

## Industry Spotlight

### Prepping for the Next Wave of Managed Care?

A health care industry analyst has made a prediction for 2013 that American companies like Denver-based DaVita, the second largest provider of dialysis services in the United States, may be best positioned to “benefit from changes in the health care market stemming from Obamacare.”

In early January, Martin Brunniger, head of the medical technology sector at Nomura Securities, told a CNBC cable audience that because 70 percent of the dialysis care market is dominated by two big players (DaVita and Germany’s Fresenius), “we have efficiency gains and there’s not much more earnings power in the U.S. sector.”

Brunniger said that if one company moves away strictly from dialysis care, however, that company likely would enjoy an advantage. “DaVita has diversified away and they have a broader approach now in saving managed dollars for broader patient populations,” he added. “I think that is the future.”

On November 1, 2012, HealthCare Partners merged into a subsidiary of DaVita’s parent company. The parent company changed its name to DaVita HealthCare Partners Inc. HealthCare Partners, now one of the two main operating divisions of DaVita HealthCare Partners, with operations in southern California, central Florida, southern Nevada, and northern New Mexico, assumes clinical and economic accountability and management responsibility for nearly all of the health care needs of a patient population. This includes

offering professional services provided by primary care and specialty physicians as well as coordinating hospital and other services, the company noted.

In addition, the DaVita subsidiary runs the first and largest pharmacy dedicated to serving the unique needs of kidney patients. In 2012, DaVita Rx expanded its services to help manage patient medications and clinical outcomes. DaVita recently agreed to provide certain pharmacy services to Fresenius Medical Care, which will use DaVita Rx prescription drug services for its Medicare patients in the United States.

DaVita also announced in an unrelated transaction that it will extend its supply agreement with Fresenius Medical Care for certain dialysis supplies including hemodialysis machines and disposable products.

DaVita Rx also focuses on patient compliance by providing refill reminders, reviews for possible drug interactions, and other services, with the aim of healthier patients who have an improved quality of life.

With provisions of the Affordable Care Act slated to take effect within the coming year, DaVita’s move toward serving broader populations may help the firm capitalize on moves toward managed care, Brunniger said.

As health care systems around the world keep moving toward lower spending on increasing numbers of patients, “it doesn’t necessarily mean the quality needs to be diminished,” Brunniger said. “It’s about management and where the profits are going.” ●

### Companies Collaborate to Produce Wearable Dialysis Technology

AWAK Technologies has signed an agreement with Baxter International Inc. to develop wearable dialysis technology. The agreement lets AWAK continue developing its investigational peritoneal dialysis-based automated wearable artificial kidney, the company said.

AWAK Technologies is a research-focused, medical technology company dedicated to the development and commercialization of sorbent-based dialysis regeneration technology.

“Our agreement with Baxter is part of our overall strategy to bring innovative technologies for dialysis treatment to market that include collaborations and licensing agreements with academia including the

University of California, Los Angeles (UCLA) and Temasek Polytechnic, Singapore, as well as working cooperatively with government agencies in the United States and Singapore; such as the U.S. Veteran Affairs Innovation Initiative (VAi2), SPRING Singapore and International Enterprise (IE) Singapore,” said NEO Kok-Beng, President & CEO of AWAK Technologies.

The agreement will provide Baxter with exclusive global manufacturing and a distribution license for AWAK’s investigational peritoneal dialysis-based automated wearable artificial kidney, a minority ownership stake in the company, and the option to purchase additional equity in the company. ●

### Fresenius Dialyzes in Wee Hours, Offloads Biotech Biz

Dialysis takes numerous hours of patients’ time per week, which can greatly interfere with family, work, and recreational schedules. Now Fresenius Medical Care North America (FMCNA), the largest provider of dialysis services in the United States, has established more than 140 nighttime dialysis center sites.

FMCNA, the nation’s leading network of dialysis facilities, established programs across the country, including recently opened programs in Weymouth, Massachusetts; Waco, Texas; Coeur d’Alene, Idaho; and Santa Fe, California. More are scheduled to open this year.

FMCNA’s nighttime dialysis option offers the same level of supervised care as traditional daytime, in-center treatments, but patients receive their dialysis at night, usually over a longer time, the company reported.

Night-time dialysis is a more gradual process, and at night, patients typically receive treatments three times a week but over an 8-hour period (versus a typical 3- to 4-hour period for daytime dialysis). When dialysis is provided over a longer time, fluids are removed more slowly, which results in a more gentle treatment for most patients, the company reported.

“In-center, nocturnal dialysis is a viable alternative to standard in-center dialysis for patients who require greater fluid and phosphorus removal

and who are amenable to spending 3 nights a week in the dialysis facility,” said Eduardo Lacson, Jr., MD, FMCNA’s vice president for clinical science, epidemiology, and research. He recently published a study that demonstrated the health benefits of nighttime dialysis, among them improved clearance of phosphorus and fluid, in nearly 750 FMCNA patients who switched from daytime to nighttime dialysis. Studies also suggest that nighttime dialysis patients may be able to better control their blood pressure and mineral levels, allowing them to eat a wider variety of foods, according to Fresenius.

Overall, parent company Fresenius Medical Care is focusing on its core strengths of delivering dialysis and transfusion services, as seen recently when Fresenius floated its biotech arm for sale, Reuters reported. Fresenius reported in December 2012 that it planned to discontinue the Fresenius Biotech subsidiary, which posted sales of about 26 million Euros (about \$34 million) in the first 9 months of 2012. Fresenius may retain some dialysis-related drugs.

At the same time, Fresenius said that it had “successfully closed the acquisition of blood-transfusion-technology company Fenwal Holdings, Inc....as part of the company’s strategy to expand in the medical-devices/transfusion-technology segment,” Fox Business News reported. ●

### Dialysis Businesses Attractive Targets

Just after Baxter bid \$4 billion to purchase Gambro, a maker of dialysis-related products, in the hope of being a dominant force in the dialysis marketplace, there is another news item out of Gambro’s Brentwood, Tennessee home base. Ambulatory Services of America (ASA), of Brentwood, has bought a majority interest in six dialysis centers and an acute dialysis program in the Los Angeles area.

The terms of the purchase were not disclosed, but the facilities were purchased from Kidney Centers Inc. (KCI), and the six dialysis centers currently serve 700 patients. The acute dialysis program serves eight hospitals.

“Given the strong presence of Innovative Dialysis in the Los Angeles area, we had long known of KCI, and we appreciated its physician joint venture model, which is much like ours,” said Timothy Martin, the chief executive officer of ASA and its subsidiary,

Innovative Dialysis. “At Innovative Dialysis, we prefer to operate in joint ventures with physicians where our nephrologist-partners can take the lead in providing high-quality care to patients with ESRD, and we can support them by taking care of the business aspects of running dialysis facilities. We look forward to working with the staff at these facilities as well as their physician partners.”

Through this acquisition, ASA now provides care to 7000 patients through 85 dialysis programs, ASA announced in December 2012.

The ASA vision is to become the first national clinical enterprise to consolidate ambulatory services from multiple medical specialties. The company plans to do this through deals with differing specialties that provide high-quality, evidence-based services that help demonstrate improved clinical outcomes. The initial focus is on both radiation oncology and renal dialysis. ●