

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

COMMISSIONERS: **Maureen K. Ohlhausen, Acting Chairman
Terrell McSweeney**

In the Matter of

DAVITA, INC.

a corporation,

RV MANAGEMENT CORP.

a corporation,

RENAL VENTURES PARTNERS, LLC

a limited liability company,

RENAL VENTURES LIMITED, LLC

a limited liability company,

and

RENAL VENTURES MANAGEMENT, LLC

a limited liability company.

Docket C-4616

COMPLAINT

Pursuant to the Clayton Act and the Federal Trade Commission Act (“FTC Act”), and its authority thereunder, the Federal Trade Commission (“Commission”), having reason to believe that the Respondent DaVita, Inc. (“DaVita”), a company subject to the jurisdiction of the Commission, has entered into an agreement to acquire all of the equity interest of Renal Ventures Management, LLC from Renal Ventures Limited, LLC, which is owned by RV Management Corp. and Renal Ventures Partners, LLC (together, “Renal Ventures”), a company subject to the jurisdiction of the Commission, in violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, and that such acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its Complaint, stating its charges as follows:

I. DEFINITIONS

1. “Dialysis” means the filtering of a person’s blood, inside or outside of the body, to replicate the functions of the kidney.
2. “ESRD” means end stage renal disease, a chronic disease characterized by a near total loss of function of the kidneys, which in healthy people remove toxins and excess fluid from the blood.
3. “Outpatient dialysis services” means all procedures and services related to administering chronic dialysis treatment.

II. RESPONDENTS

4. Respondent DaVita is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 2000 16th Street, Denver, Colorado 80202. Respondent DaVita, among other things, is engaged in the provision and sale of outpatient dialysis services.
5. Respondent Renal Ventures Partners, LLC (“RV Partners”) is a limited liability company organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its corporate head office located at 1626 Cole Boulevard, Lakewood, Colorado 80401.
6. Respondent RV Management Corp. (“RV Corp”) is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 1626 Cole Boulevard, Lakewood, Colorado 80401.
7. Respondent Renal Ventures Limited, LLC (“RVL”) is a limited liability company organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its corporate head office located at 1626 Cole Boulevard, Lakewood, Colorado 80401. RV Corp. and RV Partners own all of the issued and outstanding equity interests of RVL. RVL owns all of the issued and outstanding equity interests of Renal Ventures Management, LLC.
8. Respondent Renal Ventures Management, LLC (“RV Management”) is a limited liability company organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its corporate head office located at 1626 Cole Boulevard, Lakewood, Colorado 80401. RV Management, among other things, is engaged in the provision and sale of outpatient dialysis services as Renal Ventures.

9. Each Respondent is, and at all times herein has been, engaged in commerce, as “commerce” is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and is a company whose business is in or affects commerce, as “commerce” is defined in Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

III. THE PROPOSED ACQUISITION

10. Pursuant to a Membership Interest Purchase Agreement between DaVita and Renal Ventures dated August 17, 2015, including subsequent amendments (“Agreement”), DaVita will acquire all of the issued and outstanding equity interests in Renal Ventures in a transaction valued at approximately \$358 million (the “Acquisition”).

IV. THE RELEVANT MARKET

11. For the purposes of this Complaint, the relevant line of commerce in which to analyze the effects of the Acquisition is the provision of outpatient dialysis services. Most ESRD patients receive dialysis treatment three times per week in sessions lasting between three and five hours, while some patients receive treatment at home so they visit the clinic less frequently. ESRD is fatal if not treated with dialysis. The only alternative to dialysis treatment for patients suffering from ESRD is a kidney transplant. However, the wait time for donor kidneys, during which ESRD patients must receive dialysis treatment, can exceed three years. Additionally, many ESRD patients are not viable transplant candidates. As a result, many ESRD patients have no alternative to dialysis treatment.
12. The distance ESRD patients will or can travel to receive dialysis treatments defines the outer boundaries of the relevant geographic markets for the provision of outpatient dialysis services. Because ESRD patients often suffer from multiple health problems and may require assistance traveling to and from the dialysis clinic, these patients will not or cannot travel long distances to receive dialysis treatment. As a general rule, ESRD patients travel no more than thirty miles or thirty minutes to receive dialysis treatment, although travel times and distances vary depending on geographic barriers, travel patterns, and whether an area is urban, suburban, or rural.
13. For the purposes of this Complaint, the seven geographic markets within which to assess the competitive effects of the proposed merger are in the following metropolitan statistical areas (“MSAs”) or particular geographic areas contained within them: (1) Denton and Frisco, Texas in the Dallas-Fort Worth-Arlington MSA; (2) Brick, Clifton, Somerville, and Succasunna, New Jersey in the New York-Newark-Jersey City, NY-NJ-PA MSA; and (3) Trenton, NJ in the Trenton, NJ MSA.

V. THE STRUCTURE OF THE MARKET

14. The market for the provision of outpatient dialysis services is highly concentrated in the seven local areas identified in Paragraph 13. The proposed Acquisition would further increase concentration levels, resulting in a merger to monopoly in one market, and reducing the number of providers from three to two in six markets.
15. DaVita and Renal Ventures directly and substantially compete in the relevant markets.

VI. ENTRY CONDITIONS

16. The most significant barrier to entry into the relevant markets is engaging a nephrologist with an established referral base to serve as the clinic's medical director. By law, each dialysis clinic must have a nephrologist medical director. The medical director is also essential to the competitiveness of the clinic because he or she is the clinic's primary source of referrals. The lack of unaffiliated nephrologists with an established referral stream is a significant barrier to entry into the relevant geographic markets identified in Paragraph 13. Additionally, other things being equal, an area must have a low penetration of dialysis clinics and a high ratio of commercial to Medicare patients to attract entry. The absence of these attributes is an additional impediment to entry into each of the relevant geographic markets.
17. New entry into the relevant markets sufficient to deter or counteract the anticompetitive effects described in Paragraph 18 is unlikely to occur, and would not occur in a timely manner because it would take over two years to enter and achieve significant market impact.

VII. EFFECTS OF THE ACQUISITION

18. The effects of the Acquisition, if consummated, may be substantially to lessen competition in the relevant markets in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, in the following ways, among others:
 - a. eliminating actual, direct, and substantial competition between DaVita and Renal Ventures in the market for the provision of outpatient dialysis services;
 - b. increasing the ability of the merged entity unilaterally to raise prices for outpatient dialysis services; and
 - c. reducing incentives to improve service or quality in the relevant market.

VIII. VIOLATIONS CHARGED

19. The Agreement described in Paragraph 10 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.
20. The Acquisition described in Paragraph 10, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this nineteenth day of May, 2017, issues its Complaint against said Respondents.

By the Commission.

Donald S. Clark
Secretary

SEAL: