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# DaVita Inc.

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## Introduction

DaVita Inc. stands as a remarkable example of resilience and transformation in the American healthcare landscape. Beginning as a modest subsidiary with little promise for growth, the company's journey has been defined by moments of crisis, bold leadership decisions, and an enduring commitment to its mission of "giving life" to patients. With several decades of history behind it, DaVita's story offers a window into the evolution of not just a business, but of an industry that touches the lives of hundreds of thousands in the United States and around the globe.

Founded in 1979 as Medical Ambulatory Care, Inc., DaVita's early years were anything but stable. The company experienced both dramatic growth and near-catastrophic decline before reinventing itself at the turn of the millennium. The leadership change in 1999, which saw Kent J. Thiry take the helm, proved to be the catalyst for DaVita's transformation. From the brink of bankruptcy, DaVita emerged with a renewed sense of purpose, a new name, and a groundbreaking culture—qualities that would soon shape its emergence as an industry leader.

Throughout the early 2000s and beyond, DaVita's story became one of strategic vision, operational discipline, and continuous reinvention. Key acquisitions, such as Gambro Healthcare and Healthcare Partners, helped the company expand both its domestic and international presence, while investments in technology and innovation allowed it to redefine standards of care for patients with kidney disease. DaVita's focus on the "Village" culture encouraged service excellence, employee engagement, and collaborative problem-solving, resulting in consistently high patient care outcomes.

But DaVita's journey has not always been smooth. As one of the nation's largest kidney care providers, the company has weathered persistent regulatory challenges, legal battles, and fierce competition. These chapters of its history underscore both the complexities of the healthcare system and the ethical responsibilities that companies must embrace as they grow in scale and influence. DaVita's willingness to adapt, learn from setbacks, and uphold its core values has been central to its continued relevance and success.

In the present day, DaVita continues to navigate emerging trends in healthcare—advancing home-based dialysis, integrating digital solutions, and pioneering holistic care for patients living with chronic kidney disease. Its corporate social responsibility efforts have deepened its connection to the communities it serves, while initiatives in sustainability and environmental stewardship speak to a broader vision for global impact.

This book traces the evolution of DaVita Inc. from its humble beginnings to its current status as a leading S&P 500 company. It explores not only the company's complex history, but also its ongoing challenges and opportunities in a rapidly changing healthcare world. As we delve into each chapter, we will discover how DaVita's story reflects wider themes of adaptation, resilience, and the potential for positive change within American business and society.

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## **CHAPTER ONE: The Origins of DaVita: From Subsidiary to Independence**

Every epic journey has a starting point, and for DaVita Inc., that genesis arrived in 1979. It began not as a bold new venture, but rather as a quiet, unassuming part of a larger corporate entity. Medical Ambulatory Care, Inc. was the humble name given to this new subsidiary, which was brought into existence under the umbrella of National Medical Enterprises, Inc. (NME), a healthcare giant with its roots firmly planted in Santa Monica, California.

National Medical Enterprises, founded in 1969 by a trio of lawyers—Richard Eamer, Leonard Cohen, and John Bedrosian—had, by the mid-1970s, grown into a significant player in the hospital sector. Its initial focus was on owning and operating general hospitals, and it steadily expanded its portfolio throughout the 1970s. By 1981, NME had become the third-largest healthcare company in the U.S., owning or managing nearly 200 hospitals and nursing homes.

It was within this expansive corporate structure that Medical Ambulatory Care, Inc. was conceived. Its primary purpose was to transition NME's hospital-based dialysis services into freestanding facilities. This move reflected an early recognition of a burgeoning need in the healthcare landscape: the increasing number of patients suffering from end-stage renal disease (ESRD), a chronic condition requiring regular kidney dialysis treatments. Medical Ambulatory Care was tasked not only with operating these new freestanding centers but also with acquiring and developing additional dialysis facilities within NME's existing markets.

For its first fifteen years, Medical Ambulatory Care operated in this somewhat subdued manner, a modest piece of a much larger puzzle. It was a period of steady but unremarkable growth, as the company diligently expanded its network of facilities. While the dialysis industry itself was beginning to see significant changes, including a trend toward consolidation, Medical Ambulatory Care remained largely under the protective, yet limiting, wing of its parent company.

However, the tides began to turn for Medical Ambulatory Care in the mid-1990s. National Medical Enterprises, the parent company, underwent its own significant shifts during this period. In 1994, NME reached a substantial settlement related to fraud and patient abuse allegations within its psychiatric and substance abuse facilities, leading to the divestiture of its entire behavioral health division. Following this, in 1995, NME changed its name to Tenet Healthcare Corporation in an effort to rebrand and distance itself from the controversies.

It was against this backdrop of corporate restructuring and a changing healthcare environment that the opportunity for Medical Ambulatory Care's independence arose. In August 1994, a pivotal event occurred: DLJ Merchant Banking Partners, L.P., a private equity firm, acquired a 70% stake in Medical Ambulatory Care, Inc. in a leveraged buyout. This transaction, valued at \$75.5 million, marked the crucial moment when the subsidiary broke free from its parent company.

With this acquisition, Medical Ambulatory Care, Inc. was no longer a quiet division within a larger corporation. It was reborn as an independent entity and, with its newfound autonomy, came a new identity: Total Renal Care Holdings, Inc. This renaming was more than a mere formality; it symbolized a clear and deliberate focus on kidney care services, setting the stage for the company's future direction.

The ink was barely dry on the acquisition documents when Total Renal Care Holdings, Inc. made its next bold move. In October 1995, the company completed its initial public offering (IPO), listing its common stock on the New York Stock Exchange under the ticker symbol "TRL." This IPO successfully raised \$107 million, providing Total Renal Care with a significant influx of capital to fuel its ambitious expansion plans.

The transition from a subsidiary to a publicly traded, independent company injected a new dynamism into the organization. Under the leadership of Victor M.G. Chaltiel, Total Renal Care embarked on a period of aggressive expansion. In the two years following its IPO, the company rapidly became one of the largest contenders for market dominance in the United States. By the end of 1996, Total Renal Care had significantly expanded its footprint, operating a network of 134 outpatient facilities, having added 66 new centers that year alone. The company also strengthened its presence in the inpatient sector, securing 39 new contracts with hospitals for a total of 59 management agreements.

This initial burst of growth demonstrated the company's keen understanding of the market trends. The dialysis industry was experiencing a dual phenomenon: a rising number of patients with ESRD and a steady consolidation of facility ownership, as independent physicians and even hospitals opted to outsource the management of their dialysis services. Total Renal Care, now independent and well-capitalized, was perfectly positioned to capitalize on these trends.

The company's expansion wasn't limited to the domestic market. Total Renal Care also began to venture internationally, establishing or acquiring facilities in places like Guam, Puerto Rico, and Europe. This early foray into global markets indicated an expansive vision that would continue to define the company in the years to come. By the time it announced a major acquisition in 1997, Total Renal Care was operating 194 freestanding dialysis centers across 18 states, the District of Columbia, and its burgeoning international locations. The stage was set for Total Renal Care, soon to be

DaVita, to make an even bigger mark on the healthcare world.

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