

# LABORATORY

# INDUSTRY REPORT®



Jondavid Klipp, Managing Editor

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## Labs Should Expect More Scrutiny After Maryland Mistakes

**M**aryland Health Secretary Nelson Sabatini and U.S. Rep. Elijah Cummings (Dem-MD) have called for an overhaul of the process used to accredit laboratories in the wake of severe quality-control problems at Maryland General Hospital (Baltimore) and Reference Pathology Services (RPS-Rosedale). And if you read the coverage published in the *Baltimore Sun*, you'd get the impression that the entire lab testing industry is riddled with quality problems that accrediting agencies like the College of American Pathologists (CAP-Northfield, IL) are not catching.

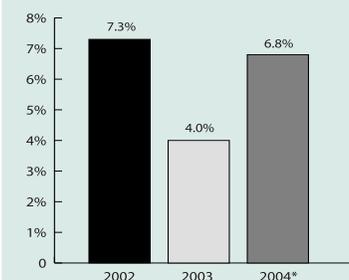
But Ronald Lepoff, M.D., FCAP, chair of the CAP Commission on Laboratory Accreditation, believes the situation at Maryland General, where management either covered up or ignored lab employee warnings, is the exception to the rule. As for RPS, he tells *LIR* that, contrary to the slant most newspaper articles have given the story, this was a situation where the CAP system worked. He notes that CAP quickly revoked RPS's accreditation after a lab worker blew the whistle.

Nonetheless, politicians and health officials in Maryland have taken these controversies and run with them and are calling for major lab oversight changes. In addition, CAP has already implemented changes that will make it much easier for all lab workers to blow the whistle. For all the details, see *Inside the Laboratory Industry*, pp. 5-9.

## Publicly Traded Labs Growing By Average 7%

**T**welve publicly traded lab companies increased their revenue on a pro forma basis (*i.e.*, after adjustments for acquisitions) by a weighted average of 6.8% in the first six months of 2004. That's a substantial acceleration from the average 4% growth these same companies booked in full-year 2003. An increased focus on internal growth plus a pick up in drugs-of-abuse testing is helping speed growth at the big labs, *LIR* observes. 🏠

Revenue Growth at 12 Publicly Traded Labs



\*for six months ended June 30  
Source: *LIR* from company reports



## ■ PUBLICLY TRADED LABS GROWING, from page 1

The fastest-growing publicly traded lab was **Myriad Genetics** (Salt Lake City), whose main product is its BRACAnalysis test for hereditary breast cancer. Myriad grew its lab business by 32.8% to \$24.8 million in the six months ended June 30, 2004.

Next was **Bio-Reference Labs** (Elmwood Park, NJ), which grew by 25% to \$62.3 million. **ViroLogic** (South San Francisco), which specializes in esoteric tests for HIV, grew by 22.3% to \$18.2 million. **Psychemedics** (Cambridge, MA), which specializes in hair testing for drugs of abuse, grew by 19.9% to \$9.5 million.

Other lab companies that grew by more than 10% include **LabOne** (Lenexa, KS), up 18.3% to \$230.3 million and **Medtox Scientific** (St. Paul, MN), up 11.8% to \$28.6 million.

The largest lab, **Quest Diagnostics** (Teterboro, NJ) grew by 7.3% to \$2.553 billion, including a 2.6% rise in test volume. Quest's 7.3% year-to-date growth represents a rebound from its 4.1% growth last year. **LabCorp** (Burlington, NC) increased its revenue by 3.5% to \$1.537 billion. Last year, LabCorp grew at a 3% clip.

Excluding Quest and LabCorp, the 10 other publicly traded lab companies grew by a weighted average of 11.6% (after adjustments for acquisitions) in the six months ended June 30, 2004. 🏠

The fastest-growing labs include Myriad Genetics, Bio-Reference, ViroLogic and Psychemedics.

## Revenue Growth at 12 Publicly Traded Lab Companies (\$000)

Company	Revenue First-Half '04	Revenue First-Half '03	Reported Change	Pro-forma Change*
Quest Diagnostics	\$2,553,416.0	\$2,312,700.0	10.4%	7.3%
LabCorp <sup>1</sup>	1,536,800.0	1,455,900.0	5.6%	3.5%
AmeriPath	251,117.0	238,860.0	5.1%	5.1%
LabOne	230,308.0	165,891.0	38.8%	18.3%
Genzyme Genetics <sup>2</sup>	77,242.0	49,773.0	55.2%	8.4%
Bio-Reference <sup>3</sup>	62,597.0	49,710.0	25.9%	25.0%
Specialty Laboratories	59,336.0	64,521.0	-8.0%	-8.0%
Myriad Genetics <sup>4</sup>	24,784.0	18,668.0	32.8%	32.8%
Medtox Scientific <sup>5</sup>	21,715.0	19,619.0	10.7%	11.8%
ViroLogic	18,249.0	14,921.0	22.3%	22.3%
Enzo Clinical Labs <sup>6</sup>	14,610.0	14,551.0	0.4%	0.4%
Psychemedics	9,502.9	7,924.3	19.9%	19.9%
<b>Total, 12 companies</b>	<b>4,859,676.9</b>	<b>4,413,038.3</b>	<b>10.1%</b>	<b>6.8%</b>
Total, 10 companies (exl. Quest and LabCorp)	769,460.9	644,438.3	19.4%	11.6%

\*After adjustments for acquisitions

<sup>1</sup>Pro forma change for LabCorp is estimated

<sup>2</sup>Pro forma change for Genzyme Genetics is estimated

<sup>3</sup>Bio-Reference's revenue is for six-months ended April 30

<sup>4</sup>Myriad Genetics' revenue is for its lab business only

<sup>5</sup>Medtox's revenue is for lab services only

<sup>6</sup>Enzo's revenue is for six months ended April 30

Source: LIR from company reports

## Donald Steen Named CEO Of AmeriPath

**A**meriPath (Riviera Beach, FL) has named Donald Steen, age 57, as its chief executive. Steen will continue to serve as chairman, a position he took after former chairman and chief executive, James New, abruptly resigned in February.

Prior to AmeriPath, Steen founded United Surgical Partners, Inc. (USPI-Addison, TX) in February 1998 and served as chairman and chief executive. Steen will continue to serve as chairman of USPI. Prior to USPI, Mr. Steen served as president of the International Group of HCA—The Healthcare Company (Nashville), formerly known as Columbia/HCA.

In his new role as both chairman and chief executive of AmeriPath, Steen will earn a base salary of \$445,000 plus an annual bonus of up to 100% of his salary. Steen has also received stock options that will enable him to purchase a 4% stake in AmeriPath. Among the fringe benefits are a \$50,000 per year stipend for expenses associated with his condominium in West Palm Beach, a country club membership, free jet travel between West Palm Beach and his home in Dallas, and five weeks paid vacation per year.

Challenges that Steen will have to contend with at AmeriPath include rising bad-debt expenses, higher malpractice insurance costs, and increasing competition from Quest Diagnostics and LabCorp, which are each seeking to expand their anatomic pathology businesses.

But *LIR* believes the biggest challenge of them all will be keeping the company's 408 employed pathologists on board. In 2003, AmeriPath's turnover rate for its pathologists rose to 13.3% from 8.8% in 2002. In other words, approximately one out of eight of AmeriPath's pathologists either resigned or retired last year. 🏠

## LabOne Wins Humana Contract

**L**abOne (Lenexa, KS) has signed an expanded, national agreement to provide lab services to managed care giant Humana (Louisville, KY). Humana covers a total of 2.3 million HMO and PPO members nationwide as well as approximately 800,000 Medicare and Medicaid members. But LabOne, which operates major labs in Kansas City and Cincinnati, is expected to compete primarily in the Midwest. Illinois, Kentucky, and Ohio are among Humana's largest markets.

John McCarty, LabOne's chief financial officer, says the acquisition of Alliance Laboratory Services (ALS—Cincinnati) earlier this year helped LabOne gain the contract because ALS had been part of Humana's network in Cincinnati. LabOne purchased ALS from The Health Alliance of Greater Cincinnati in January for \$42.4 million.

The Humana contract is not exclusive. LabOne will have to compete with Humana's existing preferred labs, Quest Diagnostics and LabCorp. Specific terms of the contract were not disclosed. 🏠



## Georgia Governor Proposes To Privatize Medicaid

Georgia Governor Sonny Perdue has announced a new plan to privatize the state's near-bankrupt Medicaid system. If adopted, Perdue's plan would introduce an HMO-style Medicaid program that would become effective on Jan. 1, 2006. Under the plan, managed care companies would assume the financial risk of providing all healthcare services to Georgia's 1.3 million enrollees, including physician visits, inpatient and outpatient hospital services, prescription drugs, and lab testing.

LIR speculates that the proposed plan would likely lead the winning managed care organizations to carve out lab testing services under capitated contracts with the largest commercial lab companies.

A state RFP is scheduled to be sent out to managed care companies in January 2005. Governor Perdue's office says that more than 40 national and local health plans have expressed an interest in making a bid.

The plan calls for the state to hire up to two managed care organizations in each of the state's six geographic regions. The contract winners would need to be licensed by the Georgia Department of Insurance as risk-bearing entities and would need to demonstrate an ability to provide all covered healthcare services and have an adequate network of providers.

### Medicaid Reforms That Are Impacting Labs

State	Medicaid Reform
California	Adjusted reimbursement for all lab tests to 80% of the lowest Medicare maximum allowable rate effective Oct. 1, 2003. As a result, labs serving Medi-Cal patients have seen their revenue from the program drop by an average of 10% to 15%. In addition, the California Dept. of Health Services recently issued a request for applications with the aim of reducing the number of labs participating in the Medi-Cal program.
Florida	Is seeking a statewide capitated contract for independent lab services with a single lab.
Tennessee	Is seeking to establish a co-pay for lab services and a limit of 10 lab tests and/or X-rays per year for certain Medicaid enrollees. After the limit is met, enrollees would need to pay out-of-pocket for additional tests.
Georgia	Is seeking to shift the state's entire Medicaid population of 1.3 million into capitated managed care plans.

Source: LIR

Between fiscal year 1990 and fiscal year 2004, the state portion of Georgia's Medicaid budget increased by 220%, from \$538 million to \$1.72 billion. Medicaid benefits accounted for 11% of Georgia's fiscal-year 2004 budget of \$16.1 billion as compared with just over 7% in fiscal-year 1990.

The proposed changes for Georgia's Medicaid program follow similar cost-savings initiatives in other states, all of which are struggling to narrow impending budget shortfalls. And then there's the shortfall at the federal government, which contributes approximately \$1.50 for every \$1 that states spend on Medicaid. In the fiscal year that ends Sept. 30, 2004, the Congressional Budget Office has estimated a record federal budget deficit of \$422 billion and outlays are expected to exceed revenue through 2014. 🏠

## Blowing The Whistle On Labs Is Getting A Lot Easier

*The inspection process at CAP has come under intense scrutiny because it had accredited two problem labs in Maryland.*



*U.S. Rep.  
Elijah Cummings*



*Nelson Sabatini,  
Maryland's  
Secretary of Health  
& Mental Hygiene*

In response to the latest findings of inaccurate lab tests at two labs in Maryland, U.S. Rep. Elijah Cummings has sent a letter to Judy Yost, director of the Division of Laboratory Services at CMS: 1) asking whether CMS plans to take the lead in convening a meeting between CAP, hospitals, state health agencies, and lab workers; 2) requesting an explanation of how CMS intends to ensure that federal regulations regarding lab accreditation are enforced; and 3) asking for an explanation as to how CMS will ensure that whistleblowers will be protected.

Cummings is also seeking an analysis of the lab accreditation process by Congress' investigative arm, the Government Accountability Office, and is drafting his own legislation to protect laboratory whistleblowers. He has called the problems at Maryland General Hospital and Reference Pathology Services "the tip of the iceberg." Cummings says, "We have to see whether CAP is the appropriate accrediting agency."

According to the *Baltimore Sun*, the GAO report that Cummings is requesting would ask whether using private accrediting agencies is akin to the fox guarding the henhouse. He insists that nothing is off the table, including the possible end to the use of groups like CAP and the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

Meanwhile, Maryland Health Secretary Nelson Sabatini has called private accreditation groups a "thirty-year failed experiment" and is preparing a state reform bill. He wants the state legislature to expand his agency's budget so that he can eliminate private accreditation and take full control of lab inspections in Maryland. The state's health department currently employs only six lab inspectors who have the added responsibility of watching over nursing homes. "The accreditation process is flawed, and we need to fix it," according to Sabatini. "As public policy makers, we need to resolve to sit down and find an effective way to fix it. It can be done. During the nursing home scandals of the 1970s, we put in place a new oversight process that cleaned things up," he said.

But like all stories, this one has another side. Let's begin with some simple facts about CAP's accreditation process. CAP currently accredits approximately 6,000 labs in the United States, including nearly every academic medical center in the nation, the two big commercial labs (Quest and LabCorp), and most independent labs. Like other lab accrediting groups, for example, JCAHO and the Centers for Medicare & Medicaid Services, CAP performs an onsite inspection once every two years and requires labs to file self-inspection reports in between.

CAP charges labs annual accreditation fees that range between \$670 and more than \$3,000, depending on the test volume and testing complexity at each lab. The inspections generally last for between one and three days. CAP requires personnel in all of the labs it inspects to be available to examine

other labs. The typical CAP inspection team includes a lead pathologist and several medical technologists. Two-thirds of the inspections do not require the inspectors to travel to the site by air, so at times an inspection team may be grading a lab from across town or their own reference lab.

A CAP spokesman would not disclose how much revenue the organization makes each year from accreditation fees, but *LIR* surmises that it's a big and highly profitable business given that the inspectors are unpaid volunteers. Using a conservative estimate for average annual accreditation fees of \$800 per lab would indicate that CAP generates \$4.8 million per year from its accreditation program (6,000 labs multiplied by \$800=\$4.8 million).

Critics contend that the CAP process: 1) allows cozy relationships between lab surveyors and those they inspect; and 2) places too much emphasis on documents and not enough on interviews with lab workers.



Ronald Lepoff, M.D., FCAP, chair of the CAP Commission on Laboratory Accreditation

Ronald Lepoff, M.D., FCAP, chair of the CAP Commission on Laboratory Accreditation, tells *LIR* that CAP's system does have risks but advantages as well. "The people that do our inspections have worked in laboratories and still work in laboratories. You can't underestimate the changes in laboratory testing that occur over time. Look at what's happened with genetic testing over the past five years. Our check list has more than 3,500 questions and it's been developed by experts in the laboratory," says Lepoff. Contrary to what Rep. Cummings and health secretary Sabatini may think, "CAP's accreditation process is the most stringent in existence," he adds.

### What Happened at Maryland General and Reference Pathology Services?

Earlier this year, state health inspectors found the hospital's lab had serious quality control problems and had given unreliable HIV and hepatitis C test results to thousands of patients between June 2002 and August 2003. State regulators were first alerted to the situation in late 2003 by a complaint from a lab worker, Kathleen Turner. She had first tried to alert the lab's management staff and then the hospital's administration, but her warnings of faulty testing equipment and procedures were ignored and covered up.

As far as what happened at Maryland General Hospital, Lepoff says, "There was an impressive amount of malfeasance. There is no quality system alive that will ensure people won't act with malice or dishonesty."

The next Maryland lab to hit the headlines was Reference Pathology Services (RPS), a small privately held independent lab based in Rosedale (near Baltimore). But Lepoff says this was a case that "demonstrates the system works the way it's supposed to work." He says that a RPS lab worker called CAP in early April to complain that the lab was reusing filters in a cervical-cancer test kit that should have been discarded after each test. CAP inspectors then conducted an unannounced inspection and reached the same conclusion. On May 28, CAP revoked RPS's accreditation.

Under state and federal law, labs seeking a Maryland license must either submit to a state inspection or seek accreditation from one of three independent agencies, including CAP.

RPS's owner, Timothy Frank, has now put the lab up for sale. If it is sold, state regulators will prohibit the current management from having any role in its future operations.

State health inspectors then performed their own inspection of RPS in June and found additional problems, including a failure to conduct required control testing on equipment. As a result, 3,000 patients are being offered retesting to check the accuracy of results for sexually transmitted diseases. The state suspended RPS's license on June 30, determined the lab was incapable of taking corrective action, and forced it to shut down for good on September 5.

### Changes in CAP's Inspection Process

Lepoff says that wholesale changes in the way labs are accredited are not needed. Nonetheless, he says CAP is making some adjustments to its inspection process.

At the top of the list are efforts to encourage lab employees to contact CAP if they have concerns about their lab that are not being addressed. Lepoff says that beginning this month (September) the following message will need to be posted in all CAP-accredited labs:

*This laboratory is accredited by the College of American Pathologists. If you have concerns regarding the quality of patient testing or laboratory employee safety that are not being addressed by your lab, please contact us at 866-236-7212. Your identity will be kept strictly confidential.*

Lepoff says that CAP, which currently receives about 80 to 100 complaints from lab workers and patients per year, will speed up its complaint evaluation process. He says harassment of any employee who files a complaint is now grounds for immediate revocation of accreditation.

In addition, Lepoff says that CAP will now require its inspectors to spend more time talking with lab workers at the sites being inspected. CAP inspectors will also spend time tracking specimens from the moment they enter the lab through result reporting. "In the past, some inspectors have been too caught up with working with paper and not walking the lab floor," he notes.

### Report Criticizes JCAHO's Accreditation Program

CAP is not the only private accrediting organization coming under fire. In July, the Government Accountability Office (GAO) issued a report that showed that the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) had failed to identify deficiencies at hospitals that were later found by state inspectors.

The GAO report, CMS Needs Additional Authority to Adequately Oversee Patient Safety in Hospitals, was based on a retrospective survey of 500 JCAHO-accredited hospitals and found that JCAHO missed deficiencies in 123 hospitals. (Note: JCAHO accredits approximately 4,200 hospitals and 4,000 labs across the nation.)

Examples of deficiencies missed included a serious infection-control problem at a California hospital that had no system for ensuring the

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*Accrediting labs is big business.*

*LIR estimates that CAP generates at least \$4.8 million per year in lab accreditation fees and JCAHO makes roughly \$12 million.*

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sterilization of medical instruments. GAO investigators also found a Texas hospital that had been administering some medications without physician orders. In this case, a double dose of narcotics was given in the emergency room, with no explanation for the excessive dosage, to a patient who later died.

Following the release of the report, Senate Finance Committee Chairman Charles Grassley (R-IA) and House Ways and Means Health Subcommittee ranking minority member Fortney “Pete” Stark introduced legislation under which CMS could restrict or remove the authority of JCAHO to accredit hospitals.

The legislation would remove a provision in the original Medicare Act of 1965 that granted JCAHO a unique status to deem hospitals as eligible for Medicare payments with virtually no federal oversight and provide CMS with the same oversight authority that it currently has for all other organizations with accreditation authority.

JCAHO officials have called the GAO report “inflammatory” and “grossly inaccurate.” They have argued that the report is not representative of all the nation’s hospitals because it was limited to 500 hospitals that state inspectors visited from 2000 to 2002.

JCAHO officials also argue that the report failed to mention the deficiencies that its inspectors found and the state inspectors missed. Finally, JCAHO notes that it recently instituted new inspection methods that rely less on documentation and more on personal interviews and onsite monitoring.

Under the new accreditation process, which became effective Jan. 1, 2004, JCAHO inspectors are now tracking patients and specimens through the continuum of hospital and lab services. JCAHO also plans to switch entirely to unannounced inspections in 2006.

### **JCAHO Hikes Survey Fees by 10%**

JCAHO’s changes don’t come without cost. Citing the need to make further investments in its new accreditation process, JCAHO’s board of commissioners recently approved survey fee increases across all of the organization’s accreditation programs starting in 2005.

The actual new fee schedule will become available in late September. The Joint Commission estimates that the average biennial survey fee increase for laboratories will be \$590. A JCAHO spokesman tells *LIR* that over the past 18 months, JCAHO-accredited labs paid the organization an average of \$5,899 per inspection. So the fee increase represents roughly a 10% hike.

The Joint Commission says the fee increases are only the second in the last decade and will vary by program and the types and volumes of services provided. The Joint Commission also announced plans to institute a subscription billing model in 2006 that will allow accredited organizations to begin to spread their survey fees over the two-year accreditation cycle.

## What Do Industry Consultants Have To Say?

**S**heila Dunn, president of the consulting firm Quality America (Asheville, NC), says that one solution would be for CAP to reorganize its inspection teams so that they were composed only of full-time salaried inspectors, rather than volunteers. Today's inspection teams are more likely to allow the labs they inspect to justify issues or problems raised during an inspection, according to Dunn. It's also harder to standardize and control rotating groups of volunteers, she adds. On the other hand, she notes that it would be ridiculously expensive for CAP to hire a dedicated inspection staff. She calls CAP's new willingness to talk to more bench techs "a step in the right direction."

**Christopher Young** of Laboratory Management Support Services (Phoenix, AZ) says there's a lot of room for conflict of interest under the current inspection system at CAP. He believes full-time inspectors might take a harder line on the labs they inspect. "A pathologist is unlikely to turn one of his buddies in," he notes. On the other hand, Young says, "If somebody is falsifying documents, it's naïve of the government to criticize CAP for not picking that up."

**Another consultant**, who was unwilling to go on the record, tells *LIR*, "Accrediting labs is quite a racquet. Every year you have to jump through a new hoop and you have to take a course or buy a video to understand the new standards."

"The expense management efforts that have made possible the recent value—enhancing investments in the Joint Commission's accreditation products—can no longer alone permit us to provide the level of support and service that accredited organizations are, quite appropriately, seeking," Dennis O'Leary, M.D., president of the Joint Commission, said in a September 7 press release.

*LIR* estimates that JCAHO's lab accreditation program is even more profitable than CAP's. JCAHO employs 30 full-time lab surveyors who perform biennial surveys on 4,000 labs (i.e., 2,000 inspections per year). At an average of \$5,899 per survey, *LIR* estimates that JCAHO generates \$11.8 million per year from its lab accreditation program (2,000 surveys per year multiplied by \$5,899=\$11.8 million).

## Maryland Labs Under the Microscope

Given the quality problems recently found at Maryland General Hospital and RPS, other labs in the state should be prepared to face tougher survey inspections, especially from state health department inspectors. Finding more labs with previously undetected quality problems would strengthen the reform agendas of Maryland Health Secretary Nelson Sabatini and U.S. Rep. Elijah Cummings. Obviously, the biggest labs have the most to lose. 🏠

## Maryland's Biggest Clinical Labs\*

### Independents

Quest Diagnostics (Baltimore)  
 LabCorp (Rockville)  
 Univ. of MD Pathology Associates (Baltimore)  
 Hagerstown Medical Lab (Hagerstown)  
 Park Medical Lab (Lutherville)  
 Diagnostic Assay Services (Gaithersburg)

### Hospital Labs

Johns Hopkins Bayview (Baltimore)  
 Southern Maryland Hospital (Clinton)  
 University of MD Medical Center (Baltimore)  
 Johns Hopkins (Baltimore)  
 Mercy Medical Center (Baltimore)  
 Saint Joseph Medical Center (Towson)  
 Saint Agnes Hospital (Baltimore)  
 Sinai Hospital (Baltimore)

\*Independent labs that perform more than 250,000 tests per year and hospital labs that perform more than two million tests per year  
 Source: CLIA Provider Files, December 2003



## ASCP Survey Shows Temporary Ease Of Labor Pressures

The latest available data from American Society of Clinical Pathologists (ASCP—Chicago) shows that average vacancy rates for staff medical technologists (MTs) eased to 4.3% in 2003 from 7% in 2002, while MT manager vacancies fell to 1.9% from 3.7%. Average vacancy rates at labs in 2003 were highest for phlebotomists, 6.6% (versus 9.1%), and medical laboratory technicians, 5.9% (versus 8.6%).

The ASCP data is based on surveys of laboratory managers in hospitals, independent labs, and physician office labs from every part of the country. The data for 2003 was based on completed surveys from 1,682 managers.

### Average Vacancy Rates for Key Laboratory Positions

Position	2003	2002
Medical Technologist—Staff	4.3%	7.0%
Medical Technologist—Supervisor	3.3	5.9
Medical Technologist—Manager	1.9	3.7
Cytotechnologist—Staff	4.3	7.6
Histotechnologist—Staff	3.6	10.7
Medical Laboratory Technician—Staff	5.9	8.6
Phlebotomist—Staff	6.6	9.1

Source: American Society of Clinical Pathologists

The survey shows that salary increases were also moderate in 2003. MT staff wages were up 3.5% to \$20 per hour; MT managers were up 5.3% to \$30 per hour; and lab technicians were up 4% to \$15.96. The biggest wage jump came for MT supervisor, up 6.5% to \$24.50. Pay for staff histotechs fell by 0.5% to \$19.67.

Kory Ward-Cook, Ph.D., senior vice president at ASCP, tells *LIR* that although current

vacancy rates and salary increases for lab personnel are modest, they are almost certain to get more severe because of demographics. She cites statistics from the ASCP member database that show that more than 72% of the current lab workforce is greater than 40 years of age. Ward-Cook estimates that the average age of lab personnel is approaching 50 years old.

### Median Hourly Pay Rates

Position	2002	2003	% Chg
Medical Technologist—Staff	\$19.32	\$20.00	3.5%
Medical Technologist—Supervisor	23.00	24.50	6.5%
Medical Technologist—Manager	28.50	30.00	5.3%
Cytotechnologist—Staff	24.00	24.70	2.9%
Histotechnologist—Staff	19.77	19.67	-0.5%
Medical Laboratory Technician	15.35	15.96	4.0%
Phlebotomist	10.55	11.03	4.5%

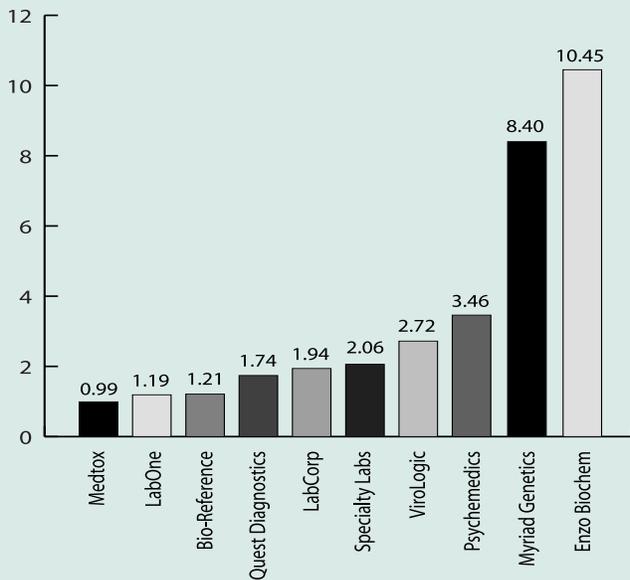
Source: American Society of Clinical Pathologists

The number of new graduates being certified as medical technologists is dropping steadily each year. In 1980, ASCP-certified 6,340 medical technologists; in 1990, only 2,849 were certified; and in 2003 there were only 1,802, according to Ward-Cook. She says that automation and related efficiency gains have helped ease labor pressures, but may not be enough to offset the labor imbalances that are looming. 🏠

## Lab Stocks Up 5% In Latest Four Weeks

Stock prices for the 10 companies in the G-2 Laboratory Index rose an unweighted average of 5% in the four weeks ended Sept. 13, 2004, with eight stocks up in price, one unchanged, and one down. So far this year, lab stocks have risen 13%, while the S&P 500 is up 1%, and the Nasdaq is down 5%.

### Price/Revenue for Lab Stocks\*

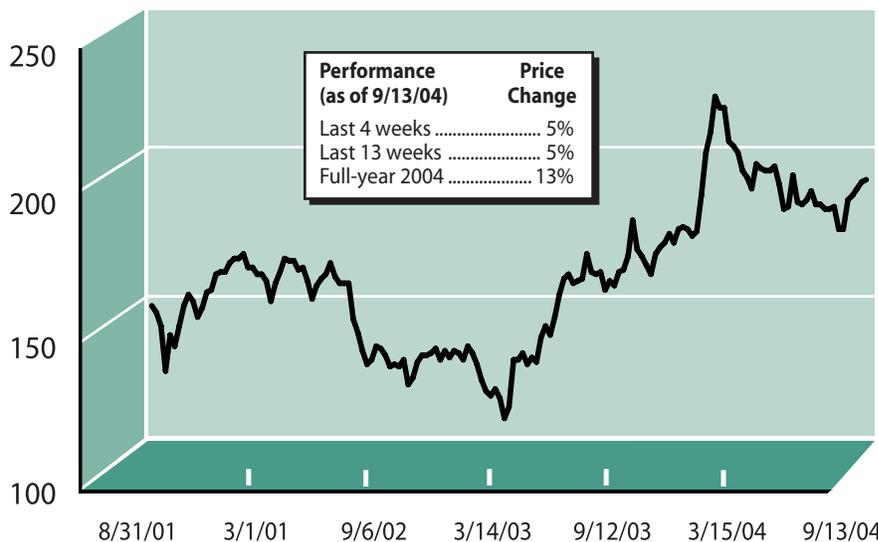


\*Based on reported financials for trailing 12 months  
Source: LIR from Reuters' data as of Sept. 13

Which lab stocks are currently the cheapest? On a price-to-revenue basis, the answer is **Medtox** (St. Paul, MN), which at \$6.96 per share currently has a market value of \$54 million, just less than one time its revenue of \$54.5 million for the 12 months ended June 30, 2004. Other inexpensive stocks as measured by this yardstick include **LabOne** (Lenexa, KS) and **Bio-Reference Labs** (Elmwood Park, NJ), which each currently trade at approximately 1.2 times their annual revenue.

The most expensive lab stock is **Enzo Biochem** (Farmingdale, NY), which has a market value of \$457 million or 10.5 times its annual revenue of \$43.7 million. Enzo derives approximately 65% of its revenue from its lab-testing operations, Enzo Clinical Labs, and the remainder from the sale of DNA probes and other drug research products. 🏢

### G-2 Laboratory Stock Index



Source: The G-2 Laboratory Stock Index is tabulated weekly by *Laboratory Industry Report* from the average percentage change in the price of 10 laboratory testing service stocks.

#### % price change, 4 weeks ended 9/13/04

	Price	% Chg
<b>UP</b>		
Bio-Reference	12.92	7
Enzo Biochem	14.87	5
LabCorp	41.99	5
Medtox	6.96	30
Myriad	17.52	10
Quest Diagnostics	85.09	1
Specialty	11.28	3
ViroLogic	1.86	11
<b>UNCHANGED</b>		
LabOne	28.61	0
<b>DOWN</b>		
Psychomedics	11.87	-3

# INDUSTRY

# buzz

**T**here's still time to register for Washington G-2 Reports' 22nd annual Lab Institute this Sept. 29 to Oct. 2 at the Crystal Gateway Marriott in Arlington, VA. This year's Institute features some of the lab industry's most influential business and government leaders, including:

★ **Bud Thompson**, executive vice president, Carilion Health System, who will talk about *Competitive Forces Shaping Hospitals & Health Systems and the Strategic Role of Lab Outreach Testing*

- ★ The trio of lab entrepreneurs—**James Billington**, president of American Esoteric Laboratories, **Chris Riedel**, president of Hunter Labs, and **Steven Boyd**, president of Southern Diagnostics, will explain *How and Why They Chose To Start Their Lab Companies*
- ★ **Linda Lebovic**, project officer, office of research, development and information at CMS, will provide an update on where CMS's *Pilot Program for Competitive Bidding Stands*
- ★ **Louis Wright, Jr., M.D.**, founder of Pathology Services Associates, will provide advice on *The Business of Pathology*
- ★ **Judd Jessup**, president, US Labs, will talk about *Creating a Virtual Lab for Pathologists*
- ★ **Colin Roskey, Esq.**, and **Erin Lewis Darling, Esq.** of Alston & Bird will be *Interpreting the New Medicare Reform Law: What Labs & Other Providers Can Expect*
- ★ **Edwin Harned**, president, Affiliated Laboratories, will describe *Using Web-Based Reporting as a Marketing Tool*

In all, the Lab Institute conference will feature over 35 presentations and panel discussions from more than 50 laboratory experts and government officials. For more details and to sign up go to [www.g2reports.com](http://www.g2reports.com) or call 202-789-1034. 🏠

## References in this issue

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