

## NEW RISK ALERT: (DVA)

# DaVita Warns Its Patients Are Dying

New language in latest 10-K reveals kidney dialysis company has fewer people to treat due to rising mortality rate.

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*This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.*

## DaVita's Addressable Market Shrinks

The number of patients treated by DaVita, a provider of dialysis services for chronic kidney failure or end stage renal disease (ESRD), declined 1.3% in 2020. In its 2019 [10-K](#), DaVita outlined the factors impacting ESRD growth rates:

*"...the aging of the U.S. population, transplant rates, incidence rates for diseases that cause kidney failure such as diabetes and hypertension, **mortality rates for dialysis patients** and growth rates of minority populations with higher than average incidence rates of ESRD."*

In its 2020 10-K, DaVita adds language indicating the pandemic killed a portion of the patients it might have treated:

*"...the aging of the U.S. population, transplant rates, incidence rates for diseases that cause kidney failure such as diabetes and hypertension, mortality rates for dialysis patients and growth rates of minority populations with higher than average incidence rates of ESRD. **Certain of these factors, in particular mortality rates for dialysis patients, have been impacted by the COVID-19 pandemic.**"*

The decline in patient admissions due to COVID-19 was partially offset by acquisitions. Regardless, DaVita acknowledges a negative impact on revenue and reveals the situation is likely to worsen:

*"Because ESRD patients may be older and generally have comorbidities, several of which are risk factors for COVID-19, we believe the mortality rate of infected patients is, and will continue to be, higher in the dialysis population than in the general population,*

*and COVID-19 also could impact the CKD (chronic kidney disease) population differentially.”*

DaVita attributes the 1.4% increase in revenue in 2020 to: 1) one extra treatment day compared to 2019 and 2) an increase in acquired and non-acquired treatments. In the footnotes, DaVita offers additional context regarding the impact of a rising mortality rate:

*“Treatments were negatively impacted by **higher mortality than experienced historically** as well as a decline in new admissions. We believe the increased mortality rate is largely attributable to the impact of COVID-19 on our patient population.”*

Though DaVita is not quantifying the overall impact, the company acknowledges the impact could be material depending on the severity and duration of the pandemic. DaVita also warns that a rapid rise in unemployment could result in fewer patients being covered by insurance plans, which reimburse at higher rates than government plans or not at all for those who are uninsured.