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# Renal Ventures to open more dialysis centers in region

**Premium content from Philadelphia Business Journal - by John George, Staff Writer**

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Competition among local kidney dialysis centers is about to get more intense.

[Renal Ventures Management](#), a renal-care provider that already operates two dialysis centers in the region, last week secured a \$30 million investment from [Goldman Sachs Group](#).

The Denver company plans to use the funds to acquire and open new centers in key markets — one of which is the Philadelphia and South Jersey region.

“We have two strong clusters — the Dallas, Texas, area and the New Jersey/Philadelphia region,” said **Dan May**, Renal Ventures’ chief financial officer. “I would say a substantial amount of the money will go into these two clusters.”

Renal Ventures operates 25 dialysis centers in six states including Pennsylvania and New Jersey. In New Jersey, the company has eight centers, one in Sewell and the others in Central and North Jersey. It also has a dialysis center in West Philadelphia.

The eight-county Philadelphia area is home to more than 90 kidney dialysis centers — some independently owned and operated, some in or operated by hospitals and others part of national chains.

Dialysis is a medical process in which a person’s body is cleaned of impurities and toxins — a task a person’s kidneys would handle if the kidneys were functioning normally. Patients at dialysis are being treated for end-stage renal disease whose kidney function has been damaged by diabetes, hypertension and obesity.

The numbers for those conditions continue to climb. With diabetes, for example, the [Centers for Disease Control and Prevention](#) estimates 24 million people suffer from the condition in the United

States, and that number is expected to double by 2050.

May said despite the large concentration of dialysis centers in the region and New Jersey, Renal Ventures believes the existing supply will not keep pace with future demand.

“There are more dialysis patients than most people would realize,” May said. “These patients need three treatments a week and they spend three to five hours on dialysis at each treatment. So even if the average center has, say, 20 stations, that center doesn’t service that many patients.”

Health-care consultant **Howard Peterson**, managing partner with TRG Healthcare in Philadelphia, said hospitals have gotten out of the inpatient dialysis business because it is difficult for them to make money on the service line given the unpredictability of staffing requirements and the level of reimbursement they receive from Medicare. Nephrologists (kidney specialists), he said, have increasingly opened their own outpatient centers because they can make more money providing dialysis services than they can offering only general nephrology services.

The dialysis industry is dominated by a few national players who, he said, have a “vertically integrated” business model whereby they not only provide dialysis services, but also operate affiliated companies that manufacture the equipment, dialysis solutions and even software used by dialysis centers.

“They control all the costs,” Peterson said, “and like with everything else in health care, the federal and state governments and the private payors all want to pay providers less.”

May said the dialysis business is one segment of the health-care industry where providers don’t have large issues with uninsured patients.

“Anybody who needs dialysis is covered by Medicare if they don’t have other insurance,” he said. “If they have private insurance, Medicare begins paying after 30 months of treatment.”

Peterson said the downside of being dependent on Medicare is what happens when the federal government cuts its payment rates for the service line. Medicare has already started bundling payments — making a single payment — for all services delivered to dialysis patients.

Medicare reimbursement reductions to providers of care to patients with kidney disease has driven the consolidation of the dialysis center industry, as companies seek to get larger in order to negotiate better prices for dialysis-related drugs and equipment.

DaVita of Denver and [Fresenius Medical Care](#), a German company that has its U.S. headquarters in Waltham, Mass., are the largest players locally and nationally with a combined 4,200 dialysis centers. DaVita, which has two dozen facilities in the region, last week acquired Nashville, Tenn.-based DSI Renal and its 106 dialysis centers in a \$690 million deal.

Fresenius also has about two dozen dialysis centers in the region. It also contracts with 28 hospitals in the region to manage inpatient dialysis units.

“Philadelphia is clearly a highly competitive market [for dialysis services],” said **Fali Sidhva**,

regional vice president for the company's Pennsylvania and Delaware territory. "There are many players in the market."

Sidhva said Fresenius is in a growth mode in the area, with plans to expand its number of dialysis clinics, the services and hours at those clinics, its inpatient service contract with hospitals and its home-care business where patients receive their dialysis where they live.

"The area where we have the most opportunity for our home program is clearly Philadelphia," he said.

May said Renal Ventures plans to open three centers in New Jersey this year — one in the Bordentown area of Burlington County and the others in Englewood and Toms River. He said the company is also talking with several physicians in and around Philadelphia about joint venture opportunities.

Renal Ventures' business model involved forming joint venture partnerships with local nephrologists when opening a new center.

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