

# LABORATORY

# INDUSTRY REPORT®



Stephanie Murg, Managing Editor, smurg@ioma.com

Vol. X, No. 6/June 2006

## HIGHLIGHTS

### TOP OF THE NEWS

- Fisher to merge with Thermo Electron ..... 1-2
- Quest to buy Focus Diagnostics ..... 1

### FROM THE JOURNALS

- Study on nonrecommended lab tests ..... 4-5

### MERGERS AND ACQUISITIONS

- NeoGenomics expands into Nashville ..... 3
- Lakewood Pathology acquired ..... 8

### INTERNATIONAL NEWS

- MDS continues lab sell-off in Canada ..... 5

### INSIDE THE LAB INDUSTRY

- Success in outreach: hospital and pathology group perspectives ..... 6-7
- Louisiana State MDx lab growing ..... 8-9

### FINANCIAL

- Pelican Life Sciences launches ..... 10
- Lab stocks down 1% ..... 11

### INDUSTRY BUZZ

- UnitedHealth under fire ..... 10
- Sci/tech CEO workforce survey results ..... 12



## The \$10.6 Billion Thermo-Fisher Merger: Is More Consolidation To Come?

“Industry-transforming” seems to be the favored description for the recently announced merger of scientific instrumentation business Thermo Electron (Waltham, MA) and life sciences supply giant Fisher Scientific (Hampton, NH). Will the merger bring a wave of consolidation in the still-fragmented lab industry? Both Fisher and Thermo have recently gobbled up a range of smaller companies, and the time may be ripe for mergers among similarly sized industry players, companies such as Becton Dickinson, Agilent Technologies, and Sigma-Aldrich.

The Thermo-Fisher merger should create a source of “one-stop supply shopping” for labs. Paul M. Meister, vice chairman of the Fisher board, envisions the combined company as “the only end-to-end solution provider” for the lab industry, he told investors and analysts in a conference call announcing the merger. The \$10.6 billion all-stock transaction, which should generate \$200 million in synergies, is expected to close in the fourth quarter of 2006. → p. 2

## Quest Snaps Up Focus Diagnostics For \$185m

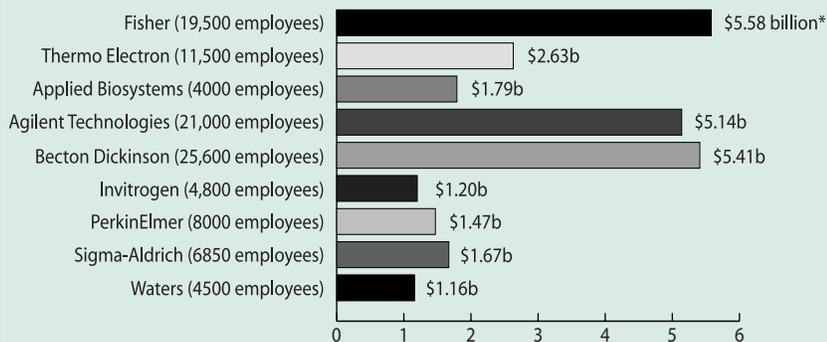
Quest Diagnostics (Lyndhurst, NJ) has agreed to acquire privately held Focus Diagnostics (Herndon, VA), a well-respected player in the diagnostics industry, in a cash transaction valued at about \$185 million. The purchase is expected to add about \$65 million to Quest’s annual revenues. Quest will buy Focus from DLJ Merchant Banking and the Sprout Group, its two private equity owners, in a transaction that will exclude Focus’s Bio-Inova pharmaceutical testing operation.

Focus was founded in 1978 as Microbiology Reference Laboratory, a southern California reference laboratory that first provided tests for the diagnosis of Legionnaires’ disease. Since then, the company has expanded to include healthcare and pharmaceutical diagnostic products along with reference lab services. Focus is particularly well known for its infectious disease tests and services. The company has introduced to the market assays for Lyme disease, West Nile Virus, and SARS. Focus has recently expanded into genetic interpretative services with the launch last fall of GenomEx, which provides interpretation and reporting for complex genetic carrier testing relevant to such conditions as cystic fibrosis. 🏠

## ■ THERMO-FISHER MERGER, from page 1

The combined company, which will be known as Thermo Fisher Scientific and headquartered in Waltham, Massachusetts, is projected to have more than \$9 billion in 2007 revenues, with \$1 billion in cash flow. Its sales force alone will number 7,500.

### Who Can Compete With Thermo Fisher Scientific?



\*2005 revenue

“We have the ability to do something that I’ve always been very excited about, which is the opportunity to truly enhance integrated laboratory workflow solutions,” said Marijn Dekkers, president and CEO of Thermo Electron. The merged company will offer products ranging from

the instrumentation, software, and services of Thermo to Fisher’s life sciences consumables and pharmaceutical and diagnostic services. “You could say that Fisher has traditionally been more focused on consumables and Thermo more on instrumentation,” added Dekkers. “Now in this combination we get a unique balance of consumables, instrumentation, software, and services in this industry.”

The company will be well-positioned to take advantage of the trend of life sciences research converging with healthcare—for example, the increasingly rapid journey of diagnostic tools from the bench to the bedside. In looking to the future, Dekkers also emphasized that the company will have a very strong focus on the emerging markets in Asia.

Growth opportunities for the merged company will include molecular diagnostics, immunohistochemistry, proteomics research, and drug discovery. Meanwhile, Meister, who will serve as chairman of the combined Thermo Fischer board, pledged continued non-organic growth for the combined company. “While the near-term focus will clearly be on integration, the combined company will also have significant ongoing growth opportunities through acquisitions,” he said. 🏠

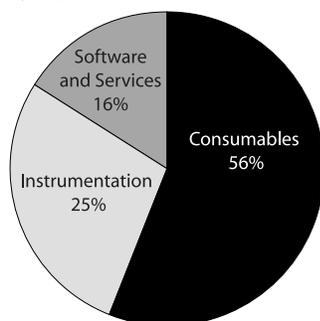
### NEW G-2 CONTRIBUTOR

Washington G-2 Reports is pleased to welcome Mark Terry to its research and writing team. Mark has contributed to G-2’s soon-to-be-published report on the molecular diagnostics market and is now focused on updating and revising the *Laboratory Industry Strategic Outlook* report, due out this fall.

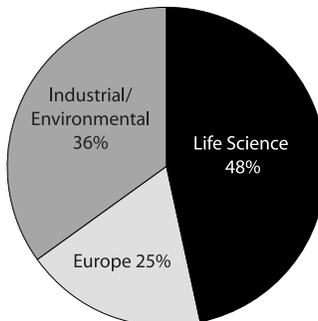
After earning a B.S. in microbiology and public health from Michigan State University, Mark worked in infectious disease research for a brief time, then in clinical cytogenetics and research genetics for 18 years before turning to writing on a full-time basis. A member of the Association of Genetic Technologists, he is also the editor of *The Journal of the Association of Genetic Technologists* and a member of the Association of Health Care Journalists.

### Thermo Fisher Scientific: What Will It Look Like?

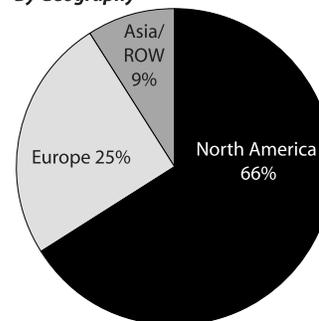
By Segment



By Consumer Base



By Geography





## Newly Profitable NeoGenomics Expands With Purchase of Nashville Lab

*"We remain actively engaged in discussions and continue to seek acquisitions which will allow us to further increase our capacity and ramp-up our capabilities," said NeoGenomics President and Chief Scientific Officer Robert Gasparini.*

**N**eoGenomics (Ft. Meyers, FL), a lab that specializes in genetic testing for cancer, has added a second location with its recent purchase of the privately owned Center for Cytogenetics (CCI; Nashville, TN). The new laboratory will expand testing capacity for NeoGenomics and mitigate the risk of service disruptions due to the weather of southwest Florida. The company announced the acquisition on May 9 along with its first quarter results.

"We don't have any definitive data yet, but based on the volumes we've been delivering to Nashville, we believe this operation has been profitable from hour one," said Steven Jones, the company's acting principal financial officer, in a conference call with investors and analysts. "We've had to de-emphasize some of CCI's previous customers so we could have CCI personnel focus more on NeoGenomics' higher priced and higher margin tests." The company's average revenue per test is \$504.43. It opened its 5,200-square-foot Ft. Meyers laboratory in February of 2004.

NeoGenomics will move into the CCI facility by early June. The company is also finalizing plans to lease a much larger facility in Nashville and will hire as many as 15 more technicians there over the next year. Jones estimates that NeoGenomics will invest \$300,000 to \$400,000 in equipment and leasehold improvements to make Nashville a center of operations for the company.

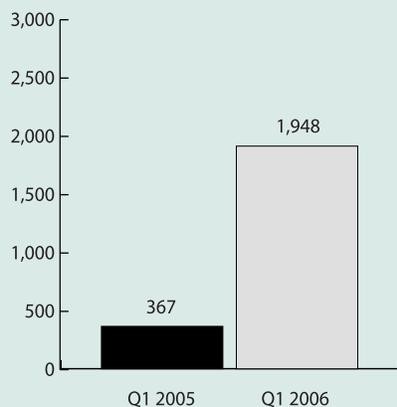
Founded in 2002 by former Genetic Associates laboratory supervisor Andy Allen, CCI performs chromosome analysis for cancer detection. The overlap between CCI's test menu and that of NeoGenomics is about 75%. In addition to helping NeoGenomics decrease its hurricane exposure and increase its capacity, CCI's full-service analysis and wet lab facility will enable the company to expand into the tissue culture arena, an option that President and Chief Scientific Officer Robert Gasparini has indicated that NeoGenomics may be interested in pursuing.

Along with the acquisition, the company announced that it reached profitability during the first quarter of 2006. Quarterly revenues increased by 484% to \$1.3

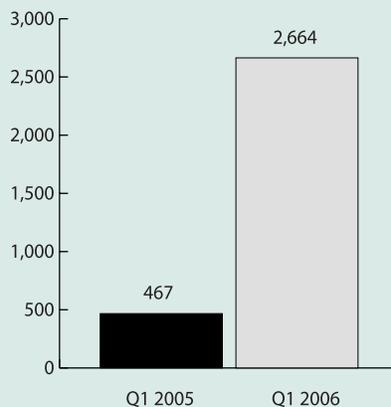
million compared to \$230,000 from the first quarter of last year, a jump that Jones attributed to a greater number of tests ordered by customers and growth in its recently added bladder, breast, and cervical cancer FISH testing platforms. The company recorded Q1 earnings of \$106,000, a significant improvement over last year's \$215,000 loss in the first quarter. NeoGenomics currently has 36 full-time employees and plans to reach 60 by the end of the year.

### A Year of Growth for NeoGenomics

**Customer Requisitions Received**



**Number of Tests Performed**



Although it began by almost exclusively serving physicians and hospitals in southern Florida, five-year-old NeoGenomics has found a niche, and according to Gasparini, “a whole new avenue for growth,” in providing services to reference labs that do not perform genetic cancer testing in-house. Not only do these labs tend to send large numbers of tests to the company, they also allow NeoGenomics to leverage its sales force. “Typically, these labs will market our cancer genetic test services under their own brand name with their own sales-people,” said Gasparini, who assumed leadership of the company in January of 2005, after serving as director of the Genetics Division at US Labs.

The rapid turnaround time of NeoGenomics testing has also become a significant attraction for customers. Meanwhile, the company is making progress in increasing the number of tests ordered per requisition. In the first quarter of 2006, 37% of requisitions were for more than one test. “However, this really doesn’t tell the whole story,” said Gasparini. When adjusted for orders that contained ‘one-shot’ tests such as UroVision or PathVision, 65% of the remaining requisitions ordered more than one test. “To put that in perspective, when I was at US Labs, it took us almost a year and a half to two years to get to this level of productivity. NeoGenomics has done it in just over eight months.” 🏠

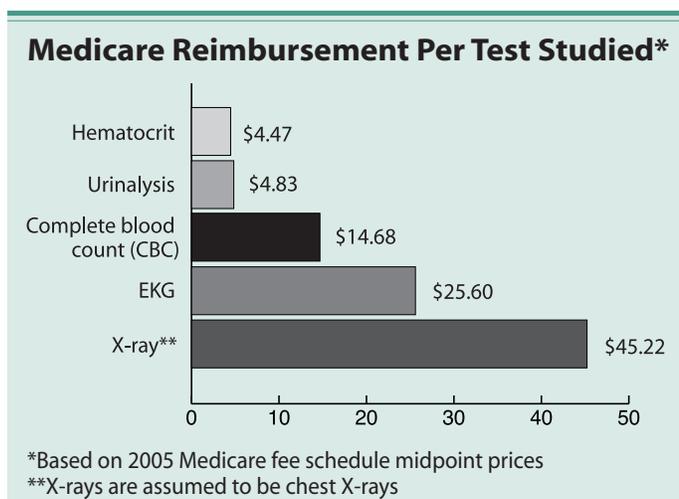
## Study Analyzes Usage And Costs Of Nonrecommended Lab Tests

A paper in the June 2006 issue of the *American Journal of Preventive Medicine* reports the results of a cross-sectional study that examined the use and related costs of laboratory tests and procedures not recommended by the United States Preventive Services Task Force (USPSTF). The nonrecommended tests and procedures (those that received C or D rankings by USPSTF) were urinalysis, EKGs, and X-rays (all ranked D), as well as hematocrit and complete blood count (both ranked C).

The study, led by Dan Merenstein, M.D., director of research in family medicine at Georgetown University, used data from routine preventive health exams (PHEs) of about 4,600 adult Americans from 1997 to 2002. Annual direct medical costs for the three D-ranked interventions (using Medicare payments as a proxy) ranged from \$47 million to \$194 million. Adding the two C-ranked tests amounted to an

additional \$12.7 million to \$61.6 million. Not captured in these estimates are other direct costs such as blood draws, equipment, and shipping. Also excluded are the costs of follow-up tests resulting from any initial false-positive results.

The frequency of ordering any of the three D-ranked diagnostic interventions ranged from 5% to 37%, and at least one of the interventions was ordered 43% of the time. The authors provided several reasons for the overuse of the tests, including physicians’ desire to appease patients who request the tests, “defensive ordering” by



physicians despite strong evidence and guidelines, and a lack of awareness of USPSTF guidelines. Previous studies have attributed overuse and variation in rates of certain procedures to market-supply factors, physician workforce, or the presence of equipment. ▲

## Canada's Largest Lab Company Continues Diagnostics Business Sell-Off



*MDS President and CEO Stephen P. DeFalco. Before joining MDS in June 2005, DeFalco was chairman and CEO of U.S. Genomics.*

**A**s part of the restructuring plan that it announced last fall, Canadian life sciences company MDS (Toronto, Ontario) has completed the sale of its interest in the Calgary Laboratory Services partnership. This sale is part of MDS's plan to sell off its CAD\$400 million (about USD\$360 million) lab business, the largest in Canada, to focus on its core life sciences businesses, namely pharmaceutical contract research (MDS Pharma Services), molecular imaging and radiotherapeutics (MDS Nordion), and analytical instruments (MDS Sciox).

"I think of it as a repositioning," said Stephen DeFalco, president and CEO of MDS, at the Scotia Capital Pharmaceutical and Biotechnology Conference on April 26. "We're taking a business that had been a multi-industry Canadian life sciences company and really transforming it into a global life sciences company." MDS, which posted CAD\$1.48 billion (about USD\$1.33 billion) in revenues last year, has a total of 8,800 employees working in 28 countries.

MDS sold its 25% interest in Calgary Laboratory Services to the Calgary Health Region for \$21.4 million. In 2005, MDS Diagnostic Services recorded approximately \$70 million in revenues and \$1.5 million in net income related to this partnership.

Serving approximately 20,000 healthcare providers and about 10 million patients a year, MDS Diagnostic Services is the largest laboratory services company in Canada. It conducts more than 50 million tests annually through an extensive network of laboratories and patient service centers.

The division, which provides community laboratory testing as well as specialized clinical laboratory testing and hospital laboratory services, recently announced a new three-year funding agreement between the Ontario Association of

Medical Laboratories and the Ontario Ministry of Health and Long-Term Care. The agreement includes a 2% base increase in the provincial funding cap through 2008. MDS provides 31.6% of community laboratory services in Ontario.

"As far as the sale of the diagnostics division, we're in a sensitive time, so we're not going to comment," said DeFalco when asked to provide an update concerning the process of selling off MDS Diagnostic Services. "MDS Pharma Services is clearly my top priority going forward." ▲

### MDS's Remaining Lab Ventures and Partners in Canada

- ❑ MDS Ontario Laboratories
- ❑ MDS Laboratories, Quebec
- ❑ MDS Metro Laboratory Services, British Columbia
- ❑ Toronto Medical Laboratories

## Success In Outreach: Hospital And Pathology Group Perspectives

### Hospital/Independent Lab Perspective: Lessons From PAML

Over the last 10 years, Pathology Associates Medical Laboratory (PAML; Spokane, WA) has developed four laboratory outreach partnerships with a total of 15 hospitals. Despite the lab's breadth and depth of experience in this arena, there is no such thing as a 'one size fits all' outreach model for PAML. Their partnerships utilize multiple outreach models that vary based upon the partners' needs. Through these partnerships, PAML has learned how to combine inpatient testing and outpatient testing in a cost-effective, efficient, high-service environment.

---

*"Everything else flows from knowledge of profitability," says PAML's Noel Maring. "You will never get the buy-in of the hospital without telling them what it will do for the bottom line."*

---

Founded in 1957, PAML is a division of Bourget Health Services, which is part of Spokane's Sacred Heart Medical Center. "We're owned by a hospital system, so we understand hospitals," PAML senior vice president and chief marketing officer Noel Maring told the audience at G-2's 2006 Lab Outreach Conference.

In his presentation, Maring focused on several key factors that give hospitals a competitive advantage in outreach, including closer relationships with staff physicians, faster turnaround times, and key relationships with third-party payors. Hospitals can also take advantage of their reputation for quality testing, proximity to clients, and often higher reimbursement rates. Maring highlighted the unique ability of hospitals to keep healthcare dollars in the community through outreach, describing this as "a competitive advantage that you can sell to physicians."

Hospital outreach programs fall short, however, in their lack of knowledge of outpatient lab profitability, ineffective billing and collections, lack of a dedicated sales force, and problems with physician connectivity and reporting.

According to Maring, other weaknesses include pricing inflexibility, the lack of a customer service focus, and exclusive managed care contracts. Although the list of weaknesses was long, Maring singled out knowledge of outpatient profits as the most critical ingredient for success

in hospital outreach. "Everything else flows from knowledge of profitability," he said. "You will never get the buy-in of the hospital without telling them what it will do for the bottom line."

"We do not *manage* hospital labs, we *partner* with them for outreach," said Maring. At PAML, partnership consists of finding the best alignment among what each partner brings to the venture, with one side bringing such competencies as management, finance, billing, and marketing, while the other

#### PAML Partnerships

- Alpha Medical Laboratory (Kootenai Medical Center)
- PACLAB Network Laboratories (10 hospitals)
- Treasure Valley Laboratory (St. Alphonsus Medical Center)
- Tri-Cities Laboratory (3 hospitals)
- PAML/Biomed Laboratory (recent acquisition)

contributes testing, pathology, facilities, and the marketplace. PAML has also developed the method of “bolting on” its pre-analytical systems (e.g., sales, retention, couriers, accessioning) and post-analytical systems (e.g., connectivity, reporting, billing, IT) to the partner lab.

PAML’s partnership approach is paying off. All of its outreach ventures are profitable and its outpatient venture margins are in the mid-teens to low 20s. Compared with the average hospital, which makes 51% of its revenue from inpatients, 33% from outpatients, and 15% from outreach, PAML joint-venture hospitals earn a whopping 54% of revenues from outreach.

### **Pathology Group Practice Perspective: Lessons from Charleston Pathology**

**I**n the early 1980s, Charleston Pathology (CP; Charleston, SC) developed an outreach program for doctors’ office anatomic pathology, including GYN cytology, non-GYN cytology, and office biopsies. The program encountered challenges during the early 1990s, including the hospital’s difficulty in managing competitive salary adjustments for technologists, competition from commercial labs through central contracting with managed care organizations, and the rapid evolution of electronic reporting and image capture on anatomical pathology reports. In the mid to late 1990s, the practice developed a full-service anatomic pathology laboratory outside of the hospital to meet these challenges.

In his presentation, G. Frederick Worsham, M.D., chief medical officer of CP, explained how the practice had succeeded in “reaching out in anatomic pathology” and how it went about responding to the various challenges it faced. One of the more recent issues the practice has grappled with is information technology. The major problem was how to expand IT capabilities—particularly to large, sophisticated practices. After hiring an IT director, CP computerized its order entry system from the office and enabled direct reporting to electronic medical records and multiple other formats. The gained efficiency benefited the physicians’ offices as well as the laboratory staff.

What challenges lay ahead for CP and other pathology group practice outreach programs? Essentially to continue growing and succeeding in the face of increased financial pressure, new services, and competition from large laboratories and specialty laboratories, said Worsham. Although fee-splitting arrangements are now illegal in South Carolina, the practice expects to come up against “Condolab” arrangements and direct hiring of pathologists by “supergroups.” CP is also working to continue expanding its molecular pathology services as it decides which tests to outsource versus which to keep or bring in-house.

*This is the second in a series of three articles reporting on Washington G-2 Reports’ 2006 Succeeding in the Outreach Market conference. 🏠*

## Private Equity Firm Buys Lakewood Pathology Associates With Eye On Expansion



Raza Bokhari, M.D.,  
president and CEO  
of Lakewood  
Pathology  
Associates

Private equity firm Water Street Capital Partners (Chicago, IL) has purchased a majority ownership stake in Lakewood Pathology Associates (LPA; Lakewood, NJ), which provides anatomic pathology services to clinicians in outpatient surgical settings in 20 states. Water Street has committed \$50 million in equity financing to help accelerate LPA’s organic growth and to fund acquisitions of small and midsize surgical pathology service providers nationwide.

LPA’s current management team, led by President and CEO Raza Bokhari, M.D., will retain a stake in the company and continue to lead the day-to-day business. Bokhari believes that LPA will benefit from the acquisition, citing the equity firm’s “healthcare industry relationships, industry operating expertise, and access to capital.” Water Street is focused exclusively on the healthcare industry and is currently investing its first independent fund of \$370 million.

“We have spent several years evaluating the broader reference lab industry, with a particular focus on esoteric testing services,” said Water Street partner Tim Dugan. “Given the great underlying trends of the rapidly growing anatomical pathology industry—galvanized by a number of factors, including expanding testing capabilities and an aging population—we believe we have picked the right platform and the right management team to invest behind.”

A CLIA-certified cytology, histology, and molecular pathology laboratory, LPA has a medical staff of 12 pathologists and is accredited by the College of American Pathologists. LPA’s clients include hospitals, medical centers, physicians, and dentists. 🏠

### LPA’s Areas of Specialization

- Genitourinary pathology
- Gastrointestinal pathology
- Dermatopathology
- Gynecologic pathology
- Cytopathology
- Oral and maxillofacial pathology
- Hematopathology
- Breast pathology

## Louisiana State University Molecular Lab Sees Rapid Growth And Unique Hurdles

In the past six years, the Molecular Pathology Laboratory at the Louisiana State University Health Sciences Center (Shreveport, LA) has grown to exceed \$2 million in annual revenue. The lab offers molecular diagnostics, molecular cytogenetics, and traditional cytogenetics to the university-based health center and outreach clients. With continued, rapid growth in testing volumes, the lab is now dealing with issues unique to molecular testing, including when to automate, staffing strategies, and how to ensure that the growth continues.

Processing about 3,000 samples per year, the Molecular Pathology Laboratory supports the university-based health center and offers outreach reference ser-



*Laboratory Director Mary Lowery Nordberg, Ph.D., estimates that 60% to 70% of revenues are made up of molecular-based tests. In addition, approximately 60% of the laboratory's work comes from outside the institution.*

vices. They are affiliated with the university's pathology department, but work within the Cancer Center. Founded in 1998 to provide a clinical focus for molecular diagnostics that at that time was primarily covered by scattered hybrid research laboratories, the laboratory offers traditional cytogenetics, molecular cytogenetics, and molecular pathology.

When it started offering tests in 1999, the lab handled fewer than 500 samples and had two technologists and the laboratory director. Now they employ 18 FTEs. In fiscal year 2004 to 2005, the laboratory's revenues were over \$1,500,000. At the beginning of 2006 they had already exceeded \$2 million. Because the laboratory offers both molecular and cytogenetic testing, it's difficult to break down revenue, but Laboratory Director Mary Lowery Nordberg, Ph.D., estimates that 60% to 70% of revenues are made up of molecular-based tests. In addition, approximately 60% of the laboratory's work comes from outside the institution.

The laboratory does not offer molecular-based infectious disease testing, which is handled by a separate laboratory in the pathology department. In terms of molecular-based tests, slightly over half of their test menu focuses on cancer diagnostics (hematopathology), with inherited mutations taking up the rest. Their test menu includes hypercoagulable syndromes such as Factor V (Leiden) and prothrombin, cystic fibrosis, B- and T-cell clonality in lymphoproliferative syndromes, and monitoring molecularly targeted therapies.

When the laboratory began operations, their primary test was the breast cancer HER-2/neu tests. Nordberg says, "We're a large lymphoma/leukemia/breast cancer center. We weren't even doing HER-2/neu when I came here in 1998. We built the hematopathology tests like BCR1 and BCR-ABL as the first wave of tests. The B-cell clonality is our biggest test volume."

In addition to PCR, ASRs, and test kits, the laboratory also utilizes a CGH microarray-based test. Nordberg notes they are seeing huge increases in test volumes for the existing test menu, as well as increases for new test offerings. She also notes that new guidelines for baseline values for tests like BCR-ABL increase their workload. "Automation is attractive, always. We're not a high throughput laboratory, but we're at that threshold. Extractions are very difficult to do by hand and we're looking for automation for that, and we're looking for multi-capillary instruments for capillary gel electrophoresis."

Nordberg also notes that there are two major issues facing a molecular laboratory. "If molecular is growing so fast, what is limiting it? How do we help it instead? How do you advocate molecular? Nobody doubts that molecular is the future, but we're limited in a lot of ways by Medicare and CMS-type restrictions on testing."

The second restriction is personnel. "For example, cytopathology has a cap on how many Pap smears a cytotechnologist can read. We've been having this issue in cytogenetics for years. How many tests can they perform before you need more people? We need to let everybody know that molecular diagnostics is not this weird, ancillary part of laboratory medicine anymore. We're talking about frontline testing for a lot of diseases." 🏠

## Pelican To Scoop Up \$100m In Lab Supply Companies

Two private equity firms, Grotech Capital Group (Baltimore, MD) and Ferrer Freeman & Company (Greenwich, CT), have launched Pelican Life Sciences (Huntersville, NC), a platform that will acquire companies in the laboratory consumables and life sciences reagents areas. The firm recently announced that it has secured \$100 million in funding for acquisitions and development. It has also completed its first acquisition.

“We believe there is a unique opportunity to bring operational excellence, personalized service, and innovation to the fragmented life science supplier network,” said Pelican Life Sciences CEO Bill Baugh, former president of global laboratory products at Fisher Scientific. The company will aim to consolidate entrepreneurial life sciences supply companies with enterprise values of \$10 million to \$90 million.

Pelican’s first acquisition was PML Microbiologicals (Wilsonville, OR), which provides microbiological products, primarily prepared media, to the North American clinical and research markets. Founded in 1969 by Art Toland, PML has ISO 13485-certified manufacturing and distribution facilities in the United States and Canada.

With the \$100 million funding commitment, Pelican expects to make significant investments in acquired companies to support product development, streamline manufacturing operations, and expand sales and marketing capabilities. The company plans to close about four to six acquisitions by the end of the year and purchase about 10 companies per year over the next several years. Within the next three years, Pelican hopes to reach about \$300 million to \$500 million in revenue. 🏠

## UnitedHealth Staves Off Shareholder Revolt

On the day before its May 2 annual meeting, the UnitedHealth Group (Minnetonka, MN) responded to reports of suspiciously well-timed stock option grants to executives by announcing widespread changes to its governance and its executive and board compensation structure. Among the changes announced by UnitedHealth are the discontinuing of stock options for the company’s most senior and longest tenured executives, the establishment of new guidelines for the overall level of stock options granted, and an immediate 40% reduction in board compensation.

At the general meeting, CEO William C. McGuire, who received \$1.6 billion in stock options that were issued on the most favorable day possible during 1997, 1999, and 2000, apologized to shareholders in a bid to secure his re-election to the UnitedHealth board of directors. McGuire and three other directors, including two who sit on the compensation committee, were elected again.

On May 17, the company reported that it had received a subpoena from the office of the United States Attorney for the Southern District of New York, requesting documents from 1999 to the present related to the granting of stock options. It has also received a request from the IRS for documents pertaining to stock options and other compensation for UnitedHealth executive officers. The company says that it will cooperate fully with the requests. 🏠



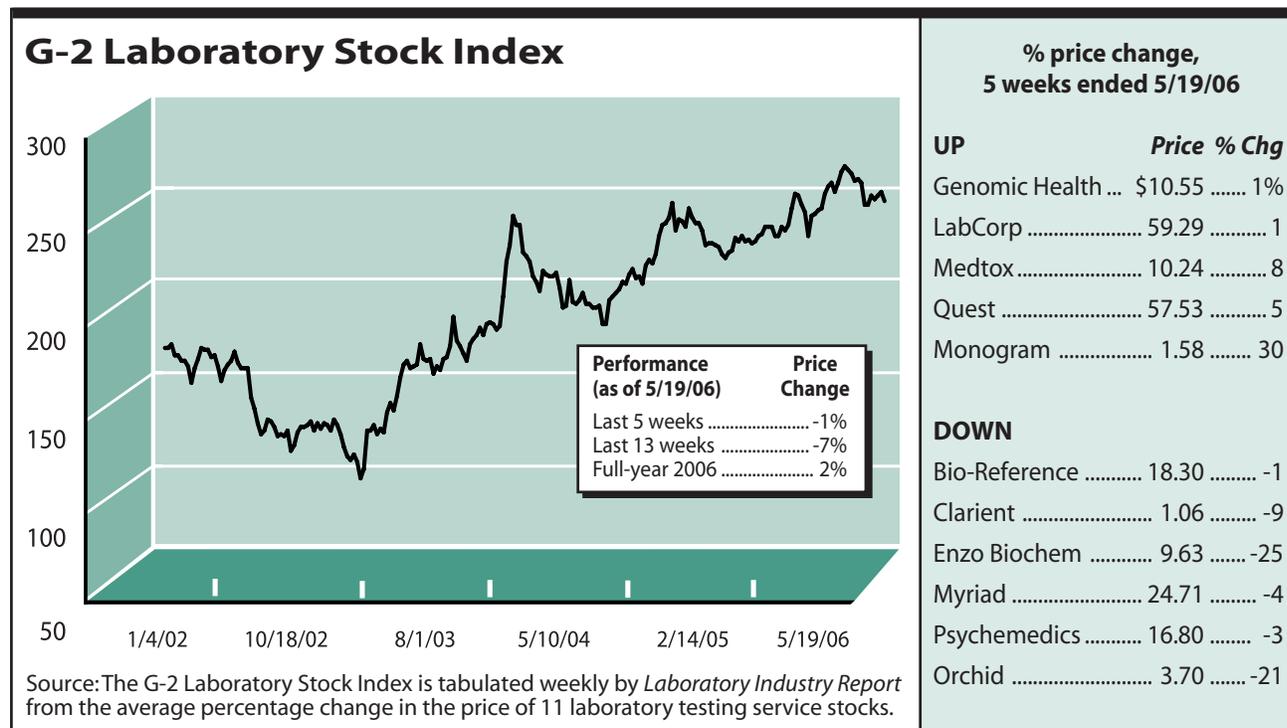
## Lab Stocks Slip 1% In Latest Five Weeks; Monogram Up 30%

The G-2 Laboratory Stock Index fell 1% in the five weeks ended May 19, with five stocks up in price and six down. So far this year, the G-2 Index is up 2%, the same as the S&P 500 Index, while the Nasdaq is down 1%.

The biggest gainer in the last five weeks was **Monogram Biosciences** (South San Francisco, CA), which was up 30% to \$1.58 per share for a market value of \$260 million. Monogram, which develops and performs molecular tests for HIV and cancer, announced on May 22 the closure of Pfizer's \$25 million investment in the company. Monogram also recently agreed to collaborate with Pfizer to make Monogram's HIV co-receptor tropism assay available for patient use on a global basis.

**Enzo Biochem** (Farmingdale, NY) fell 25% to \$9.63 per share, a 52-week low price, for a market value of \$313 million. The company, which specializes in gene identification and genetic and immune regulation technologies for diagnostics and therapeutics, recently announced second-quarter revenues of \$10.1 million, down from \$11.2 million in the second quarter of 2005. The company reported a net loss of \$4.4 million, compared with a net loss of \$0.5 million in 2005.

DNA testing services provider **Orchid Cellmark** (Princeton, NJ) was down 21% to \$3.70 per share for a market value of \$93 million. The company, which is delinquent in its regulatory filings and hired a new CEO in March, recently reported full-year and fourth-quarter 2005 results. Orchid posted a quarterly loss of \$3.8 million, or 16 cents per share, compared to earnings of \$0.7 million, or three cents per share, in the fourth quarter of the previous year. Management attributed the loss to lower forensic casework testing volumes and lower than anticipated production capacity in the company's new facility in Dallas. 🏠





**Survey highlights U.S. science and tech CEOs' anxiety about workforce issues: It's more than just manpower . . .** A new survey conducted by Bayer reveals that CEOs of leading science and technology companies are concerned about rising competition for scientific and technical workers and fear that their company's international competitors, having access to this same talent, will gain a competitive advantage.

As part of its *Facts of Science Education Survey* series, Bayer polled 100 CEOs and other C-Level executives of some of the fastest growing U.S. science and technology companies based on Deloitte & Touche rankings. Four in five executives surveyed at science, technology, engineering, and math (STEM) companies reported that they are concerned that the United States is in danger of losing its global predominance in science and technology due to manpower shortage issues.

The majority (57%) of executives surveyed are concerned about their company's ability to attract and retain the scientifically and technically trained employees they need to remain globally competitive. Nearly one-half (45%) indicate that under-representation of women and minorities exists in their company's STEM workforce. The remaining 55% believe it does not exist. However, just one in six (16%) of all CEOs surveyed say under-representation is a manpower issue. 🏠

### References in this issue

- Enzo Biochem 631-755-5500
- Lakewood Pathology Associates  
732-901-7575
- MDS 416-675-7661
- Monogram Biosciences 650-635-1100
- NeoGenomics 239-768-0600
- Orchid Cellmark 609-750-2200
- Quest Diagnostics 800-222-0446
- Pelican Life Sciences 704-875-0044
- Thermo Electron 866-984-3766
- Water Street Capital Partners  
312-506-2900
- UnitedHealth Group 800-328-5979

### LIR Subscription Order or Renewal Form

**YES**, enter my one-year subscription to the *Laboratory Industry Report (LIR)* at the rate of \$399/yr. Subscription includes the *LIR* newsletter and electronic access to the current and all back issues at [www.ioma.com/g2reports/issues/LIR](http://www.ioma.com/g2reports/issues/LIR). Subscribers outside the U.S. add \$50 postal.\*

I would like to save \$170 with a 2-year subscription to *LIR* for \$628\*

**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 \_\_\_\_\_

\*By purchasing an individual subscription, you expressly agree not to reproduce or redistribute our content without permission, including by making the content available to non-subscribers within your company or elsewhere.

**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 6/06

© 2006 Washington G-2 Reports, a division of the Institute of Management and Administration, New York City. All rights reserved. Copyright and licensing information: It is a violation of federal copyright law to reproduce all or part of this publication or its contents by any means. The Copyright Act imposes liability of up to \$150,000 per issue for such infringement. Information concerning illicit duplication will be gratefully received. To ensure compliance with all copyright regulations or to acquire a license for multi-subscriber distribution within a company or for permission to republish, please contact IOMA's corporate licensing department at 212-576-8741, or e-mail [jping@ioma.com](mailto:jping@ioma.com). Reporting on commercial products herein 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. Web site: [www.g2reports.com](http://www.g2reports.com).

Stephanie Murg, 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.**