DaVita shares fall following downgrade

The Associated Press

Shares of kidney dialysis services company DaVita Inc. fell Thursday after a Citi Investment Research analyst downgraded the stock and cut his price target.

THE SPARK: Analyst Gary Taylor lowered his rating on DaVita shares to "Hold" from "Buy" and reduced his price target for the stock to $77 from $89. Taylor cited a variety of reasons for the new price target, including a weaker overall stock market, potential payment cuts from Medicare, and a lawsuit the company disclosed in early August. Taylor wrote that Medicare could cut its payments to dialysis companies by 2 percent for fiscal 2013. He said that if that happens, it will reduce DaVita's per-share profit by about 7 percent. He wrote that the company may have to go to trial if it does not settle the lawsuit by the end of 2012.

THE BIG PICTURE: In August, DaVita said the U.S. Attorney's Office for the District of Colorado opened a grand jury investigation. The company said the Colorado investigation appears to overlap with two other ongoing federal investigations into its business.

SHARE ACTION: DaVita shares lost $6.05, or 8.8 percent, to close at $62.93. The stock has traded between $59.61 and $89.76 in the last year, and since DaVita reported its second-quarter results on Aug. 3, the stock is down almost 20 percent.

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