*Your Independent Source for Business & Financial News*

# LABORATORY INDUSTRY REPORT®

Jondavid Klipp, Managing Editor, *labreporter@aol.com* Vol. IX, No. 12/December 2005

## HIGHLIGHTS



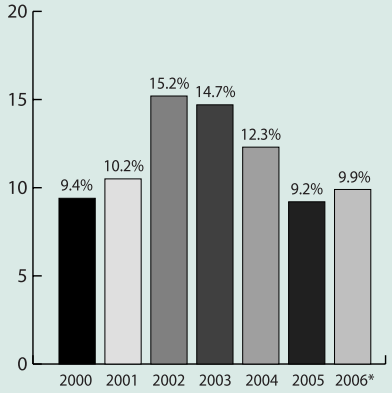

## The Future Of U.S. Healthcare: Consumer-Directed Plans?

Although health insurance cost increases seem to have stabilized in the 9% to 10% per year range, they are still growing almost three times faster than wages and general inflation, according to data from Hewitt Associates (Lincolnshire, IL). For 2006, Hewitt is projecting a 9.9% increase to an average $8,046 healthcare expense per employee.

The rate of growth and the magnitude of health insurance costs are expected to lead to major fundamental changes in the U.S. healthcare system. Anticipating the direction of this change was a major topic of discussion at G-2's recent Lab Institute conference, October 19-22 in Washington, DC.

In separate presentations, free market advocates Newt Gingrich, former House Speaker, and Ken Freeman, ex-Quest Diagnostics CEO, pointed to consumer-directed healthcare plans as the solution to curbing the nation's soaring healthcare costs. This month's *Inside the Lab Industry* picks up where Gingrich and Freeman left off, with details on a key component of the anticipated consumer healthcare revolution, health savings accounts (HSAs), and what they could mean for laboratories. ➥ *p. 5*

**Average U.S. Company Healthcare Cost Increases**




*Projected Source: Hewitt Associates

## Apax Partners Buying Spectrum Laboratory

Apax Partners, (New York City), a private equity investment group, is buying a majority stake in Spectrum Laboratory (Greensboro, NC), a for-profit independent lab owned by Moses Cone Health System and High Point Regional Health System. The transaction, which is expected to close by year's end, will bring deep pockets to the rapidly expanding Spectrum. The size of the stake that Apax is purchasing hasn't been disclosed, but Moses Cone Health System will retain a minority ownership position and hang onto representation on Spectrum's board of directors. Spectrum's existing management team, including chief executive Nate Headley, will remain in place. ➥ *p. 2*

*Nate Headley*

**APAX PARTNERS BUYING SPECTRUM LABORATORY**, *from page 1*

Headley tells *LIR* that Spectrum chose to sell to Apax rather than Quest Diagnostics or LabCorp for two reasons: 1) Spectrum's hospital owners wanted continuity in the management of their 10 inpatient labs; and 2) a sale to either national lab might have raised antitrust concerns with the Federal Trade Commission. In addition, Headley says the transaction "opens up opportunities for the possibility of synergistic transactions [i.e., smart acquisitions]."

Headley says Spectrum's hospital owners chose to sell because the growth of the lab business had reached a point where they felt they needed to redefine their priorities. Spectrum was formed in 1998 by three hospital systems—Moses Cone, High Point, and Novant Health—each of which invested $2 million. Novant cashed out at the end of 2003, selling its stake to the other two hospitals at a big profit. Moses Cone and High Point held out for another two years, and it's safe to assume that they have earned even higher returns on their investment.

Investing in the laboratory industry is not new to Apax, which has invested hundreds of millions of dollars in approximately 100 healthcare companies in the past 10 years. In 1998, Apax took an ownership stake in US Labs (Irvine, CA), which was purchased by LabCorp earlier this year. And in 1999, Apax bought into Prometheus Laboratories (San Diego, CA)—a position it still holds. Apax was also an early investor in thin-layer Pap test maker, Cytyc Corp.

Spectrum, which has 1,200 employees, operates a freestanding lab in Greensboro, North Carolina, and manages 10 hospital inpatient labs. Headley says Spectrum is on track to increase its revenue from $91 million to $120 million in 2005—a gain of 32%, or about 15% after adjusting for Spectrum's acquisition of Medex Regional Labs (Kingsport, TN) in December 2004.

Spectrum generated approximately $31 million of revenue in 2005 from inpatient hospital lab management agreements plus another $89 million from its outreach business, which now covers five states: North Carolina, Virginia, Tennessee, South Carolina, and Georgia.

Headley adds that Spectrum's outreach business is profitable with EBITDA (earnings before interest, taxes, depreciation, and amortization expenses) of $19 million for a margin of 21%. He attributes Spectrum's profitability, in part, to its heavy investments in Web-based connectivity; 80% of Spectrum's accessions are transmitted via the Web, which has helped keep days in accounts receivable (DAR) and bad-debt write offs low.

Headley says the pricing competition in the Southeast lab market is intense—especially from LabCorp. Nonetheless he says Spectrum is adding an average of

### Spectrum Laboratory in Brief

| | |
|---|---|
| Chief executive: | Nate Headley |
| Chief financial officer: | Jeff Downs |
| Medical director: | Robert Gay, M.D. |
| Central lab director: | Taylor McKeeman |
| Total employees: | 1,200 |
| Patient service centers: | 72 |
| Annual revenue, 2005: | $120M |
| Lab management revenue: | $31M |
| Outreach revenue: | $89M |
| Avg. outreach revenue/requisition: | $33.55 |
| EBITDA for outreach business: | 19M |

Source: *LIR* from Spectrum

between one-and-a-half and two new accounts every day. Spectrum's acquisition of Medex has gone extremely well and has been highly profitable, he adds.

Spectrum currently has 22 sales reps (plus 22 additional field service reps) that bring in more than $11,000 in new accounts per rep/per month, according to Karen Yoemans, vice president of sales and marketing. Yoemans, who spoke at G-2's recent Lab Institute conference, said Spectrum recently expanded into Georgia and plans to add six more sales reps within the next year.

Finally, Headley notes that Spectrum has sent a bid on the United Healthcare RFP. "As a prominent regional provider, we anticipate a positive outcome," he says.

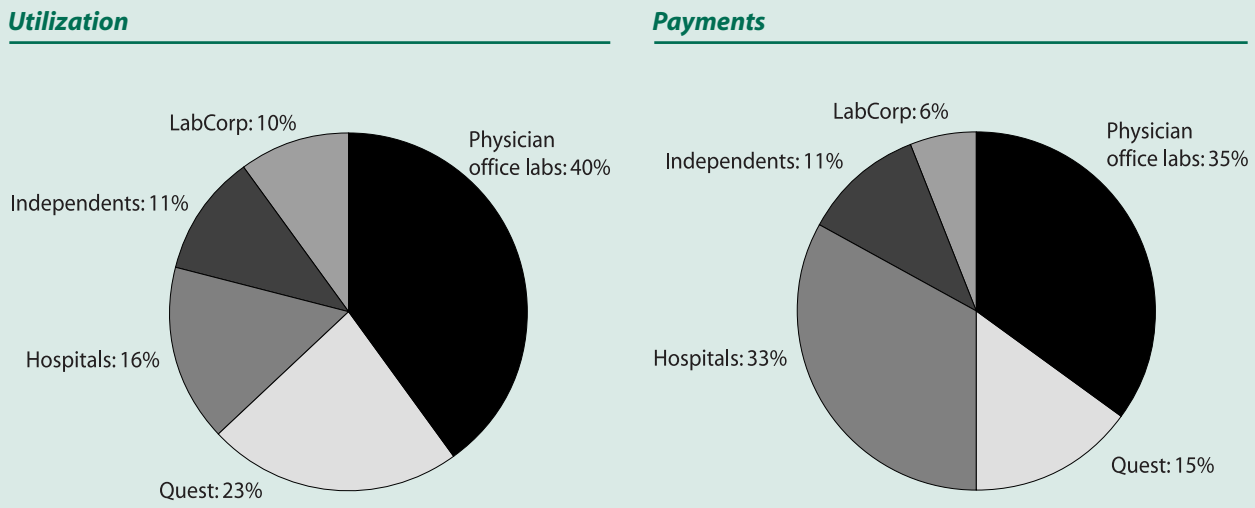
## United Healthcare RFP Update

After setting an initial deadline for proposals to its ambitious laboratory services RFP (see *LIR*, October 2005, pp. 1, 5-9) for September 30, then extending it to November 11, United Healthcare has extended the deadline once more. The new deadline is December 2.

For more analysis of the United RFP, *LIR* turned to Michael Snyder, principal at the consulting firm Clinical Lab Business Solutions (Readington, NJ) and former vice president of laboratory services at UnitedHealth Networks.

According to Snyder, United's goal of consolidating its current lab network could be achieved through national or regional network management contracts with Quest or LabCorp. He says the QuestNet lab network management contract for Oxford Health (now part of United) in the New York City region could be a model that gets expanded to other regions. But he asks, "Why would United be seeking ideas for lab management if QuestNet were a successful model?"

**United Healthcare's Outpatient Lab Utilization vs. Payments**




Source: Estimates from Clinical Lab Business Solutions

He also believes large hospital lab networks like Joint Venture Hospital Laboratories in Michigan or Spectrum Laboratory in the Southeast could be viable alternatives.

However, Snyder says there is a third alternative: third-party network administrators. He notes that United and other managed care companies have already outsourced the management of their radiology services to third parties. For example, United contracts with CareCore National LLC (Wappingers Falls, NY), a physician-owned radiology management organization, for management of its diagnostic imaging expenses and claims management.

Regardless of the method chosen, Snyder believes that United could achieve huge savings by shifting lab utilization from high-cost providers to lower-cost providers. He estimates that outpatient hospital lab testing represents only 15% of United's total lab utilization, but accounts for $660 million, or 33%, of total lab spending.

***Note:*** Michael Snyder will be a featured speaker on G-2's special audio conference on Dec. 6, 2005: *Surviving the Next Generation of Managed Care Contracting: How to Ensure Your Lab Is Not Left Behind*. For more information go to *www.g2reports.com*.

## LabCorp Loses New Hampshire Hospital Lab Contracts

Exeter Hospital (Exeter, NH) says it has ended its lab management contract with LabCorp. The inpatient lab at Exeter is now completely owned and operated by the hospital. Exeter has also switched a reference testing contract from LabCorp to Mayo Medical Labs.

LabCorp had gained its relationship with Exeter through its acquisition of Path Lab Holdings (Portsmouth, NH) for $108 million in April 2001. The core of Path Lab's business had been providing outsourced lab management services to five hospital systems in New Hampshire and Massachusetts: Exeter Hospital, Frisbie Memorial (Rochester, NH), Columbia Portsmouth Regional (Portsmouth, NH), Wentworth-Douglas Hospital (Dover, NH), and Saint Vincent Hospital (Worcester, MA).

In addition to the loss of the Exeter contract, *LIR* hears that Columbia Portsmouth has canceled its agreement and Wentworth-Douglas has made material changes to its contract with LabCorp. Among the major medical groups in New England that have recently switched from LabCorp are the Fallon Clinic, which employs 250 physicians at 30 clinics in central Massachusetts, that now receives lab services from Quest Diagnostics.

"Centralized management decisions and an overemphasis on extending their own operating models have always limited the national labs' ability to manage the intricacies of hospital agreements," observes Tom Hirsch, former president of Path Lab. Hirsch, who now operates a laboratory billing company for hospital outreach programs and independent labs named Laboratory Billing Solutions (Portsmouth, NH), adds, "The big labs can ultimately only do things their way. It's a challenge to reorient their systems, which have serviced the bulk of their business well, to adapting to the hospital culture and meeting different expectations for turnaround time and customer service."

## Can Health Savings Accounts Tame Rising Healthcare Costs?

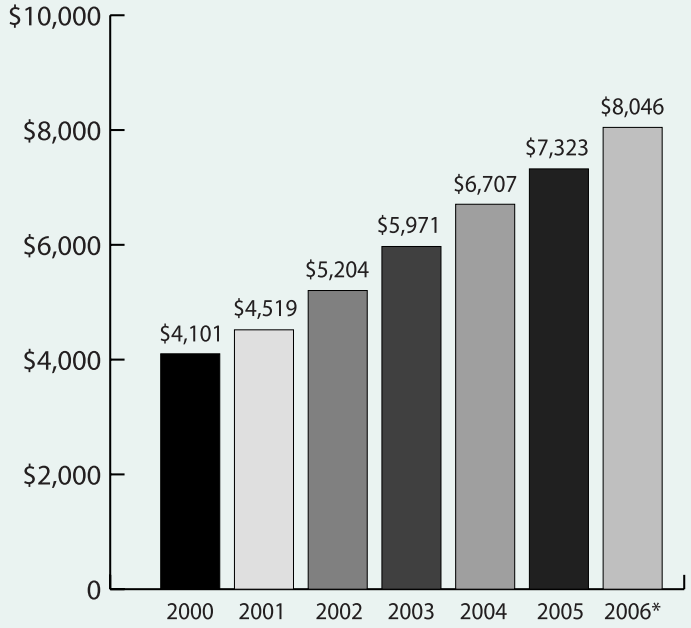
Clearly, health insurance expenses are a big and growing headache for both employers and their employees. Hewitt Associates projects that U.S. employers will spend an average of $8,046 per employee on health insurance premiums in 2006, or almost double the level of spending six years earlier. And employees' contributions for health insurance are increasing even faster, nearly tripling since 2000. Hewitt projects that employees will contribute an average of $1,612 toward premiums in 2006, representing 20% of the overall premium.

In addition to significant employee contribution increases, employees have experienced increased out-of-pocket costs, such as copayments, coinsurance, and deductibles. The average employee out-of-pocket costs are expected to increase from $1,366 in 2005 to $1,524 in 2006, according to Hewitt.

One strategy that the Bush Administration has endorsed for controlling healthcare costs is consumer-directed healthcare. The belief is that greater consumer involvement in healthcare spending decisions will bring a level of cost-consciousness to the market that is missing in today's third-party payer system.

A cornerstone of the envisioned consumer-directed healthcare revolution is a relatively new type of health insurance program called Health Savings Accounts (HSAs). HSAs were created as part of the Medicare Prescription Drug Act of 2003 and became effective on Jan. 1, 2004. Since then, President Bush has been relentlessly touting HSAs and has even signed up for one himself.

**Average Annual Health Insurance Premium Per Employee**




*Projected
Source: Hewitt Associates

HSAs are tax-free accounts that individuals use to pay for medical expenses. HSAs must be linked with a high-deductible insurance plan and are used to pay the annual deductible and other out-of-pocket costs before the insurance coverage kicks in.

If not spent in the year they are made, contributions to HSA accounts accumulate, are invested, and can be spent on health services in future years. Unspent balances belong to the account holder, not the employer, and can be moved when the enrollee leaves his or her job.

As of March 2005, there were one million individuals covered by HSA accounts, more than double

the 438,000 covered just six months earlier, according to America's Health Insurance Plans (AHIP) Center for Policy and Research (Washington, DC). HSA enrollment is growing fastest at large firms (i.e., more than 50 employees).

Forrester Research (Cambridge, MA) estimates that number the of HSA accounts will climb to six million by 2008. If this estimate proves accurate, HSA members will become an important source of business for all healthcare providers. And these HSA members will be making their own decisions about where they get their medical care, rather than having managed care contracts dictate which doctors, hospitals, and labs they use.

**Enrollment in Health Savings Accounts**

| | *Sept. 2004* | *March 2005* | *% Chg* |
|---|---|---|---|
| Individual | 346,000 | 556,000 | 61% |
| Small firms | 79,000 | 147,000 | 86 |
| Large firms | 13,000 | 162,000 | 1,146 |
| Other | NA | 165,000 | NA |
| Total HSA enrollment | 438,000 | 1,031,000 | 135 |

Source: AHIP Center for Policy and Research

To tap into the HSA market, healthcare providers, including labs, will need to become more adept at marketing their services directly to consumers. In anticipation of this trend, some labs have begun direct-access-testing (DAT) programs that offer lab tests to consumers without a doctor's prescription.

But for the most part, DAT programs across the nation have met with little success because: 1) consumer-directed healthcare is still at the very early stage with few HSA enrollees; 2) most existing DAT programs are convoluted and require their customers to go through too many steps before getting tested (e.g., buy a test card at a drug store, make an appointment with a PSC, drive to the PSC and have blood drawn, wait a week or more for test results); and 3) most DAT programs also do a poor job of marketing their services to consumers.

One rare exception has been a company called The Lab (Folsom, CA), a family-owned independent lab in the Sacramento area that operates 19 PSCs, with 75 employees, and an estimated $5 million to $7 million of annual revenue.

The Lab has been marketing its services directly to consumers for more than 10 years and now gets about 20% of its revenue from cash paying customers, says president Dana Carrozza. She says the key is to target your marketing at women because they are in charge of the healthcare decisions at most households.

The Lab's PSCs are located at strip shopping centers and are decorated with flowers and pictures and have comfy couches, Carrozza notes. "The patients we are going after are moms," she says.

Carrozza says The Lab has found its greatest marketing success with 30-second radio and cable TV ads, which stress: "We are not an HMO lab." The Lab buys large blocks of ad space from wholesalers and pays an average of about $25 per radio spot/$18 per cable TV spot.

## Wal-Mart Experiments With Consumer-Directed Healthcare

*In contrast to HMOs, HSAs let each employee choose which hospital, doctors office, or lab they will use.*

Beginning in January 2006, Wal-Mart (Bentonville, AR), which spends $1.5 billion per year on employee health benefits, will introduce two HSAs plans as health coverage options for its 1.3 million employees in the United States.

One plan has a $1,250 individual/$2,500 family deductible. The other is $3,000/$6,000. After an employee has reached the deductible, employee expenses are payable at 80% of covered charges. Monthly premiums for the higher deductible plan will be as little as $7.50 a month for an individual/$23 for a family.

Employees will make tax-deductible contributions to their HSAs, which will be matched dollar-for-dollar by Wal-Mart. Employees will use these accounts to pay for their medical expenses until deductibles are reached.

Introduction of the HSA plans may be Wal-Mart's way of dealing with the bad press it's been getting because less than 45% of its workers receive company health insurance. But critics say the new HSAs are more likely to be used as tax shelters for Wal-Mart's higher-paid employees. And they say the deductibles will be a tough financial burden for workers whose average annual pay is about $17,000.

**Wal-Mart Testing New "Doc-in-the-Box" Strategy**

In another consumer healthcare initiative, Wal-Mart has begun opening doctor's offices in its supercenter stores. In Florida, for example, Wal-Mart has leased space at three of its stores to Solantic (Jacksonville, FL), a for-profit walk-in healthcare chain.

The "doc-in-the-boxes" will be open during the same hours as Wal-Mart stores, including weekends and holidays, and each office will be staffed by three employees, including a board-certified physician. Patients can walk-in without appointments. The size of the clinics, which began opening in October, varies from about 400 to 800 square feet. Each has exam rooms and a portable digital X-ray machine that allows patients to leave with their digital X-ray images on disk. Workers' compensation services, employment drug testing and physicals, school sports physicals, and more than 100 laboratory tests are offered.

*Other retailers that are opening walk-in medical offices in their stores include grocery store chain Albertson's Inc., Target, Brooks Eckerd Pharmacy, Rite Aid Corp., and CVS.*

Treatment prices are openly displayed. For example, an office visit plus one rapid lab test (mono, strep, glucose, influenza, urinalysis, etc.) costs $105. Solantic also sells rapid lab tests on an individual basis (*see chart below*) and charges $15 to draw blood for tests referred to contracted labs, including LabCorp, Quest Diagnostics, and Kroll Laboratory. Sample prices for referred tests include PSA, $30; blood lead, $23; and hepatitis panel, $60.

Grant Tarbox, D.O., chief medical officer for Solantic, tells *LIR* that the company currently operates 12 walk-in clinics in Florida, including two at Wal-Mart supercenters with a third on the way. He says the offices currently perform only CLIA-waived tests, but may add moderately complex testing in the future.

In addition to Solantic, Wal-Mart has signed contracts with three other for-profit medical-clinic chains: RediClinic, Quick Quality Care, and MedPoint Express. Wal-Mart plans to have 12 clinics open by January, including six in Florida plus others in Arkansas, Oklahoma, and Indiana. If these pilot sites are successful, Wal-Mart says it may take the concept nationwide. As of July 31, 2005, Wal-Mart operated 1,276 Wal-Mart stores, 1,838 supercenters, and 556 Sam's Clubs throughout the United States.

**Walk-In Medical Clinic Review**

Walk-in medical clinics have become a fast-growing trend and could become a major location for point-of-care testing as well as a referral source for laboratories. The 10 companies listed below (plus Solantic—see page 7) currently operate some 100 walk-in clinics across the country and that figure will more than double in the next 12 months, according to a tally by *LIR*.

**Aurora Quick Care**, owned by the Aurora Health Care system (Milwaukee, WI), has nine clinics, mostly in the Milwaukee area, in Aurora Pharmacy stores or Piggly Wiggly supermarkets, all staffed by nurse practitioners (NPs). A typical visit to an Aurora Quick Care site takes 15 minutes and costs a flat fee of $30, which includes the cost of any rapid tests (strep, mono, urinalysis, pregnancy) that might be performed; only cash, check, or credit card is accepted.

**Family Express Care** operates a clinic inside a Giant Eagle supermarket in South Euclid, Ohio, and has plans to open more.

**MediMin** plans to open three clinics, staffed by NPs, in retail stores in Arizona.

**MedPoint Express**, owned by Memorial Health System (South Bend, IN), operates a clinic at a Wal-Mart superstore Mishawaka, Indiana. Rapid tests offered

**Sample Prices at Solantic**

| | |
|---|---|
| Doctor consultation | $65 |
| Doctor consultation plus one lab test | $105 |
| Cholesterol (rapid test) | $30 |
| Hemoglobin A1c (rapid test) | $30 |
| Drug screen (rapid test) | $25 |
| Blood collection | $15 |
| PSA (referred test) | $30 |
| Blood lead (referred test) | $23 |
| Hepatitis panel (referred test) | $60 |

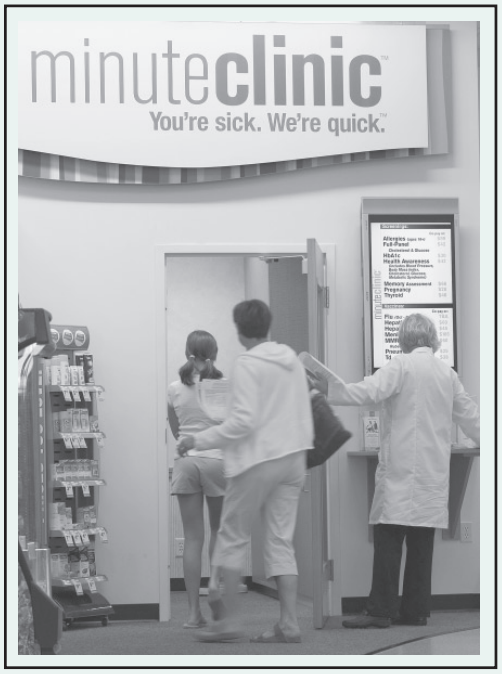
Source: Solantic

include cholesterol $12; hemoglobin A1c $29; flu $20; mono $20; pregnancy $21; and urinalysis $4.

**MinuteClinic** (Minneapolis, MN) operates approximately 50 clinics at CVS/pharmacy stores, Target stores, and Cub Foods stores in Minnesota, North Carolina, Georgia, Indiana, Tennessee, and Maryland. The company says each clinic treats an average of 30 to 35 patients a day.

Rapid tests performed onsite include strep, mononucleosis, pregnancy, influenza, and urine dipstick for urinary tract infection testing. A spokesman tells *LIR* that MinuteCLinic uses both local and national lab companies for send-outs.

MinuteClinic's chief executive, Michael Howe, was formerly president of the fast-food chain Arby's Inc. Late last year, MinuteClinic received $15 million in funding from Bain Capital Ventures and others to fuel its aggressive growth plans, which call for an expansion to 350 clinics in 20 metropolitan areas by 2009.




**QuickClinic** (Akron, OH) currently operates two walk-in clinics in Akron, Ohio, including one at an Acme Fresh Market supermarket and another at Ritzman's Pharmacy.

**RediClinic**, which is owned by the direct-access-testing company InterFit (Houston, TX), operates walk-in clinics at five HEB grocery stores in Texas and two more at Wal-Mart supercenters in Arkansas and Oklahoma. In addition, the company plans to soon open a clinic at a Duane Reade drug store in New York City. RediClinic features a fixed-price menu where all lab tests are a flat $45.

**Take Care Health Care Systems** (West Conshohocken, PA) plans to open walk-in clinics at 10 Rite Aid stores in Portland, Oregon, and another nine at Osco Drug stores in greater Kansas City by year's end. Take Care says it is also in talks with Walgreen Co., the nation's largest pharmacy chain. The company says its goal is to open 1,300 clinics by the end of 2007. Rapid HIV testing is among the tests that Take Care plans to perform at its clinics.

**The Little Clinic (**Louisville, KY), formerly named FastCare, has five clinics at Kroger stores in Kentucky and another at a Kroger's in Illinois. Little Clinic was acquired in February by New York-based private equity firm Solera Capital, which aims to expand its presence nationally.

**WellnessExpressClinic** (San Ramon, CA) has four clinics located in Longs Drug stores in Sonoma and Davis, California, and plans to open two more within the next few months.

## No Increase For Flow Cytometry Medicare Fees Next Year

The 2006 Final Physician Fee Schedule shows no increase in reimbursement for flow cytometry testing. Earlier this year, CMS had proposed an increase to the technical components (CPT 88184 and 88185) of flow cytometry rates for 2006 after cutting those fees in half for 2005 (see *LIR*, September 2005, p. 5). CMS said it decided to revert back to the lower 2005 fees after finding errors in its practice expense calculations for 2006.

Anton Hie, a research analyst at Jeffries & Company (Nashville, TN), believes the initial 50% cut in flow cytometry rates, which became effective Jan. 1, 2005, has forced some smaller labs to stop offering this testing service. He says larger flow cytometry labs like Bio-Reference (Elmwood Park, NJ) have picked up this volume.

Indeed, Richard Flaherty, chief information officer at Bio-Reference, tells *LIR*, "We have seen a huge increase in our flow business that is obviously due to changes in the marketplace…It seems likely that some of our growth has been spurred by reduced competition." *LIR* estimates that Bio-Reference's total revenue from flow cytometry doubled to between $20 million and $25 million, including $12 million from Medicare, in the past year.

Finally, Hie notes that a number of smaller labs have continued to provide flow cytometry services unprofitably in the hope that rates would be lifted. With the elimination of the proposed Medicare fee giveback, he expects some of these labs, especially those providing technical services only, will go ahead and exit the flow cytometry business.

## Gender Salary Gap Persists In Laboratory

The salary gap between male and female administrative lab directors has changed little over the past few years, according to an *LIR* analysis of the latest salary survey from *Advance* magazine. In the 2005 salary survey, in which 1,535 respondents submitted information, male administrative lab directors/managers earned an average salary of $74,960, or $7,153 more than the average of $67,807 for females in the same position. Over the past four years, average salaries for both male and female administrative lab directors/managers grew by 5.1%.

**Average Salary by Title and Gender**

| Position | 2005 | 2003 | 2001 | 4-Year CAGR |
|---|---|---|---|---|
| Administrative director/manager (male) | $74,960 | $66,702 | $61,484 | 5.1% |
| Administrative director/manager (female) | 67,807 | 60,364 | 55,578 | 5.1 |
| Section supervisor (male) | 58,495 | 53,068 | 49,355 | 4.3 |
| Section supervisor (female) | 55,542 | 52,512 | 47,642 | 3.9 |
| Chief technologist (male) | 51,901 | 50,250 | 52,162 | -0.1 |
| Chief technologist (female) | 54,486 | 50,198 | 42,832 | 6.3 |
| Information systems specialist (male) | 69,196 | 57,089 | 52,884 | 7.0 |
| Information systems specialist (female) | 54,486 | 54,833 | 50,058 | 2.2 |

Source: *Advance* salary surveys 2001, 2003, 2005

The *Advance* survey also shows that a salary gap has persisted between male and female section supervisors. In 2005, male section supervisors earned an average salary of $58,495 versus $55,542 for females. However, for the first time in at least three surveys, female chief technologists earned a higher average salary than males ($54,773 versus $51,901).

# Lab Stocks Fall 5%: Orchid And Monogram Tumble

The G-2 Laboratory Stock Index fell 5% in the five weeks ended November 11, with six stocks down in price, two unchanged, and three up. Year to date, the G-2 Index is down 7%, while the S&P 500 Index is up 2% and the Nasdaq is up 1%.

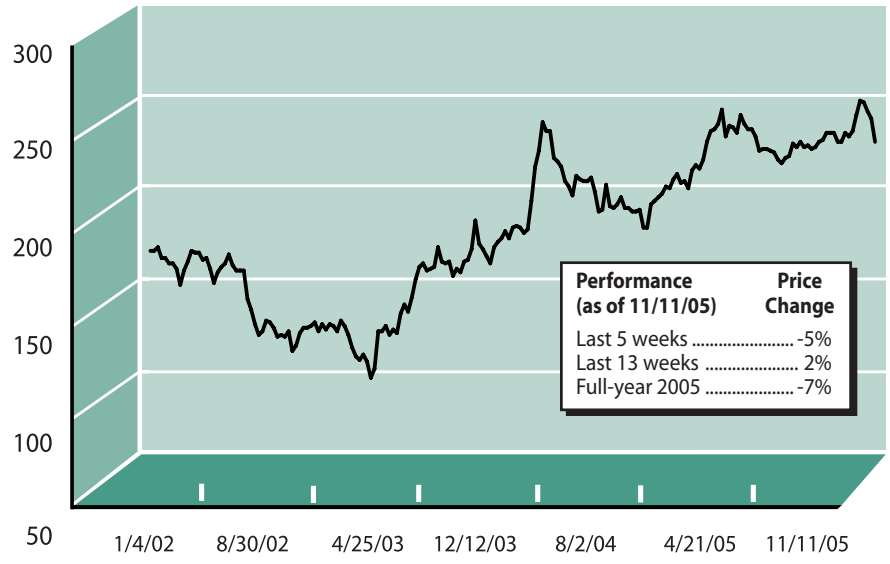
**Orchid Cellmark** (Princeton, NJ), which performs identity DNA testing for the forensic and paternity markets, dropped 27% to $6.50 per share for a market capitalization of $159 million. The company reported disappointing third-quarter results and cited a staffing shortage of DNA analysts and continued delays in U.S. National Institute of Justice funded forensic DNA testing contracts. For 2005, the company cut its outlook to an operating loss, excluding restructuring and impairment charges, of about $4 million, on revenue of $64 million. It had previously forecast positive operating income on revenue of $72 million to $75 million.

**Monogram Biosciences** (formerly named ViroLogic), which performs specialized HIV testing, was off 20% to $1.90 per share for a market cap of $240 million. Although the company reported a 52% increase in third-quarter revenue to $13.1 million, net loss widened to $9.6 million, or $0.08 per share, compared to $1.6 million, or $0.03 per share, in third-quarter 2004.

**LabOne** (Lenexa, KS) was acquired by Quest Diagnostics on November 1 for $43.90 per share. Over the past 10 years, LabOne's stock price grew by an average annual rate of 12%.

At the two biggest lab companies: **Quest Diagnostics** rose 5% to $49.22 per share for a market value of $9.95 billion, while **LabCorp** was unchanged at $48.97 per share for a market value of $6.51 billion.

## 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 13 laboratory testing service stocks.

**% price change, 5 weeks ended 11/11/05**

| UP | *Price* | *% Chg* |
|---|---|---|
| Psychemedics | $12.70 | 1 |
| Quest Diagnostics | 49.22 | 5 |
| Specialty | 13.15 | 1 |
| **UNCHANGED** | | |
| LabCorp | $48.97 | 0 |
| LabOne | 43.90 | 0 |
| **DOWN** | | |
| Bio-Reference | $17.80 | -4 |
| Enzo Biochem | 13.60 | -1 |
| Medtox | 6.68 | -1 |
| Monogram | 1.90 | -20 |
| Myriad | 19.13 | -11 |
| Orchid Cellmark | 6.50 | -27 |

# INDUSTRY buzz

**Quest Diagnostics completed its $934 million acquisition of LabOne (Lenexa, KS) on November 1.** The deal was completed despite the fact that the Health Alliance of Greater Cincinnati has not decided (as of November 9) whether it will maintain the hospital lab management agreement it has with LabOne now that Quest has taken over.

The unresolved contract involves $8.5 million per year of revenue for the management of six inpatient hospitals owned by Health Alliance (see *LIR*, November 2005, p. 4).

"Health Alliance is an important customer, and we continue to serve them," says Gary Samuels, spokesman for Quest. He adds that since closing on the acquisition, Quest has begun meeting with LabOne's clients to discuss contracts.

**Exagen Diagnostics (Albuquerque, NM) has hired James McClintic** as its president and Chief executive. McClintic was formerly president of Esoterix (Austin, TX), which was acquired by LabCorp earlier this year for $150 million. Exagen is developing a prognostic breast cancer test that it aims to have on the market next year. McClintic succeeds Exagen founder Waneta Tuttle, Ph.D., who will remain on the company's board of directors.

## *References in this issue*

Apax Partners 212-753-6300

Bio-Reference Labs 201-791-2600

Clinical Lab Business Solutions 908-237-2807

Exagen Diagnostics 505-272-7966

LabCorp 336-229-1127

MinuteClinic 612-659-7111

Monogram Biosciences 650-635-1100

Orchid Cellmark, 609-750-2200

Quest Diagnostics 201-393-5000

Solantic 904-223-2320

Spectrum Laboratory 336-664-6100

The Lab 916-983-3522







*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., Joe Bremner, President.

***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.***