATE INFORMATION

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Independent Registered Public Accounting Firm
KPMG LLP
Seattle, Washington

Stock Registrar and Transfer Agent
The Bank of New York Mellon
New York, New York

Annual Meeting of Stockholders
Monday, June 9, 2008
Hyatt Regency San Francisco Airport
1333 Old Bayshore Highway
Burlingame, CA 94010

Common Stock Listing
New York Stock Exchange (NYSE)
Symbol: DVA

NYSE Certification
On June 28, 2007 the Company submitted to the NYSE a certification signed by the Chief Executive Officer that he was not aware of any violation by DaVita of the NYSE corporate governance listing standards.

Section 302 Certifications
Certifications of the Chief Executive Officer and Acting Chief Financial Officer have been included as Exhibit 31 in DaVita's annual report on Form 10-K for the year ended December 31, 2007.

Form 10-K Request
For a free copy of DaVita's annual report on Form 10-K for the year ended December 31, 2007 please send a written request to LeAnne Zumwalt, Vice President of Investor Relations at DaVita's corporate address.

Corporate Governance Guidelines
DaVita's corporate governance guidelines, Code of Ethics and Board Committee Charters are located on DaVita's website and can be obtained free of charge, upon request from LeAnne Zumwalt at DaVita's corporate address.

DIRECTORS

Charles G. Berg
Executive Chairman
WellCare Health Plans, Inc.

Senior Advisor
Welsh, Carson, Anderson & Stowe

Former Chief Executive Officer
Oxford Health Plans, Inc.

Willard W. Brittain, Jr.
Chairman and Chief Executive Officer
Preod Corporation

Former Chief Operating Officer
PwC Consulting and PricewaterhouseCoopers LLP

Nancy-Ann DeParle
Managing Director, Healthcare
CCMP Capital

Former Senior Advisor
JPMorgan Partners, LLC

Former Administrator
Centers for Medicare and Medicaid Services

Paul J. Diaz
President and Chief Executive Officer
Kindred Healthcare, Inc.

Former Managing Member
Falcon Capital Partners, LLC

Former Executive Vice President and Chief Operations Officer
Mariner Health Group, Inc.

Peter T. Grauer
Chairman of the Board,
Chief Executive Officer and Treasurer
Bloomberg, Inc.

John M. Nehra
General Partner in affiliates of
New Enterprise Associates

Managing General Partner
Catalyst Ventures

William L. Roper, M.D.
Chief Executive Officer
University of North Carolina Health Care System

Dean, School of Medicine
Vice Chancellor for Medical Affairs
University of North Carolina at Chapel Hill

Former Director
Centers for Disease Control and Prevention

Former Administrator
Centers for Medicare and Medicaid Services

Roger J. Valine
Former President and Chief Executive Officer
Vision Service Plan

Richard C. Vaughan
Chairman of the Audit Committee

Former Executive Vice President and Chief Financial Officer
Lincoln Financial Group

Kent J. Thiry
Chairman of the Board and
Chief Executive Officer
DaVita Inc.

SECTION 16 OFFICERS

Kent J. Thiry
Chairman of the Board and
Chief Executive Officer

Joseph C. Mello
Chief Operating Officer

Richard K. Whitney
Chief Financial Officer

Thomas O. Usilton, Jr.
Senior Vice President

James K. Hilger
Vice President and Controller

Joseph Schohl
Vice President, General Counsel and Secretary

Christopher J. Riopelle
Chief Compliance Officer

Mary R. Kowenhoven
Vice President, Strategy

Georgina Randolph
Senior Vice President

Dennis Kogod
President-West

Javier Rodriguez
Senior Vice President

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DaVita
Village Green
EARTH FRIENDLY KIDNEY CARE

Mixed Sources
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