Q2 2017 Earnings Call

Company Participants

- Jim Gustafson
- Kent J. Thiry
- Javier J. Rodriguez
- Joel Ackerman

Other Participants

- Kevin Mark Fischbeck
- Justin Lake
- Tejus Ujjani
- Whit Mayo
- John W. Ransom
- Gary P. Taylor
- Margaret M. Kaczor

MANAGEMENT DISCUSSION SECTION

Operator

Good evening. My name is Kristine, and I'll be your conference facilitator today. At this time, I would like to welcome everyone to the DaVita Second Quarter 2017 Earnings Call. [Operator Instructions] Thank you. Mr. Gustafson, you may begin your conference.

Jim Gustafson

Thank you, Kristine, and welcome everyone to our second quarter conference call. We appreciate your continued interest in our company. I'm Jim Gustafson, Vice President of Investor Relations. And with me today are Kent Thiry, our CEO; Joel Ackerman, our CFO; Javier Rodriguez, CEO of DaVita Kidney Care; Jim Hilger, our Chief Accounting Officer; and LeAnne Zumwalt, Group Vice President.

Please note that during this call, we may make forward-looking statements within the meaning of the federal securities laws. All of these statements are subject to known and unknown risks and uncertainties that could cause the actual results to differ materially from those described in the forward-looking statements. For further details concerning those risks and uncertainties, please refer to our SEC filings including our most recent Annual Report on Form 10-K and quarterly report on Form 10-Q. Our forward-looking statements are based on information currently available to us and we do not intend and undertake no duty to update these statements for any reason.

Additionally, we'd like to remind you that during this call, we will discuss some non-GAAP financial measures. A reconciliation of these non-GAAP measures to the most comparable GAAP financial measures is included in our earnings press release filed with the SEC and available on our website.

I will now turn the call over to Kent Thiry, our Chief Executive Officer.
Kent J. Thiry

Thank you, Jim, and thank all of you for your interest in DaVita. We will today, of course, discuss what we would characterize as a solid quarter. Before we get into the specifics of that quarter however, we will start as we always do with our clinical performance. We are first and foremost a care giving entity. Within DaVita Medical Group, we achieved 4.9 star average ratings across all markets. If you round in the same way that CMS rounds, would equal a 5 star, which is the highest we've ever achieved and is literally outstanding. It means we're doing wonderful things clinically with our physicians for our patients and also makes us differentially attractive to our payer partners.

Within DaVita Kidney Care, fluid overload is one of the three leading causes of hospitalizations. Our own clinical researchers estimate that patients who do not achieve the recommended post-treatment weight have a 50% high risk of mortality over the subsequent year further underlying the significance of this clinical event. We have special initiatives aimed at ensuring our patients achieve target fluid levels. And in the second quarter of 2017, we had our best ever percentage of patients achieving that recommended post-treatment weight with a 10% year-over-year improvement. That's a big deal.

And I'll now turn it over to Javier Rodriguez, the CEO of DaVita Kidney Care to discuss that quarter.

Javier J. Rodriguez

Thank you, Kent, and good afternoon, everyone. Kidney Care adjusted operating income for the quarter was $402 million, up $22 million or 6% versus the first quarter. Overall, results were in line with our expectations. Let me cover some highlights. Non-acquired growth for the quarter was 3.6%, which is within the range of our long-term expectation of 3.5% to 4.5% on an annual basis. As a reminder, we expect to see fluctuations around this range on a quarterly basis. Revenue per treatment was down by $3.38 quarter-over-quarter. As we disclosed at Capital Markets Day, Q1 revenue benefited from some positive one-time adjustments.

We continue to expect full-year average revenue per treatment in 2017 to be down 1% to 2% from full-year average in 2016. Our patient care cost per treatment was down $5.65 quarter-over-quarter driven by better performance in center operating expenses and normal seasonal factors that negatively impact quarter one cost per treatment, including EPO utilization, payroll taxes, and less treatment days. Now, turning on to our outlook. We're raising the bottom end of 2017 Kidney Care adjusted operating income guidance by $40 million. Our new guidance range is now $1.565 billion to $1.625 billion. Looking ahead to 2018, similar to the last couple of years, we will issue formal guidance on our fourth quarter earnings call.

That said, I want to remind you of a couple of specific items to keep in mind as you look at 2018. Number one, we will have a year-over-year headwind of approximately $100 million due to our recent change from profit share program to a 401(k) match program. Number two, our cost inflation continues to outpace the rate increases we received from payers. It may be hard to see this trend in second quarter on a year-over-year basis due to the benefit from our new EPO contract as well as a one-time benefit from the transition to 401(k). Lastly, as a reminder, the proposed 2018 Medicare rate increase in the preliminary rule is 0.7%.

Now, I hand it over to Joel to discuss DMG.

Joel Ackerman

Thank you, Javier. For the second quarter of 2017, DaVita Medical Group had adjusted operating income of $34 million. As a reminder, this business has a disproportionally high amortization load, $44 million for the quarter, which includes roughly $7 million related to the acceleration of our branding initiative. Therefore, this quarter's adjusted operating income of $34 million translates into an adjusted EBITDA of $94 million for the quarter. Now, with respect to our value conversion. We're on track to our plan since our last update. We've signed a contract in Colorado, one of our newer geographies, and expect to add value contracts in New Mexico and Washington State by the end of the year.
We had a fairly active quarter in closing tuck-in acquisitions of new groups in our existing geographies. We believe that these transactions are a capital-efficient and low risk way of acquiring new physicians and patients. Collectively, the groups we acquired in recent months consist of approximately 140 providers serving nearly 200,000 patients, of which about 20,000 are currently capitated. Regarding guidance for DMG, we're leaving our 2017 adjusted operating income guidance unchanged at $110 million to $150 million and we still believe it's more likely that we will be in the bottom half of this range. This operating income range includes an estimated $240 million in depreciation and amortization for 2017.

Now, to International. International operating losses in the quarter were $13 million, which includes approximately $4 million of prior period adjustments and a $1 million foreign exchange loss. For the full year in the International business, we now expect adjusted operating income loss in the low $30 millions plus or minus a bp. This excludes the impact of currency and one-time expenses. We're disappointed in this change in guidance, which is the result of lower than anticipated clinic acquisitions and slower operating ramp of acquired clinics. These changes in outlook is incorporated in our adjusted operating income guidance for Kidney Care and the enterprise.

Looking forward, we expect to reach breakeven internationally during 2018. Whether we achieve breakeven for the full year of 2018 will largely be a function of our acquisition pace for the rest of 2017 and early 2018.

Finally, some comments on cash flow and capital deployment. Second quarter operating cash flow up of $146 million was adversely impacted by the timing of cash tax payments associated with our settlement with the VA that was announced in the first quarter and by an increase in accounts receivable DSO. Year-to-date, we generated operating cash flow of $1 billion and our operating cash flow guidance for 2017 remains $1.75 billion to $1.95 billion.

As we discussed at our Capital Markets Day, we expect to be using some of this strong consistent cash flow as part of our long-term strategy to repurchase stock over the coming quarters. In the second quarter, we repurchased nearly 3.6 million shares or more than 1.8% of our shares outstanding for $232 million.

Now, over to Kent for a few closing comments.

**Kent J. Thiry**

I don't really have anything new to say. I would just step back and make a few observations. Number one, it was a solid quarter. Number two, we have a solid foundation. Number three, we have some wonderfully valuable assets. And number four, we are good at what people want more of.

With that, let's get on to Q&A please, operator.

**Q&A**

**Operator**

Thank you. [Operator Instructions] Our first question comes from Mr. Kevin Fischbeck from Bank of America. Your line is now open.

<Q - Kevin Mark Fischbeck>: Great, thanks. Just wondering if you can provide a little more color on commercial in the quarter on the dialysis side. How has the switch around third-party premium support on the exchanges gone versus your guidance? And then any kind of new pushback from payers on rates on the non-individual business?

<A - Javier J. Rodriguez>: Yeah, Thanks, Kevin, this is Javier. Nothing has changed from when we talked last quarter and so our relationships with payers continue to be the same. We're trying to make sure we add the right value to their members and our patients and nothing has changed in the guidance as it relates to the economics we gave you last quarter.
<Q - Kevin Mark Fischbeck>: All right. So I guess when you provided guidance at the Analyst Day, you mentioned $45 million to $90 million of kind of additional risk that wasn't reflected in the actual results this year. Can you provide a little bit of color as to how we should think about that for 2018? Is that risk that you think we should be building in as far as pressure into 2018 or is that something that at this point you don't feel like you're going to experience, but you just want to highlight for conservatism's sake?

<A - Javier J. Rodriguez>: Well, let me clarify, Kevin. I think what we said is, people wanted to frame what was the risk in the individual plans if CPA was completely eliminated. So we said on the outer bounds that's the $90 million. We said, if CPA was eliminated in an individual plan, that some people would have some tax credits and other things, so that's why we put a range of $45 million to $90 million. Does that answer your question?

<Q - Kevin Mark Fischbeck>: Well, I guess, my understanding was that when you initially talked about $140 million to $230 million as the issue here you have said that $230 million was the right number to think about, but there was still $40 million to $90 million of potential pressure, that some things came in better, some things came in worse and that there was still $45 million to $90 million of "risk" in the commercial numbers. Is that not correct?

<A - Javier J. Rodriguez>: I think the way I would frame it is that we've had – we've learned more as the quarters have come along and then we've superseded information and updated it. And so, now we're saying, hey, the easiest way to do instead of getting to all the different slices is number one, the risk that's left in individual plans on CPA is at $45 million to $90 million, it then went away. And then number two, our average revenue will be down 1% to 2% over our average revenue in 2016. That that is sort of the freshest information that we have and the most useful information that we have.

<Q - Kevin Mark Fischbeck>: Okay. Then just last question, that $45 million to $90 million, how do we think about that, is there a reason to think that didn't present this year, the reason to think it will present next year, what would be the indication or cause of that following through next year, if it didn't follow through this year absent regulatory guidance?

<A - Javier J. Rodriguez>: Yeah. I think we don't have any visibility on timing per se, but we were trying to be useful when people were trying to frame and size the risk of CPA in an individual plan. So we put the number out there without any sense of whether it would occur or not or any sense of timing on it but rather just trying to frame and size the number.

<A - Kent J. Thiry>: And what I might add Kevin is, is we would not try to characterize any change in the risk. No increase, no decrease nor any change in our ability to predict when the government might come up with something that would constitute a decision that there is a bunch of no change.

<Q - Kevin Mark Fischbeck>: Okay. Thank you.

<A - Kent J. Thiry>: Thanks, Kevin.

Operator

Our next question comes from Justin Lake from Wolfe Research. Your line is now open.

<Q - Justin Lake>: Thanks. Good evening. Few questions here. First, maybe you could just tell us what kind of payer mix changes or commercial mix changes I should say, you saw in Q2, if any?

<A - Javier J. Rodriguez>: Nothing that's worth calling out, Justin.

<Q - Justin Lake>: Okay. So, pretty steady Q1 to Q2.

<A - Javier J. Rodriguez>: Yes.

<Q - Justin Lake>: Okay. And then Kent, I know you don't want to give specific 2018 earnings guidance in the second quarter, but earlier this year you talked about targeting growth in overall operating income next year. Just curious,
given all the moving parts, any updated thoughts on that target? Can you grow OI in 2018?

<A - Kent J. Thiry>: My memory of what we said in the Capital Markets, Justin, and Jim to my left here will clarify if I get it wrong is that our comments at Capital Markets, of course, is usually do supersede any prior comments and we didn't make any representations on 2018 relative to 2017 at that time, but let me turn to Mr. Gustafson.

<A - Jim Gustafson>: That is correct. So, it’s just too soon, Justin.

<Q - Justin Lake>: Got it. I mean, I get this question a reasonable amount. So maybe, is there any color you can give us on why you felt comfortable earlier in the year talking to that, but less comfortable now? Is there any changes that you want to point us to?

<A - Kent J. Thiry>: I think I just became more thoughtful.

<Q - Justin Lake>: Understood. Last question, there are a number of commercial plans like Aetna, Humana and Anthem exiting the exchanges for next year or at least some of their exchange footprint for next year. And so the payer mix could start to change in – just in terms of the plans that are still offering and where these numbers shake out. Any thoughts on how we should think about the potential of that impacting 2018? Or as you look at it, are better payers leaving, and maybe lower payers staying or is it vice versa, any insight there?

<A - Javier J. Rodriguez>: Yeah. As opposed to quantifying whether they're better or worse, I think the answer arithmetically is that is minimal change to our economics. Of course, there are some payers that are still deciding but the majority of what we've seen now is minimal impact economically because most members have a comparable option in their market.

<Q - Justin Lake>: Got it. Thanks.

<A - Javier J. Rodriguez>: Thank you.

<A - Kent J. Thiry>: Thanks, Justin.

Operator

Our next question comes from Tejus Ujjani from Goldman Sachs. Your line is now open.

<Q - Tejus Ujjani>: Hi. This is Tejus. Thanks for taking the question. Can you share some color on the situation with Aetna? From public court docs, it looks like there is an ongoing feud in which they're requesting member records related to CPA, and if I’m correct, DVA is basically refusing to provide the records. Any color you can share on that status and as well as the administrative subpoena from the DoJ on AKF related patients?

<A - Javier J. Rodriguez>: Yeah. That request that Aetna had was denied and we're working with Aetna to get a download under what's in, to make sure that we adhere to the contract and that we get them the proper documents.

<Q - Tejus Ujjani>: Okay. Thanks. And any, can you share your latest thoughts on some of the legislative efforts out in California? I think people are familiar with SB 349 regarding the minimum staffing requirements. But there's another item called AB 251, that I think is still in progress out there. I mean it's essentially attempting to mandate medical loss ratios or cap dialysis clinics to like 15% and I think DVA has quite a bit of exposure out in California. Just trying to think about how you're, understand that situation and how you think about the risk.

<A - Javier J. Rodriguez>: Yeah. Both of these bills are being driven by a union, and what we're saying is, this is an unprecedented act, this AB 251. And of course, it is not good for patients. It is not good for the citizen because there are some centers that are profitable and they carry all the centers that are not profitable. And so, if that passes, it would have a disruption to the care and over the long haul, it would be a real problem for the ERs and for the patients there. So we hope that policy makers will see through this as what it is, which is bad policy, and we of course are working hard with all our constituents in the community to educate them.
<Q - Tejus Ujjani>: Okay. Thanks very much.

<A - Javier J. Rodriguez>: Thank you.

Operator
Our next question comes from Whit Mayo from Robert Baird. Your line is now open.

<Q - Whit Mayo>: Thanks. Good afternoon. Looking at the cost per treatment in the quarter, if I isolate all of the EPO purchases just within the June quarter, was it all under the new contract or did you have any purchases or any old inventory that you were working through rather I should say? And I'm just trying to think through the run rate going forward.

<A - Kent J. Thiry>: Yeah. All of the purchases were under the new contract for this quarter.

<Q - Whit Mayo>: So, does the second quarter have the full benefit of the new contract or is there a tail on this that we should consider as the year plays out?

<A - Kent J. Thiry>: It's got the benefit that's intended to have for this year.

<Q - Whit Mayo>: Okay, got it. And maybe just any details on DaVita Health Solutions. I think you announced a new segment during the quarter. Just kind of curious more on what the model is and can it be built out, the infrastructure. Do you need to acquire any capabilities such as home health and SNF, just any color on exactly what this business is?

<A - Kent J. Thiry>: Sure. I'm happy to answer, although we don't want to put too much of a spotlight on it because it's just a startup and so it will take time before it would ever really warrant a significant amount of attention. But to your specific question as to whether or not we need to acquire any capabilities, no, not within the current scope of the business. One of the beauties of what we do at DaVita Health Solutions is capabilities that we've been practicing at the DaVita Medical Group for 10, 15, 20 years in most cases. And so, its stuff that we're very good at, we're very credible at. And so, we look forward to advancing the cause and for those who aren't familiar, the short characterization of what we do is, is we got to a payer and take over responsibility for the top X thousand and some of their most sick, most expensive, most at risk patients and in particular focused on SNF management and house calls. Although, there is other things we do as well including at times, palliative care, et cetera. So that's a little bit of a thumbprint.

<Q - Whit Mayo>: Got it. And maybe my last question just on DaVita Medical Group. There was a jump in the capitated revenue in the quarter but the capitated lives declined sequentially and year-over-year. So, is there anything notable to call out, anything one-time, any payments we should be aware of?

<A - Kent J. Thiry>: There was a change in the accounting. Some of our shared risk contracts converted to global risk. The net result is the institutional component of the cost, which used to be accounted for on a net basis, is now accounted for on a gross basis, which drives the revenue up.

<Q - Whit Mayo>: Okay. I guess, I'll follow-up afterwards.

<A - Kent J. Thiry>: Sure. So, look, we talked extensively at Capital Markets Day about our capital allocation strategy and our focus on OI growth and return on capital. I'm not going to reiterate that, nothing has changed. Regarding the specific analysis, really two major drivers driving most of the value in your report. One is increased leverage, and we could achieve that increased leverage whether we sell DMG or not. The second was the implied increase in EBITDA multiple, which is hard to count on. So, that's our thinking about the analysis regarding DMG, look, we've laid out a plan to drive OI growth of $100 million or so over a couple of years. We feel good about the business. So, that's where we are.

<Q - John W. Ransom>: Okay. Thank you.

<A - Kent J. Thiry>: Thank you.

Operator

Our next question comes from Gary Taylor from JPMorgan. Your line is now open.

<Q - Gary P. Taylor>: Hi, good evening. I just had a question about DMG for 2018. I know you had previously talked about the MA rates constituting about a $30 million headwind. You're taking a goodwill charge of $51 million, which I understand is present value of DMG or certain markets over time. So I guess my primary question here is, is there any change to how you've evaluated the rate headwind for 2018 since the Capital Markets Day?

<A - Kent J. Thiry>: No change.

<Q - Gary P. Taylor>: Okay. And then in that same discussion in the press release that you had mentioned the rate pressure for 2018, but also makes comment about increasing medical costs, and I presume that was kind of talking about 2018 and I presumed it meant rate pressure in the context of a business where medical costs rise and I just wanted to make sure that was – those presumptions were correct and there wasn't some other comment about something happening in terms of medical costs in the near-term?

<A - Kent J. Thiry>: No, I think your characterization is fair.

<Q - Gary P. Taylor>: Okay. Thank you.

Operator

We show no further questions in queue at this time. [Operator Instructions]

<A - Kent J. Thiry>: Operator, we'll just give it another 15, 20 seconds just to make sure.

Operator

We have a question from Margaret Kaczor from William Blair. Your line is now open.

<Q - Margaret M. Kaczor>: Hey. Good afternoon, guys. Thanks for taking the question. Two from me, real quick. In terms of Renal Ventures, can you give us an update in terms of what stage you are at right now in incorporating them into DaVita and how should we look at the next few quarters in terms of cost for that acquisition?

<A - Javier J. Rodriguez>: We are in the initial parts of the integration. We, of course, will have the one-time cost in year one. And then, we will have them in a normalized way by fourth quarter or so going into Q1 of next year's run rate.

<Q - Margaret M. Kaczor>: Okay. And then in terms of the joint venture that you guys have in China, it's been a while since we've heard about that. Can you talk a little bit about how much investment has gone into that partnership at this point? What have you learned and maybe what's been surprising at the upside or the downside?
<A - Joel Ackerman>: So, we don't disclose the specific capital that we've allocated internationally. In terms of China specifically, it's a fascinating market. It's growing incredibly rapidly from a patient standpoint. That said, we have learned the challenges of entering China as a multinational corporation. We are looking at our strategy going forward thinking about partnerships as an opportunity for entering the market specifically.

<A - Kent J. Thiry>: And let me just try to clarify Margaret, were you referring to our Asia-Pacific joint venture with Mitsui and Khazanah or were you referring to a very, very tiny dialysis joint venture we had in one particular geography in China?

<Q - Margaret M. Kaczor>: The former.

<A - Kent J. Thiry>: Yeah. And so, what – that partnership still exists, and in fact, Khazanah and Mitsui just put in their second tranche of their committed $300 million investment. So, there is another $100 million in the balance sheet as of the last 24 hours or so, and we continue to look forward to working with them to grow that business over the long term.

<Q - Margaret M. Kaczor>: Are you guys saying revenues and I guess, P&L expenses for that business, and where are you reporting that? Is that the other line?

<A - Kent J. Thiry>: Right now our international operations are just reported in one set full piece, and for the near term, that's really our intention.

<Q - Margaret M. Kaczor>: All right, thanks.

<A - Kent J. Thiry>: Thank you, Margaret.

Operator

Our next question comes from Justin Lake from Wolfe Research. Your line is now open.

<Q - Justin Lake>: Thanks. Just a few more here, since we got the time. I know you got a question on DMG post the goodwill impairments. The commentary in the press release indicated that it's going to be tough to offset that $30 million of rate pressure next year. Should we think about that as, given the fact that you took those impairments, it's less likely you can offset that $30 million and we should think about that as potentially a greater risk than you even mentioned at the Investor Day or is this just kind of mechanical?

<A - Kent J. Thiry>: It's more mechanical, Justin. There hasn't been any change in our assessment of the risk upside or downside since Capital Markets.

<Q - Justin Lake>: Great. And then, it was really helpful to get an updated view on the international business. Anything you could tell us about what you expect to have in terms of ancillary and corporate losses that's built into the guidance for this year?

<A - Kent J. Thiry>: Could you say the question again, Justin? I'm not sure on exactly what you're going for.

<Q - Justin Lake>: Well, I guess just trying to understand, the international business is generating losses. We also know that you have corporate costs that basically offset dialysis income. And so the corporate costs and the ancillary businesses that are losing money, any thoughts like, can you share with us what you think those losses could be as we're trying to model out 2017? Any projection for corporate losses and ancillary and – or I should say corporate and ancillary losses for 2017?

<A - Kent J. Thiry>: So would you be primarily referring to the strategic initiatives line item or something else?

<Q - Justin Lake>: Correct. No, that's it. That's the ancillary business.
Okay. Thank you. Yeah, Justin, what you're seeing in that number and the reason why it grew is, you're seeing the effects of the management fee from Rx that we talked about in Capital Markets.

So, you'll see that run rate continue.

Okay. So this is a reasonable run rate the second quarter for the rest of the year.

The other aspect of this question is the SI line.

Yeah. On the SIs, you're talking about the $25 million this quarter and that is mainly again, Rx. It's got an addition of some integrated care initiatives, but the bulk of it is Rx.

Okay. And then just a couple of the numbers questions, DSOs were up four days year-over-year and two days sequentially. Anything to note here?

Nothing particular to note other than our run rate is going to be more in the range that it is now. We had some operational changes and we think that this is the right range going forward.

Okay. And lastly, in the press release you noted that the company obviously did a significant amount of share repo in the second quarter but hadn't done any post June, so nothing in July. Anything we should read into that?

No.

Okay, so we should – at the Investor Day you had talked about share repurchase being a significant use of free cash flow. We should still expect that to continue through the rest of the year, is that reasonable?

Yeah. Nothing about our plans for capital allocation and share repurchase specifically has changed. We think the $230 million that we bought back during the quarter was a good pace for us. There are a lot of criteria that go into whether we buy at a moment in time that relates to our cash flow, our growth, our leverage levels, the stock price, etcetera, and as a reminder we are blacked out at certain points because of earnings and other issues.

Sure. That's helpful. Thanks guys.

All right, thanks, Justin.

Our next question comes from Tejus Ujjani from Goldman Sachs. Your line is now open.

Hi, thanks for taking the follow-up question. Just want to clarify one of the responses to my question on the Aetna records. When you said it was denied, did you mean DaVita denied the request or the court denied the request?

The court.

Okay. And then also just to go back to the Capital Markets Day, and DaVita Rx, you talked about $70 million to $90 million EBITDA headwind. I think some of that was from loss of patient volume associated with co-pay support as well as fortifying some compliance. But you mentioned that that wasn't at all related to the AKF. Can you just clarify who is providing that support if it wasn't the AKF and also kind of how much of headwind was that actually in the quarter?

I do not know the technical answer as to who provides that support. So, we'll have to get back to you on that. And we also added a couple of things as to why that -- it is what it is. We also said that the pharmaceutical pricing had not passed, so that was a pass through in essence when prices go up that had not increased.
And then secondly, we talked about a contract that had changed its contribution in addition to the two other items that you brought up. And that run rate, that $70 million to $90 million hit is included in this quarter.

<Q - Tejus Ujjani>: Okay. Thanks very much. Appreciate it.

<A - Javier J. Rodriguez>: Thank you.

Operator

Next question comes from John Ransom from Raymond James. Your line is now open.

<Q - John W. Ransom>: Hey, sorry if you have addressed this. I'm just old and forgetful. But the cadence of the EPO purchasing benefit. I mean, we've taken some statements from the manufacturer to interpret that to mean, it's sort of equally weighted between this year and next year. Is that a fair way to think about it?

<A - Kent J. Thiry>: I don't know if we can comment on that. We have big restrictions on what we can say on the contract. So I think, we're going to have to pass on that one.

<Q - John W. Ransom>: Well. I thought I would try anyway. All right. Thank you.

<A - Javier J. Rodriguez>: Thank you.


<Q - John W. Ransom>: Yeah. Thanks.

Operator

We show no further questions in queue at this time. [Operator Instructions] Thank you.

Kent J. Thiry

Okay. Well. Thank you all for your interest. We'll work hard for you between now and the next time we talk. Thank you.

Operator

This concludes today's conference. Thank you for your participation. You may now disconnect.

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