



NATIONAL RENAL ALLIANCE

Success Starts with Choosing The Right Partner

**FTC/DOJ Hearings on Health Care and
Competition Law and Policy**

September 30, 2003

Agenda

- National Renal Alliance, LLC
- End Stage Renal Disease (ESRD)
- Dual Role of Medicare
- Issues for Providers
- Solutions

Agenda

- National Renal Alliance, LLC
- End Stage Renal Disease (ESRD)
- Dual Role of Medicare
- Issues for Providers
- Solutions

NRA Mission

“National Renal Alliance exists to provide an unequalled level of service to patients with chronic and acute renal disease. We believe this service to be a matter of life, and we commit to exceed the expectations of all that we serve.”



NRA Strategy

- Locate clinics in underserved areas.

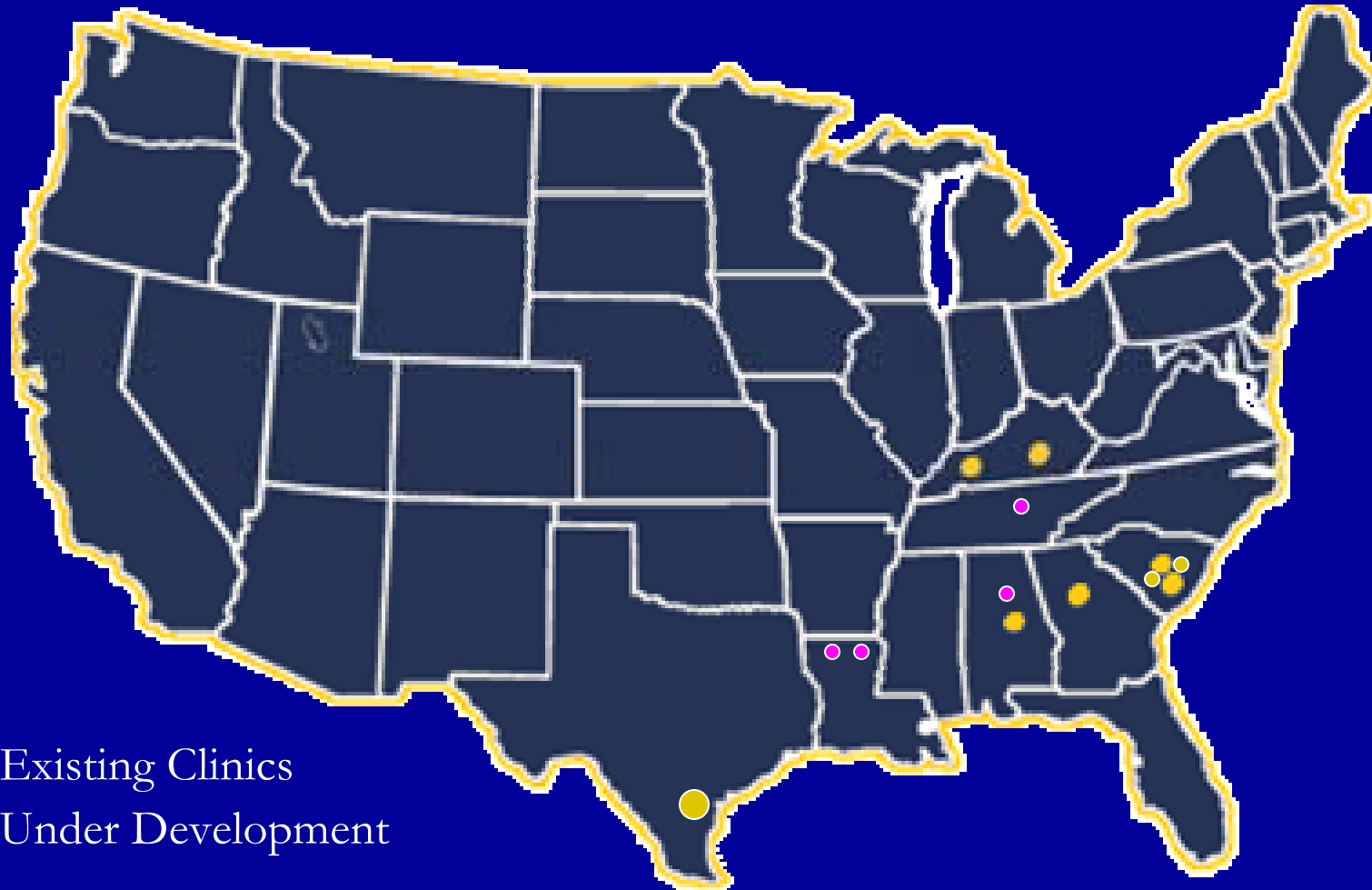
*“Bring the service to the patients;
Instead of the patients to the service.”*

- Partner with hospitals to identify need for services and develop provider network.
- Recruit local nephrologists who will live and practice in the community.
- Optimize clinical outcomes by improving access to care and utilizing state-of-the-art technology.

NRA Growth

- NRA founded in 2001
- First unit acquired late 2002
- Have 9 clinics in 5 states (GA, SC, AL, KY, TX)
- Opening 4 clinics in Q1 2004 (LA, AL, TN)
- Pending contracts with two university hospitals
- Opening 10-12 clinics per year

NRA Clinic Locations



- Existing Clinics
- Under Development

Agenda

- National Renal Alliance, LLC
- End Stage Renal Disease (ESRD)
- Dual Role of Medicare
- Issues for Providers
- Solutions

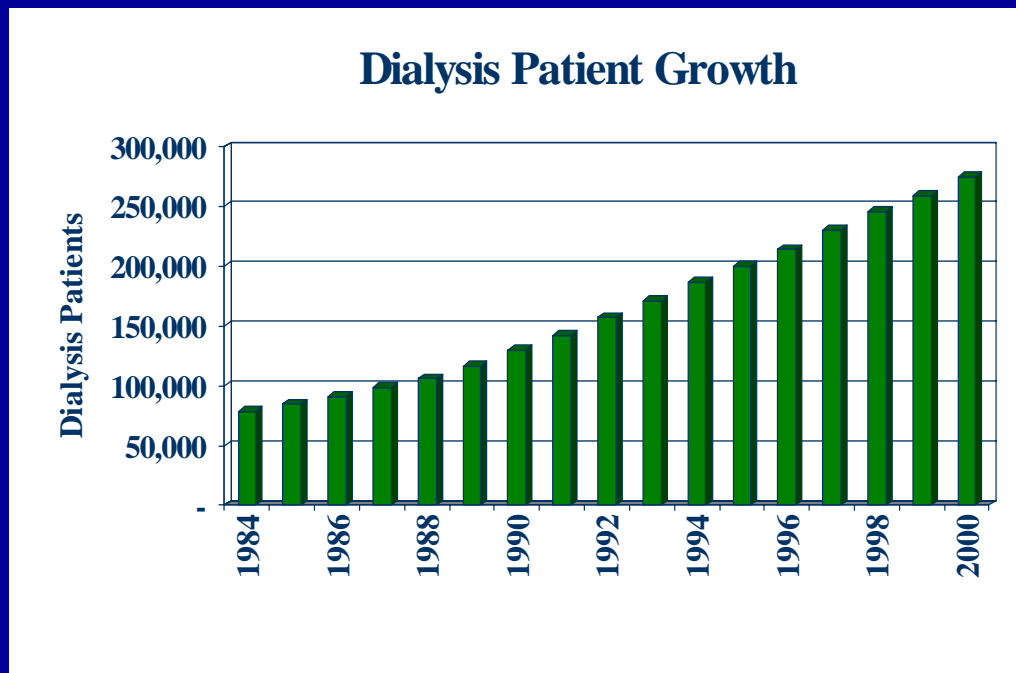
End Stage Renal Disease

- Chronic kidney failure, or end-stage renal disease (ESRD), is irreversible and fatal if not treated.
- Over 400,000 people have ESRD.
- Of those, over 300,000 are receiving dialysis treatment to sustain life ... and the need for services grows every year.

ESRD Explosion

- Causes of renal failure epidemic
 - Diabetes (35%)
 - Hypertension (23%)
- Predictors of continued growth
 - Aging population
 - Lower mortality rates
 - Earlier intervention
 - Improving access to care

Dialysis Patients



Source: Centers for Medicare and Medicaid Services

1) From 1984 to 2001, total dialysis patients grew over 360%. Now, there are more than 300,000.

2) The dialysis patient count could double in less than 10 years, despite 24% mortality.

3) Growth in rural markets has been 25-30% higher than the overall industry.

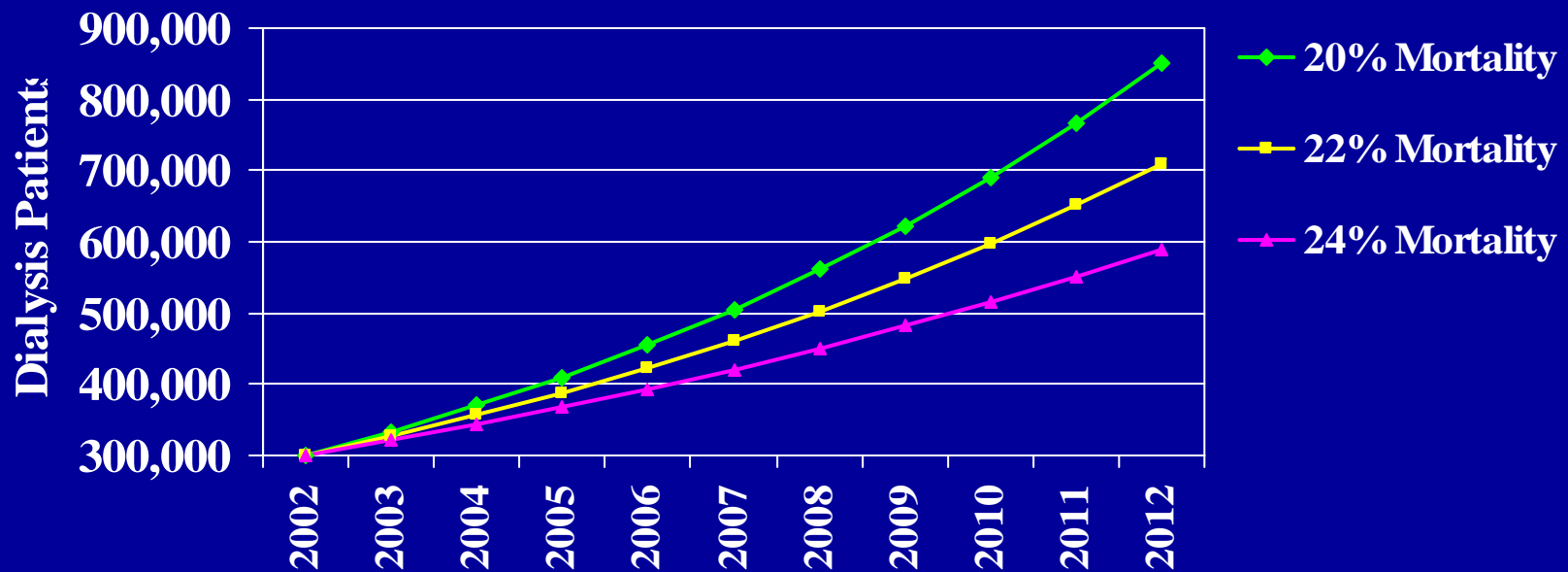
NATIONAL RENAL ALLIANCE

Success Starts with Choosing The Right Partner



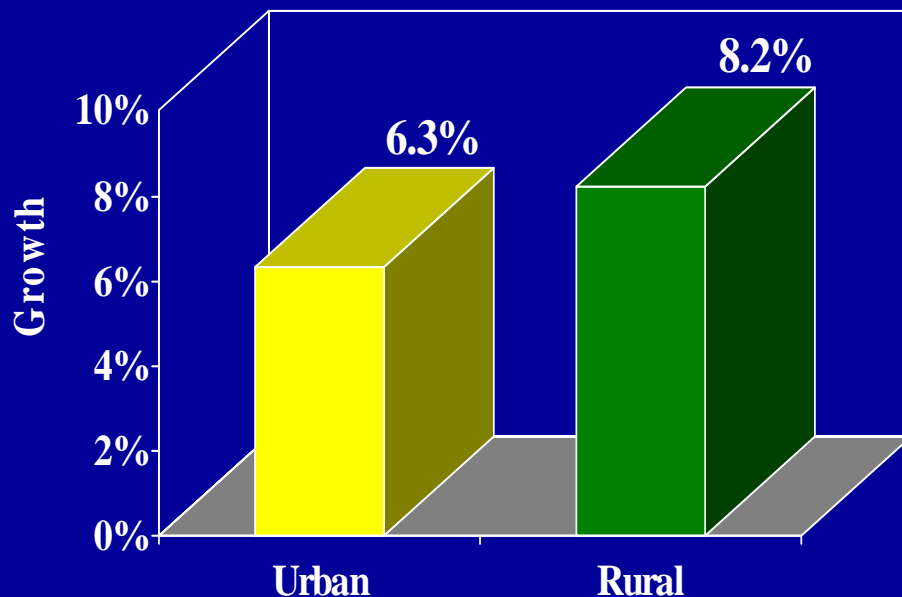
Declining Mortality

A drop in the mortality rate from 24% to 20% can increase the patient growth rate over 50%.



Rural Centers

1993-2001 Dialysis Center Growth



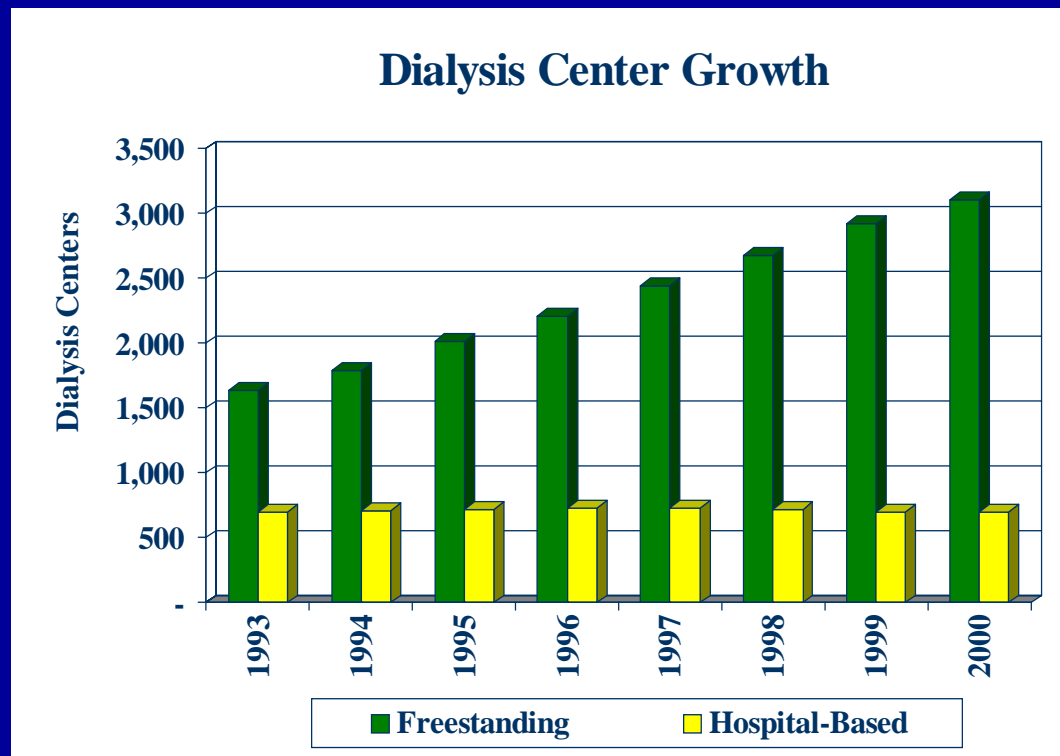
Source: MedPAC Annual Report, March 2003.

From 1993-2001:

- 1) Urban dialysis facilities grew from 1,811 to 2,963 – a 6.3% annual growth rate.
- 2) Rural dialysis centers grew from 532 to 998 – an 8.2% CAGR, which is 29% higher than the urban growth rate.



Freestanding Centers



Source: MedPAC Annual Report, March 2003.

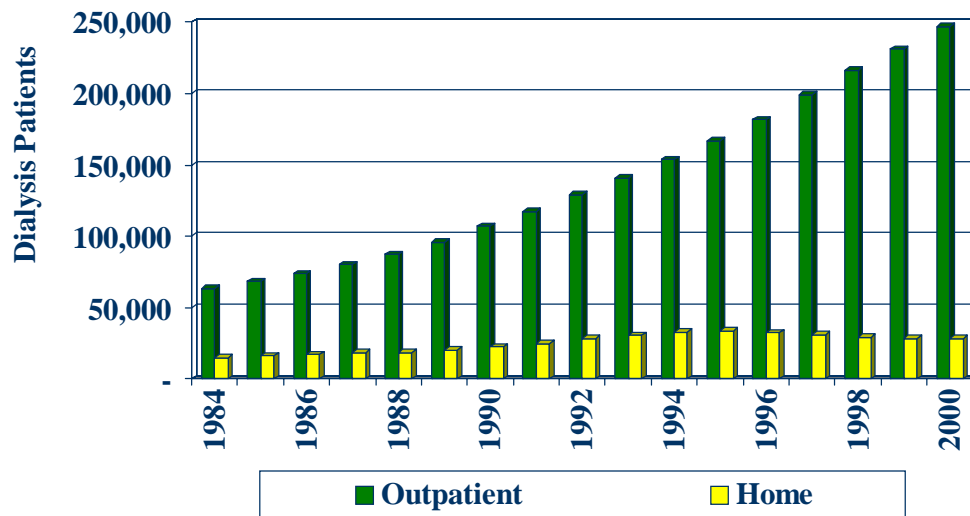
From 1993-2001:

- 1) Total dialysis facilities expanded from 2,343 to 3,961, a 6.8% annual growth rate.
- 2) Freestanding dialysis centers grew at a 9.0% rate, 33% faster than the overall industry.
- 3) Hospital-based programs have been exiting.



Outpatient Treatment

Dialysis Patient Growth by Treatment Type



Source: Centers for Medicare and Medicaid Services.

1) ~90% use outpatient treatment, which grew 25% faster than the overall industry from 1996-2000.

2) ~10% use home treatment, which is down from 18% in 1993.

3) The number of home patients has shrunk ~3.4% in each of the past 5 years.



Agenda

- National Renal Alliance, LLC
- End Stage Renal Disease (ESRD)
- Dual Role of Medicare
- Issues for Providers
- Solutions

Dual Role of Medicare

- Purchaser of ESRD Services
 - In 1972, Public Law 92-603 was passed mandating that the Medicare system pay for dialysis services.
 - Medicare is the single largest purchaser of health care services, accounting for over 70% of dialysis treatments.
 - Medicare has a fiduciary responsibility to taxpayers to control cost.
 - Other payors often follow Medicare in setting reimbursement rates.

Dual Role of Medicare

- Regulator of ESRD Services
 - Medicare has an obligation to beneficiaries to insure safe and adequate care.
 - Department of Health and Human Services (HHS), including Centers for Medicare and Medicaid Services (CMS), Office of Inspector General (OIG), and state agencies, licenses and regulates every dialysis facility.

Conflicts for Medicare

- Control cost, but ...
 - Ensure patient safety
 - Monitor adequacy of care
 - Broaden access to care
 - Maintain licensing and regulatory oversight
 - Enhance clinical outcomes

Agenda

- National Renal Alliance, LLC
- End Stage Renal Disease (ESRD)
- Dual Role of Medicare
- Issues for Providers
- Solutions

Issues for Providers

- Rising operational costs (labor and supplies)
- Increasing capital expenditures per clinic
- Flat reimbursement from Medicare
- Lower reimbursement in rural areas
 - \$121 vs. \$144 = 19% higher for urban providers
- Oversight for Medicare via the states
 - Length of licensing process (increases costs and delays reimbursement)
 - Inconsistency of state regulatory oversight



Agenda

- National Renal Alliance, LLC
- End Stage Renal Disease (ESRD)
- Dual Role of Medicare
- Issues for Providers
- Solutions

Solutions

- Annual reimbursement increases
 - Base increases on costs and outcomes
- Streamline and standardize oversight
 - Shorten licensing process
 - Enhance uniformity of state survey process
- Level the field for rural development
 - Parity for reimbursement



NATIONAL RENAL ALLIANCE

Success Starts with Choosing The Right Partner

FTC/DOJ Hearings on Health Care and Competition Law and Policy

September 30, 2003