

LABORATORY INDUSTRY REPORT®

Jondavid Klipp, Managing Editor, labreporter@aol.com

Vol. IX, No. 7/July 2005

HIGHLIGHTS

TOP OF THE NEWS

- Eye on reference testing 1
- Big labs get subpoenas 1-2

INFORMATION TECHNOLOGY

- LIS decision could have wide impact 2

LAB NETWORKS/PARTNERSHIPS

- Centura ends Quest contract 2-3
- Tips for connecting to your docs 4

INSIDE THE LAB INDUSTRY

- Rise in send-out costs temporarily subsides 5-7

SCIENCE

- FDA clears new test for stroke 8
- Focus wins Child Health contract 9
- Quest takes stake in Correlogic 9

PATHOLOGY

- Venture firm buys Pathology Partners 3

FINANCIAL

- Part B lab spending rises 9% 9-10
- Lab stocks up 1% 11

INDUSTRY BUZZ

- CPL up for sale 12
- OSU still in business 12



Growth In Reference Testing Expenses Subsides

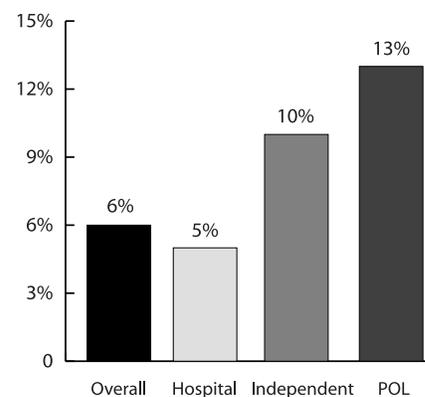
After growing in the 10% to 15% per year range for several years, send-out testing expenses paid by hospital and independent labs to the national reference labs (i.e., Quest, LabCorp, ARUP, Mayo, and Specialty) slowed down a bit last year.

On average, labs saw their send-out testing expenses increase by 6% in 2004; more or less in line with their overall test volume growth, according to *Washington G-2 Reports' Second National Esoteric Testing Survey*. The survey was conducted in December 2004 and drew responses from 190 labs, including 144 hospital labs, 34 independent labs, and 12 physician office labs (POLs).

Hospital labs reported the most muted increase, with a 5% up tick. However, independent labs, up 10%, and POLs, up 13%, continued to see double-digit hikes in their reference lab costs.

For some insight into what hospital labs are doing to rein in their reference lab costs plus more results from G-2's exclusive survey, see *Inside the Laboratory Industry*, pp. 5-7. 🏠

Average Reference Testing Expense Change, 2004



Source: *Washington G-2 Reports' Second National Esoteric Testing Survey*

Why Has The U.S. Attorney Asked The Big Labs For Info On Capitated Contracts?

In early June, Quest Diagnostics and LabCorp each separately announced that they had been subpoenaed by the U.S. Attorney's Office for New Jersey. The U.S. Attorney is seeking records from each company pertaining to capitation and risk-sharing agreements with government and private payers from 1993 through 1999. Both companies say they are not the target of an investigation. A spokesman from the U.S. Attorney's Office for New Jersey would not comment to *LIR* on who is under investigation or what the investigation is all about.

■ **BIG LABS GET SUBPOENAS**, *from page 1*

The subpoenas to Quest and LabCorp each seek a broad range of business documents related to capitation and risk-sharing but do not specify the purpose of the probe. Other lab companies and non-labs also reportedly have received similar subpoenas.

During 2004, capitated contracts accounted for 15% to 20% of Quest's total testing volume and 5% to 10% of its revenue (i.e., \$250 million to \$500 million). Capitated contracts accounted for 14% of LabCorp's total testing volume and 4%, or \$132.6 million, of its revenue last year.

More than one lab industry consultant contacted by *LIR* said they believe the investigation could be linked to the HHS Office of Inspector General's concern that some healthcare providers are billing Medicare and Medicaid at rates that are more than 120% of their average prices for other payers. 🏠

LIS Lawsuit Decision Could Have Industrywide Fallout

An American Arbitration Association panel has found that Soft Computer Consultants (Palm Harbor, FL) was "grossly negligent" by making a number of misrepresentations about its LIS system and breached a software agreement with Hunter Laboratories (Campbell, CA) in "material respects." The panel has allowed Hunter to cancel a \$500,000 purchase agreement contract with Soft Computer. But more importantly, the panel has awarded Hunter \$1 million for business losses that occurred while it was using the system.

Chris Riedel, chief executive of Hunter, says the decision may represent the first time that a laboratory has been awarded damages from a software vendor that were above and beyond the money they spent for a software system. This means that the standard limitation of liability clauses that most software vendors use in their contracts to protect themselves from customer lawsuits are void if the vendor is found to have misrepresented their product, according to Riedel. The arbitration panel's decision may help curb the sales practice of over-promising and under-delivering, used by some software vendors, adds Riedel.

Meanwhile, Gilbert Hakim, Soft Computer's chief executive, says the conflict arose in early 2003 when Hunter demanded a rushed implementation. In a press release, Hakim noted that Hunter had sought to implement Soft Computer's LIS within six to eight weeks while attempting to lease space, buy lab equipment, and be operational within a four-month time frame. Hakim also noted that Hunter recently filed a lawsuit against its second LIS vendor, Sysware, with allegations of fraud by Sysware and its chief executive. Soft Computer has now filed a complaint in federal court in San Francisco, seeking to overturn the arbitration panel's decision.

Riedel says that after its problems with Soft Computer and Sysware, his lab went live with an LIS system from Seacoast Lab Data Systems and a Web-based system from Atlas Medical without incident in May 2004. After only about a year of being fully operational, Riedel says Hunter has grown to 70 employees, 20 patient service centers, and an annual revenue run rate of \$8 million. 🏠



Centura Ending Lab Management Contract With Quest

Centura Health (Denver, CO), the largest hospital system in Colorado, has announced plans to assume responsibility of its six hospital labs currently managed by Quest Diagnostics. Quest has operated these labs under a five-year contract that expires Dec. 31, 2005.

“Quest Diagnostics has done an admirable job of running our hospital labs since we outsourced the work almost five years ago,” says Matt Fulton, senior vice president of business development for Centura Health. “However, we now feel that the laboratory should again be directly under our control,” he added.

The labs that Centura will begin operating are located at Avista Adventist Hospital, Littleton Adventist Hospital, Porter Hospital, Parker Adventist Hospital, St. Anthony Central Hospital, and St. Anthony North Hospital. The six labs perform a total of 1.4 million billable tests per year and have 230 full-time equivalent employees.

Centura has contracted with Health Care Solutions, a division of Roche Diagnostics, to perform a current assessment of the labs. The Roche team will work with Centura and Quest to determine an effective transition plan and design the future organizational structure of the labs. The transition will be complete effective Jan. 1, 2006. After this, Centura says it will look at opportunities to provide outreach services to local physicians. “Having the lab operations once again under Centura will allow us to offer more integrated services to enhance the patient experience,” Fulton says.

Quest originally took over management of the Centura labs as part of its acquisition of Clinical Laboratories of Colorado (CLC), LLC. Quest purchased CLC in February 2001 for \$47 million. 🏠

Venture Firm Buys Pathology Partners For \$120 Million

A newly formed investment partnership named Caris Ltd. (Irving, TX) has purchased Pathology Partners (also in Irving, TX) for \$120 million, or more than two times its estimated revenue of \$55 million in 2004. Money from the transaction was used to buy out Pathology Partners’ previous investors, including Sprout Group, Salix Ventures, and Alliance Technology Partners.

Date	Buyer	Target	Purchase Price*	Acquired Revenue	Price/Revenue
Jan-03	LabCorp	Dianon	\$605.0	\$188.0	3.22
Mar-03	Welsh Carson	AmeriPath	800.0	479.0	1.67
Feb-04	Genzyme Genetics	Alfigen	47.6	20.0	2.38
Mar-04	LabCorp	Redding Pathologists	NA	NA	NA
May-04	Genzyme Genetics	Impath	215.0	125.0	1.72
Feb-05	LabCorp	US Labs	155.0	73.0	2.12
May-05	Caris Ltd.	Pathology Partners	120.0	55.0	2.18

NA=not available Source: LIR

Meanwhile, Stephen Spotts, president of Pathology Partners, says his company now employs 150 people, including 15 pathologists, and provides service to 1,200 physicians in 31 states. Spotts says Pathology Partners is now exclusively focused on gastrointestinal cases, but will branch out into additional specialties later this year. 🏠

Some Tips On Connecting Your Docs Via The Web

Interfacing a web-based system to physician practice management systems is key to getting physician offices to input their own test orders, but making these interfaces is not easy.

On June 23, Washington G-2 Reports sponsored a national audio conference titled *Web-Based Connectivity: How to Get Your Physician Clients to Use It*. The conference featured two executives, Steve Harris, vice president and general manager of Carilion Consolidated Labs (Roanoke, VA), and Jeff Banet, vice president of development at Hilgraeve (Monroe, MI).

Carilion, which operates an outreach business that generates \$25 million of net revenue per year, went live for electronic results with Atlas LabWorks in August 2003 and added order entry a year later. Carilion currently has 34 physicians that are ordering through the Atlas system.

Hilgraeve is an information technology software firm that developed and markets the HyperSend Patient Demographic eXtraction (PDX) system. HyperSend technology connects uncooperative systems and is being used by more than 20 labs to populate their order entry systems with data from almost 1,000 physician offices.

Here are some of the highlights from the audio conference:

How should you evaluate Web-based vendors?

Banet said the system must be fast and intuitive. "If it takes fifteen clicks to place an order, physicians are less likely to use it. If it's three to five clicks, chances are they will use it," he said. Insist on your own evaluation through a trial account or test site, he advised.

How much time and money should labs expect to pay when interfacing their Web system to a practice management system?

Harris said that Carilion, which uses Chi Solutions to help with interfacing, pays \$1,000 to \$2,000 for connections that allow demographic data to be pulled out periodically; real-time HL7 interfaces cost \$2,500 to \$5,000 per PMS. He said it generally takes between two and six weeks to establish an interface to a PMS.

How should you market your Web system to physician offices?

Harris emphasized the need to demonstrate to doctors how the system will make their practices more efficient by: 1) eliminating inquiries from lab for medical necessity codes or handwriting interpretation; 2) allowing immediate availability of test results at any computer connected to the Web; and 3) proving historical charting for frequently tested patients (e.g. diabetic or HIV).

What's the biggest mistake you see other labs making when they purchase, install, and begin marketing a new Web-based system?

The consensus from Harris and Banet was that many labs: 1) do not make long-term plans for how the Web will be integrated into their outreach program; 2) try to do too much at once (e.g., clinical plus pathology plus 50 physician office interfaces); 3) underestimate the commitment of time and resources required for successful interfaces; and 4) expect that one interface and service solution is going to meet the needs of every physician office. 🏠

Dearth In New Esoteric Tests Helps Ease Send-Out Costs

The growth in send-out costs has slowed for many labs, but the slowdown is not likely to be long lasting.

Washington G-2 believes the apparent deceleration in send-out costs for the nation's labs is being driven by several factors:

1. A Scarcity of New Esoteric Tests Gaining Wide Clinical Acceptance

Between roughly 1998 and 2003 the lab industry saw a wave of expensive esoteric tests gain acceptance in the clinical market, such as cystic fibrosis genetic analysis and hepatitis C genotyping. However, growing volumes for these tests and improved testing technologies have made it economical for many larger hospitals and regional independent labs to bring them in-house.

The response from the national reference labs has been to lower prices, and that's to be expected as an esoteric test moves toward becoming more routine. For example, the average price paid to have cystic fibrosis genetic analysis performed by a reference lab has declined by roughly 15% in the past two years to an average of \$172.

But while these tests move toward the routine spectrum and become less expensive, there have been few widely adopted expensive new tests to fill to take their place. This has helped moderate the growth in reference testing expenses.

The national reference labs are working hard to find new esoteric tests to bring to market, but it seems they have had more duds than hits in the past year or two. For example, both Quest Diagnostics and LabCorp had hoped that their shared exclusive deal to market Ovacheck (an ovarian cancer test developed by Correlogic—see page 9) would become a hit, but the test has been delayed from coming to the market by the FDA for more than a year.

Meanwhile, LabCorp has paid tens of millions of dollars to Exact Sciences for an exclusive license to market a DNA-based screening test for colorectal cancer, but physicians have been slow to adopt the test.

Quest had been hoping that Cytyc's ductal lavage test for risk assessment of breast cancer would be a hit, but after three years on the market, the test is being used only by a handful of surgical centers around the country.

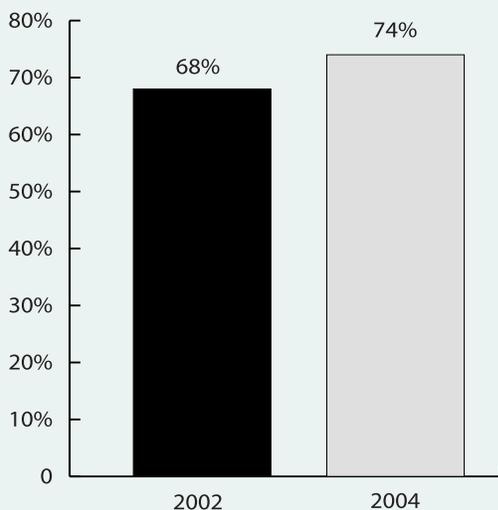
And while Roche's AmpliChip CYP450 microarray is likely to become a high-volume test for the national reference labs, it still has not reached the market yet. (Roche's says the test will be available by midsummer.)

The current draught in new and expensive esoteric tests with clinical acceptance probably won't last too much longer, but it appears to have helped keep reference testing expenses in check for the past year or so.

2. Labs Are Bringing More Tests In-House

Data from G-2 surveys suggests that many labs have increased their efforts to bring more reference tests in-house. For example, G-2 surveys show that the percentage of labs actively seeking to expand their test menus increased from 68% in 2002 to 74% in 2004. These efforts have been helped by the introduction of larger chemistry and immunoassay instrumentation with more robust test menus.

Percentage of Labs Actively Seeking to Broaden Their Esoteric Test Menus, 2002 vs. 2004



Source: Washington G-2 Reports' national esoteric testing surveys, 2002 & 2004

The most frequently cited tests that higher-volume labs expect to add to their menus this year include cystic fibrosis genetic analysis, hepatitis C viral load, and HIV viral load, according to *Washington G-2 Reports' Second National Esoteric Testing Survey*. Lower-volume labs say they plan to add folate, CA 125, and vitamin B12.

Tests Expected To Be Brought In-house, 2005

Higher-Volume Labs*

- 1) Cystic fibrosis (genetic analysis)
- 2) Hepatitis C viral load
- 3) HIV viral load
- 4) Cytomegalovirus (CMV) viral load
- 5) Human Papillomavirus (HPV)
- 6) High-sensitivity CRP
- 7) Hepatitis C antibody

Lower-Volume Labs**

- 1) Folate
- 2) CA 125
- 3) Vitamin B12
- 4) B-type natriuretic peptide (BNP)
- 5) HIV antibody
- 6) Free T3
- 7) Hepatitis B surface antigen

*Labs performing more than one million billable tests per year

**Labs performing one million or less billable tests per year

Source: *Washington G-2 Reports' Second National Esoteric Testing Survey*

3. Some Labs Have Become More Hard-Nosed Negotiators

Although it's hard to quantify, anecdotal evidence suggests that more labs have become more aggressive when negotiating pricing. The consolidation of health systems and formation of lab networks is also helping because it allows labs to share pricing information among one another.

Nonetheless, the G-2 survey shows that reference test pricing is generally all over the map. For example, labs surveyed said they paid an average price of \$28.33 per AFP triple test, with a low of \$16.47 paid by a midsize hospital lab (855,000 tests per year) and a high of \$43.15 paid by a larger hospital lab (two million tests per year).

Pricing for hepatitis C viral loads averaged \$128.20, with a low of \$40 paid by a small hospital lab (54,276 tests per year) and a high of \$250 paid by a larger hospital lab (265,000 tests per year). Labs reported wide ranges in prices paid for other frequently sent out tests as well, including cystic fibrosis (\$60 to \$362.25) and lead (\$4.60 to \$10).

You might expect volume discounts to

account for some of the price differences, maybe 10% to 30%. But test price differences of several hundred percent suggest that the reference testing market has highly inefficient pricing. The solution to this problem is a freer flow of pricing information. Naturally, the big national reference labs are opposed to this and very secretive about their prices. But labs can help themselves out by contacting their colleagues at other labs and comparing pricing.

Current Pricing for Five Common Send-Out Tests

Test Name	Average	High	Median	Low
AFP Triple Test	\$28.33	\$43.15	\$28.43	\$16.47
Cystic fibrosis	168.73	362.25	155.00	60.00
HIV viral load	130.34	321.00	110.00	92.00
Hepatitis C viral load	128.20	250.00	107.65	40.00
Lead (blood)	8.02	16.91	7.25	4.60

Source: *Washington G-2 Reports' Second National Esoteric Testing Survey*

4. More Price Competition Between the National Reference Labs

Although LabCorp has gobbled up some of the competition recently (e.g., US Labs and Esoterix), some of the national reference labs have recently shown that they are more than willing to compete on price.

The clearest evidence of this is the pricing trend for requisitions at Specialty Labs. Over the past 15 months, financial reports

show that Specialty's average price per requisition has fallen by 15% to \$41.40. The company appears to be slashing its prices to fill capacity at its huge new laboratory facility (190,000 square feet).

According to the G-2 survey, LabCorp, Quest Diagnostics, and Specialty Labs are the

lowest pricers. LabCorp and Quest were each cited by 19% of the total 190 survey participants as the national esoteric testing labs with the lowest prices, while 13% said Specialty had the lowest prices.

5. Labs Are Getting Fed Up With High-Priced Proprietary Tests

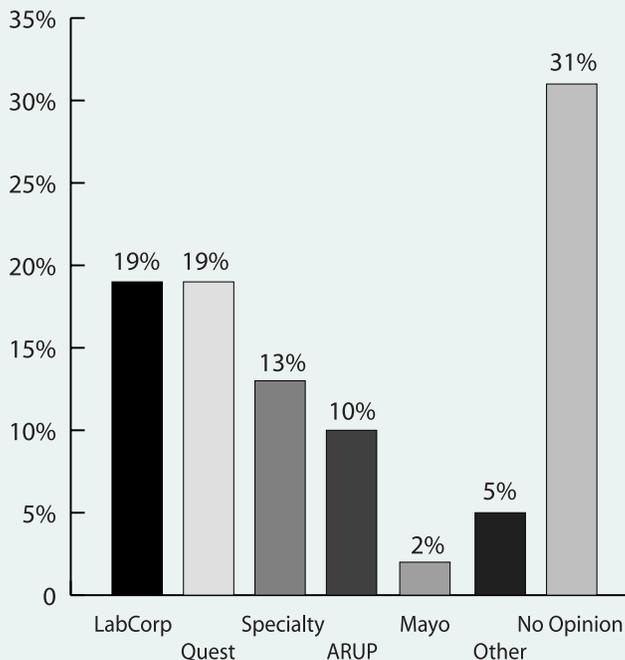
A final factor that may be contributing to the current reprieve in reference testing expenses is a backlash toward niche esoteric labs with high-priced proprietary tests.

Labs like Myriad Genetics, Prometheus Labs, and Athena Diagnostics are seeking to drive demand for their tests using marketing tactics similar to those used by pharmaceutical companies (e.g. detailing teams to canvass physician offices and direct-to-consumer marketing).

The proprietary nature of the tests, generally patented and performed on a "home-brew" basis, gives these niche labs the ability to charge prices anywhere from \$100 to several thousand dollars per test.

But some labs have figured out a way to deal with the extremely expensive tests. More than one lab surveyed by G-2 said that they have simply begun refusing to handle tests from these high-priced niche labs. 🏠

Which national esoteric has the lowest prices?



Note: Percentages do not add up to 100% because of rounding
Source: *Washington G-2 Reports' Second National Esoteric Testing Survey*

FDA Clears First Blood Test For Stroke

Stroke is the third-largest killer in the United States and a leading cause of serious long-term disability.

The FDA has approved the first blood test designed to assess a person's risk of having an ischemic stroke. According to the NIH, about 700,000 strokes occur each year in the United States. Most are ischemic—caused by a block of blood flow to the brain—and can cause speech problems, memory loss, and loss of movement.

The test, made by diaDexus Inc. (South San Francisco, CA), looks for high levels of a blood enzyme called lipoprotein-associated phospholipase A2 (Lp-PLA2), which studies found were more common in stroke patients. The test, known as the PLAC test, was first approved by the FDA in 2003 to assess risk for coronary heart disease.

People with elevated levels of Lp-PLA2 have a twofold risk of suffering an ischemic stroke over a period of six to eight years, according to a study headed by Christie Ballantyne, director of preventative cardiology at Methodist DeBakey Heart Center (Houston, TX).

The study—National Heart Lung and Blood Institute's Atherosclerosis Risk in Communities study published in *Circulation* (February 2004)—followed a patient sample culled from a pool of 12,773 for about six years. During that time, 194 people suffered an ischemic stroke, while 812 did not. The study found that the increased risks associated with high levels of Lp-PLA2 were independent of traditional risk factors such as cholesterol levels and blood pressure as well as levels of C-reactive protein (CRP).

Patrick Plewman, president of diaDexus, says that additional studies have shown that patients have a sixfold risk of stroke when they have both an elevated Lp-PLA2 level and high blood pressure.

"The PLAC test will help physicians more accurately predict who is at risk for stroke, so that the individual can take proactive and preventative measures, such as lifestyle modification or therapeutic intervention, including statins and daily aspirin," said Ballantyne.

The National Institutes of Health (NIH) and GlaxoSmithKline funded the study. GlaxoSmithKline helped found diaDexus in 1997, holds a 20% stake in the company, and is currently studying three compounds that could curb Lp-LPA2 to help reduce the risk of stroke.

The PLAC test (an immunoassay performed on a 96-well plate) is currently offered by four reference laboratories: Quest Diagnostics, Mayo Medical Laboratories, ARUP Laboratories, and Berkeley HeartLab. These labs charge a list price that ranges from \$150 to \$200 per test, and Medicare reimburses the test under CPT 85320 at a national limit of \$18.09, according to Plewman. He says diaDexus is in discussion with several reagent manufacturers interested in developing an automated version of the test so the test can be performed by local hospitals and independent labs. 🏠

Focus Diagnostics Wins Reference Contract With Child Health Corp.

Focus Diagnostics (Herndon, VA) has won a three-year reference testing agreement with Child Health Corporation of America (CHCA-Shawnee Mission, KS), a business alliance owned by 41 children's hospitals in North America, including Miami Children's Hospital, Cincinnati Children's Hospital, and Children's Healthcare of Atlanta.

CHCA is a member of the Premier group purchasing organization. The new contract with Focus, which specializes in infectious disease testing, will allow CHCA members to send their infectious disease testing specimens directly to Focus, rather than first going through one of Premier's three primary reference lab vendors (Specialty Labs, ARUP Labs, and Quest Diagnostics). The contract with Focus becomes effective July 1, 2005.

Meanwhile, Focus Diagnostics, formerly named Focus Technologies, says it is now expanding into genetic testing. In April, the company hired Jean Amos Wilson, Ph.D., as scientific director for genetics with the mandate to develop a new genetics lab at the company's reference lab in Cypress, California. Prior to joining Focus, she directed genetic molecular laboratories at Specialty Labs. The initial test menu at Focus will include Ashkenazi Jewish Panel, Fragile X, and cystic fibrosis.

In 2004, Focus increased its total revenue by more than 15% to \$75 million, including \$45 million from reference lab services, \$20 million from clinical trials testing, and \$13 million from the sale of immunoassay reagents. Focus is owned by two venture capital firms: CSFB Merchant Bank and the Sprout Group. 🏠

Quest Takes Equity Stake In Correlogic

Correlogic Systems (Bethesda, MD) says it has received an equity investment from Quest Diagnostics. Additional terms of the arrangement were not disclosed. The owners of Correlogic now include co-founders Peter Levine and Ben Hitt, Ph.D., as well as the Japanese firm Mitsui (Tokyo), Quest, and a small group of individual investors.

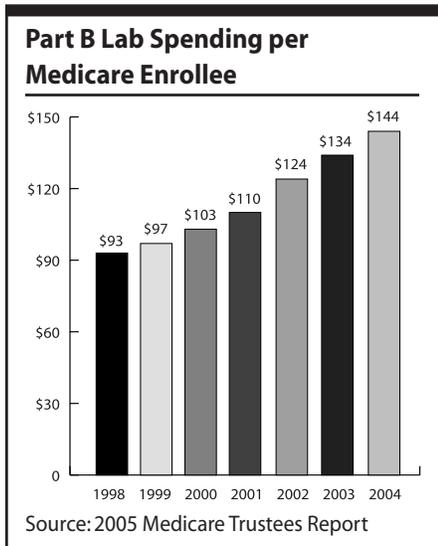
Correlogic has developed a method for analyzing protein patterns in blood for the early detection of various cancers. The company had hoped to bring its first product—OvaCheck for early detection of ovarian cancer—to the market in early 2004 as a laboratory developed test with the help of its exclusive lab distribution partners, Quest and LabCorp. But the FDA believes the testing system may need premarket approval first and has delayed its introduction to the market by more than a year so far.

Correlogic's Levine tells *LIR* that the company has been in discussions with the FDA for over a year now, but he would not make a prediction as to when the issue of bringing OvaCheck to market would be resolved. 🏠

Medicare Part B Lab Spending Up 9% To \$6 Billion

Medicare Part B spending on clinical laboratory services continues to surge. The latest data from CMS's 2005 Medicare Trustees Report shows that Part B lab spending increased by 9.4% to \$6.018 billion in calendar-year 2004.

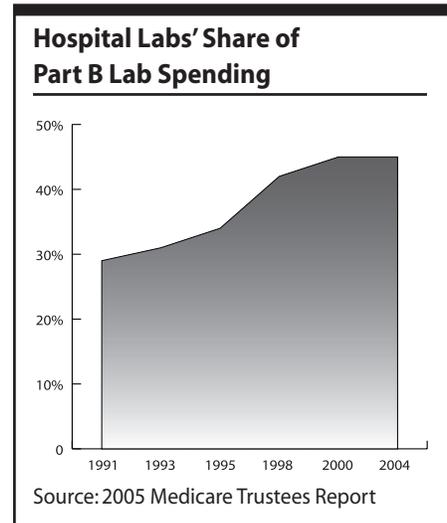
After declining through most of the 1990s, Part B lab spending has rebounded strongly over the past six years. From 1998 to 2004, Part B lab spending increased at an average rate of 8.8% per year. Over the same time period, total Medicare Part B spending rose by 8.5% per year to reach \$134.9 billion, and total Medicare program expenditures increased by 6.1% per year to reach \$304.3 billion.



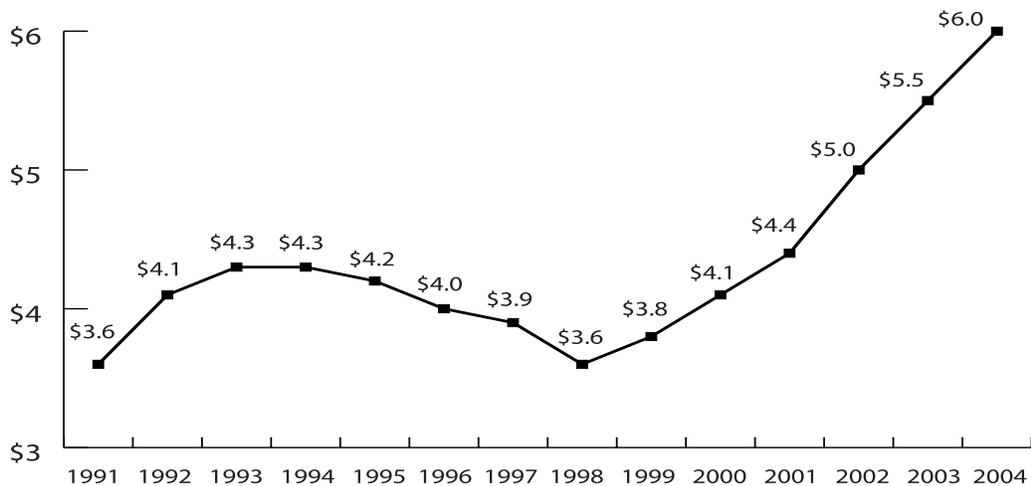
The Medicare program covered a total of 41.7 million enrollees in 2004. Over the past six years, annual Part B lab spending per enrollee has increased by 7.6% per year to reach \$144. Assuming an average billable test of \$14 equates to average utilization of 10 tests per year per Medicare recipient (\$144/\$14 per test=10 tests/year).

Intermediary labs (i.e., hospital labs) provided

\$2.705 billion of Part B lab services in 2004, accounting for 45% of the total \$6.018 billion. Carrier labs (i.e., independent labs and POLs) accounted for \$3.313 billion, or 55% of the total. After gaining throughout the 1990s, hospital labs' share of Part B lab spending has been stable for the past five years. 🏠



Part B Spending on Clinical Lab Services, 1991-2004 (\$ billions)



Note: Includes all Part B spending on lab services, including independent lab, hospital outpatient/outreach, and physician office labs
Source: 2005 Medicare Trustees Report

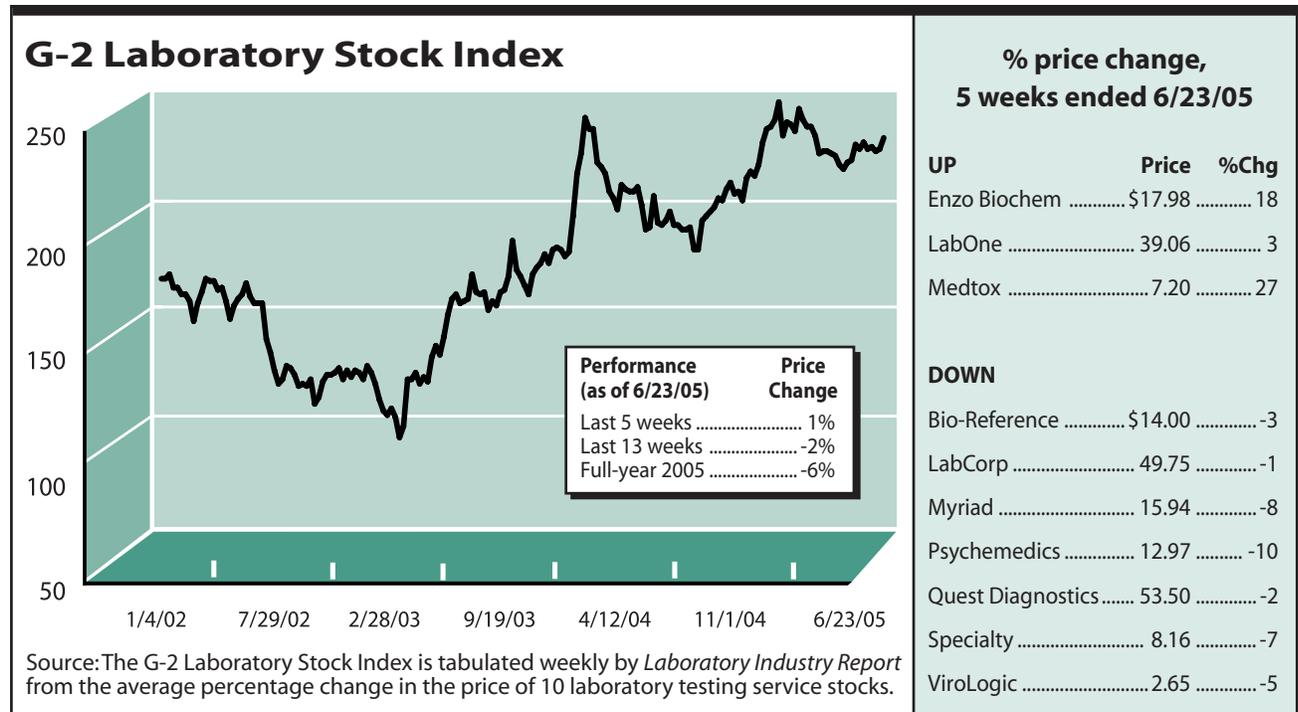
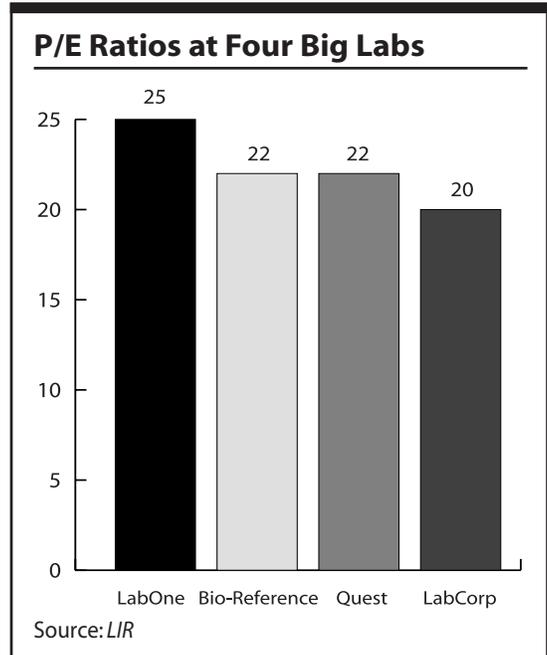
Lab Stocks Inch Up 1% In Latest Five Weeks

Stock prices for the 10 companies in the G-2 Laboratory Index was up an unweighted average of 1% in the five weeks ended June 23, 2005, with three stocks up in price and seven down. So far this year, lab stocks are down 7%, while the S&P 500 is down 1%, and the Nasdaq is off 5%.

Medtox Scientific (St. Paul, MN) was up 27% to \$7.20 per share for a market value of \$54 million. **Enzo Biochem** (Farmingdale, NY) was up 18% to \$17.98 per share for a market cap of \$577 million. **LabOne** (Lenexa, KS) was up 3% to \$39.06 per share for a market cap of \$660 million.

Quest Diagnostics (Lyndhurst, NJ) had a two-for-one stock split effective June 21. In the five weeks ended June 23, Quest shares slipped 2% to \$53.50 for a market value of \$10.7 billion. **LabCorp** (Burlington, NC) was down 1% to \$49.75 per share for a market cap of \$6.6 billion.

Meanwhile, a quick review of the price-to-earnings ratios at four big publicly traded labs shows that LabOne (P/E=25) is the most expensive and LabCorp is cheapest (P/E=20). 🏠





CPL Up for Sale

Another major independent lab may get swallowed by either Quest or LabCorp. *LIR* has learned that Clinical Pathology Laboratories (CPL-Austin, TX) is on the auction block. With more than 1,000 employees and some \$175 million of annual revenue, CPL is the largest independent lab in Texas. Quest or LabCorp would be the most likely buyer, and a sale to either commercial lab would drastically change the competitive landscape in Texas. And *LIR* speculates that any potential deal might also raise antitrust concerns. Executives at CPL were not available for comment.

OSU Reference Lab Still Going Strong

Although LabNet of Ohio (Columbus) has terminated its shared-testing network, the main reference lab serving the network—Ohio State University Medical Center (OSU)—is still very much in business, according to lab execs at OSU. They tell *LIR* that the operational overhead at LabNet added 20% to 30% to the cost of reference tests that OSU performed for network members. Without that overhead, OSU execs say that OSU's reference testing prices are competitive with the national labs. Last year, the lab at OSU performed approximately one million referred tests, generating net revenue of about \$15 million. 🏠

References in this issue

- Clinical Pathology Labs
512-339-1275
- Correlogic 301-214-4030
- diaDexus 650-246-6400
- Focus Diagnostics 703-480-2500
- Hilgraeve 734-244-0042
- Hunter Laboratories
408-341-8600
- LabCorp 336-584-5171
- Pathology Partners
214-277-8700
- Quest Diagnostics 201-393-5000

Subscribers are invited to make periodic copies of sections of this newsletter for professional use. Systemic reproduction or routine distribution to others, electronically or in print, is an enforceable breach of intellectual property rights. G2 Reports offers easy and economic alternatives for subscribers who require multiple copies. For further information, contact Randy Cochran at 212-576-8740 (rcochran@ioma.com).

Note to LIR subscribers: LIR's monthly e-mail update is being merged into G-2's bimonthly Lab & Diagnostic e-alert. Subscribers will now be getting two e-mails with lab industry news alerts every month.

LIR Subscription Order or Renewal Form

- YES**, enter my one-year subscription to the *Laboratory Industry Report (LIR)* at the rate of \$379/yr. Subscription includes the *LIR* newsletter, e-mail alerts, and yearly subject index. Subscribers outside the U.S. add \$50 postal surcharge.
- YES**, I would also like to order *Lab Industry Strategic Outlook 2005: Market Trends & Analysis* for \$995 (\$795 for Washington G-2 Reports subscribers). (LR37)
- Check enclosed (payable to Washington G-2 Reports)
- American Express VISA Mastercard

Card # _____ Exp. Date _____

Cardholder's Signature _____

Name As Appears On Card _____

Name/Title _____

Company/Institution _____

Address _____

City _____ State _____ Zip _____

Phone _____ Fax _____

e-mail address _____

MAIL TO: Washington G-2 Reports, 3 Park Avenue, 30th Floor, New York, NY 10016-5902. Or call 212-629-3679 and order via above credit cards or fax order to 212-564-0465. LIR 7/05

© 2005 Washington G-2 Reports, a division of the Institute of Management and Administration, New York City. All rights reserved. Reproduction in any form prohibited without express permission. Reporting on commercial products is to inform readers only and does not constitute an endorsement.

Laboratory Industry Report (ISSN 1060-5118) is published by Washington G-2 Reports, 3 Park Avenue, 30th Floor, New York, NY 10016-5902. Tel: 212-244-0360. Fax: 212-564-0465. Order line: 212-629-3679. Website: www.g2reports.com

Jondavid Klipp, Managing Editor; Dennis Weissman, Executive Editor; Janice Prescott, Sr. Production Editor; Perry Patterson, Vice President and Group Publisher. **Receiving duplicate issues? Have a billing question? Need to have your renewal dates coordinated? We'd be glad to help you. Call customer service at 212-244-0360, ext. 2.**