

# LABORATORY

# INDUSTRY REPORT®



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## San Diego Is First Site for Lab Competitive Bidding Demo Project

Only a week after announcing several revisions to the demonstration design in response to public comments on the draft bidder's package, the Centers for Medicare & Medicaid Services (CMS) announced the first site of the Medicare Clinical Laboratory Services Competitive Bidding Demonstration. The selected Metropolitan Statistical Area (MSA) is San Diego-Carlsbad-San Marcos, California (San Diego County), which is the 16th-largest MSA in the United States with a population of 3,083,038.

In selecting the first demo site, CMS sought an MSA that would 1) have enough laboratories to allow for effective bidding and multiple winners; 2) be representative of the laboratory market nationally; and 3) allow for potential Medicare program savings, according to Elizabeth P. Hall, director of CMS's Office of Legislation.

A notice describing the demonstration, the first selected site, and a bidder's conference was published in the *Federal Register* on October 17. The bidder's conference, originally scheduled for October 31, was postponed in the wake of President Bush's October 23 federal emergency declaration for the seven counties affected by the series of massive wildfires burning across southern California. *Continued on p. 2*

## Vista Equity Partners Closes on Purchase of Misys Diagnostic Systems

On October 11, private equity firm Vista Equity Partners (San Francisco, CA) closed on its \$381.5 million acquisition of the ancillary hospital information systems business of Misys Healthcare Systems. Upon completing the deal, Vista announced the formation of Sunquest Information Systems, which was the name of the business before Misys purchased it in July of 2001.

Privately held Sunquest now owns all business assets, technology, and products associated with Misys's hospital systems diagnostic portfolio, including the laboratory, commercial laboratory, and clinical financial products, as well as stand-alone systems for radiology and pharmacy departments. Sunquest will be led by Richard Atkin, the former president of the hospital systems business unit for Misys. *Continued on p. 9*





## Lab Competitive Bidding Demo Project, from page 1

California has 479 CLIA-licensed independent laboratories that perform a combined 214.2 million tests annually. The top 12 independent labs perform 140.7

million of those tests. The largest independent lab in the selected MSA is LabCorp, whose San Diego facility performs 21.6 million tests annually, according to CLIA application files.

The demonstration covers tests provided to beneficiaries enrolled in the traditional fee-for-service Medicare program who reside in the area of the demonstration site or competitive bid area (CBA) during the three-year demonstration period. According to

### California's Top 12 Independent Laboratory Facilities

Name	City	Test Volume
Quest Diagnostics	Sacramento	28,736,222
Laboratory Corporation of America	San Diego	21,595,290
Spectra Laboratories	Fremont	20,644,514
Westcliff Medical Laboratories	Santa Ana	11,120,571
Quest Diagnostics	San Jose	10,464,500
Quest Diagnostics-Nichols Inst	San Juan Capistrano	9,926,234
Laboratory Corporation of America	San Leandro	8,783,294
Quest Diagnostics	West Hills	8,407,805
Quest Diagnostics-Clinical Trials Lab	Van Nuys	7,823,638
Advanced Medical Analysis	Monrovia	4,625,450
Specialty Laboratories	Valencia	4,358,371
Pacific Toxicology Labs	Chatsworth	4,256,800

Source: CLIA Application/Survey Files, June 2007

CMS, beneficiaries who travel outside the CBA during the demonstration period and require laboratory services will be able to access services from most laboratories in the United States.

CMS will not directly pay for services furnished by a required bidder that did not bid, bid and did not win, or a nonrequired bidder that bid and did not win. Additionally, laboratories may not bill beneficiaries for laboratory services covered under the Medicare program.

In reacting to CMS's site selection, the American Clinical Laboratory Association (ACLA) reiterated its opposition to the "ill-conceived, unfixable" project and called for its repeal by Congress. "While the demo has immediate negative ramifications in the San Diego area, the long-term implications for beneficiaries and laboratories nationwide are unchanged—less access, lower quality, and less competition," said Alan Mertz, president of ACLA. "It is impossible for me to understand why CMS would move forward on the competitive bidding project given the significant number of unanswered questions and heavy criticism this year from Capitol Hill."

Repeal legislation advocated by lab and pathology groups has been introduced in the House and the Senate (see *LIR*, September, p. 1) and last month picked up additional bipartisan co-sponsors. Action on repeal is needed soon, congressional sources warn, since the demo will be harder to stop as it gets underway. 🏛️



## Blogs Keep Busy Labs Updated

"I view blogging as an intermediate form of communication somewhere between hallway conversation and journal articles."

No one in the laboratory industry has time to spare, but everyone needs to stay on top of developments in all sectors—whether they are market-related, regulatory, or technological advancements. One tool gaining in popularity that labs can readily access are Internet-based Weblogs ("blogs"), according to Bruce Friedman, M.D., professor emeritus of pathology at the University of Michigan Medical School (Ann Arbor, MI), and the creator of *Lab Soft News* ([labsoftnews.typepad.com/lab\\_soft\\_news/](http://labsoftnews.typepad.com/lab_soft_news/)).

Friedman launched the blog almost two years ago as a way to promote his annual software conference—Lab InfoTech Summit—and it has developed into a daily posting of 300 to 400 words that not only delivers news, but also interprets the impact on the industry. "I view blogging as an intermediate form of communication somewhere between hallway conversation and journal articles," he explained, adding that his articles must be brief to be quickly read and digested. "Given the way that people work, they probably only have a few minutes between a meeting to catch up on news, and this is a way to have ready access to information. I view myself as a filter . . . I provide readers with material and then also a position or interpretation of what I think the relevance is for the industry."

Recent topics posted on *Lab Soft News* vary from analysis on healthcare software pricing to the recent re-emergence of Sunquest Information Systems following Vista Equity Partners's purchase of Misys Healthcare's Diagnostics Systems division (see p. 1). The integration of diagnostic testing and imaging is often the focus of Friedman's posting, as well as combining the manufacture of pharmaceuticals and companion diagnostics—a strategy currently being pursued by Roche Diagnostics (Basel, Switzerland).

### More Laboratory and Healthcare Blogs

The Health Care Blog  
[www.thehealthcareblog.com](http://www.thehealthcareblog.com)

One Med Place  
[www.onemedplace.com/blog](http://www.onemedplace.com/blog)

Health Care Policy and Marketplace Review  
[healthpolicyandmarket.blogspot.com](http://healthpolicyandmarket.blogspot.com)

Health Affairs blog  
[healthaffairs.org/blog](http://healthaffairs.org/blog)

Health Business Blog  
[www.healthbusinessblog.com](http://www.healthbusinessblog.com)

MedPundit  
[medpundit.blogspot.com](http://medpundit.blogspot.com)

### Recruiting More Bloggers

Currently, *Lab Soft News* typically attracts between 110 and 120 visitors a day that find the site through a search engine like Google. He also has 200 subscribers who get daily updates on the blog through RSS feeds or e-mails. Friedman estimates that his visitor totals have doubled over the past year.

Friedman is encouraging others in the lab industry to enter the blogging universe. His goal is to set up a lab industry "meta-site," which would provide links to relevant blogs, articles, presentations, and other Web sites to give readers a brief synopsis of developments in the lab world. "Then lab professionals could scan this very quickly and navigate

to what captures their interest, and very quickly get a sense of what is going on in the industry," he explained. "This allows them to make more use of their time, and I can do that by culling out what I think are important or interesting stories that keep them updated on the industry." 🏠



## CAP, ACLA Call for Public Disclosure of “Medically Unlikely Edits”

The College of American Pathologists (CAP; Northfield, IL) and the American Clinical Laboratory Association (ACLA; Washington, DC) have renewed their call for Medicare to disclose the “medically unlikely edits” (MUEs) that limit the units of service that can be billed daily for a particular CPT/HCPCS code per beneficiary.

Originally referred to as medically unbelievable edits, MUEs were designed to improve the accuracy of Medicare expenditures by preventing inappropriate payments. MUEs are used by local contractors to weed out claims that exceed MUE limits and automatically reject them.

CAP and ACLA were responding to a request from the Centers for Medicare & Medicaid Services (CMS) for comment on its policy restricting MUE distribution, which the agency has said is necessary to prevent providers from “gaming” the system. ACLA and CAP said that public disclosure is essential if providers are to submit accurate claims and avoid unwarranted denials. Otherwise, providers will not know when to apply an appropriate modifier to bypass the edit, and efforts to educate providers on MUEs and modifier use would be stymied.

ACLA’s position is that full knowledge of the MUEs will allow claims to be submitted according to the CMS-established rules. The organization considers MUEs to be in the same category as National Correct Coding Initiative edits, which are fully disclosed to the public. ACLA also noted that because there is no MUE-specific remark code, those who process claims and denials will not know an MUE triggered the rejection until they have ruled out all other possibilities. 🏛️

## Orchid Cellmark to Buy New Orleans DNA Testing Lab for \$8.6M

Identity DNA testing laboratory Orchid Cellmark (Princeton, NJ) has agreed to acquire the outstanding stock of ReliaGene Technologies (New Orleans, LA) for a purchase price of \$5.6 million in cash and \$3 million in Orchid stock. The deal is expected to close by the beginning of this month.

Privately held ReliaGene, a provider of forensic and paternity DNA analysis services, had a 2006 annual revenue of \$7.5 million. The laboratory’s test menu includes polymerase chain reaction, mitochondrial DNA sequencing, and Y-chromosome DNA testing. The company was founded in 1990 by Sudhir Sinha, Ph.D., who currently serves as president and laboratory director.

The acquisition is part of Orchid’s plan to grow through acquisitions. “There is essentially no customer overlap between the two companies,” said Orchid president and CEO Thomas Bologna. “And we believe the combined forensic casework, [Combined DNA Index System], and paternity laboratory testing volumes should increase our operational efficiencies.”

Orchid has four laboratories in the United States: two for forensic testing and two for paternity testing. The company also has a lab in the United Kingdom that, in addition to human identity testing, serves the agricultural market with testing for selective trait breeding. 🏛️

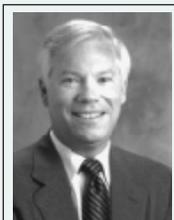
## Surviving the Price War: Lab Experts Weigh In

**A**ssessing the impact of UnitedHealthcare's (Minnetonka, MN) exclusive 10-year agreement with LabCorp (Burlington, NC) was a primary focus of Washington G-2 Reports's 25th Annual Lab Institute program held in October, with industry experts warning that current pricing pressures are not likely to diminish in the near future.

Since this contract was finalized in November 2006, the lab industry has been analyzing the financial details of the agreement. Facing escalating healthcare costs for its 26 million members, UnitedHealthcare may have negotiated testing prices at approximately 50% of the current Medicare laboratory fee schedule, according to speculation from some industry insiders. To stay competitive, regional, local, and hospital outreach labs will be forced to drastically cut prices—or risk being shut out of certain markets.

### Changing the Contracting Landscape

The current pricing situation is likely to get worse before it gets better, warned Thomas Hirsch, the president and cofounder of Laboratory Billing Solutions (Portsmouth, NH), at a Lab Institute session on pricing. "Competitive bidding with Medicare could become a reality . . . and we have the pressure now of Medicare looking at what's happened in this landscape and wanting the same pricing," he explained. "The Blues [Blue Cross and Blue Shield] and Anthems could demand the same reimbursement concessions that United Healthcare has achieved."



David Nichols

The impact of this exclusive agreement is already being felt by laboratories currently in the midst of contract negotiations, according to David Nichols, president of Nichols Management Group (York Harbor, ME), a clinical laboratory consulting practice. Based on his recent experience, labs are now seeing 20% to 40% declines in new contracts with insurance providers. "Having just created a new laboratory that went live September 1, I had the task of soliciting 20 new contracts," said

Nichols, who also presented at the Lab Institute on pricing. "The good news is that I was able to secure all of these 20 new contracts, but the bad news is that they were at significant reductions from the pro forma that my company had put together a year before the company was established." He added that this pro forma anticipated approximately 128% of reimbursement from a major government payer, but the contract was up barely over 100%.

Nichols also believes that the fallout from this pricing war will continue. "Contracting threats abound," he told attendees. "For those of you who have seen exclusives in the past, we all know that exclusives don't last, but what does last is the pricing damage. Let me be clear, revenue per specimen is falling, and it's falling very fast."

## Increasing Costs

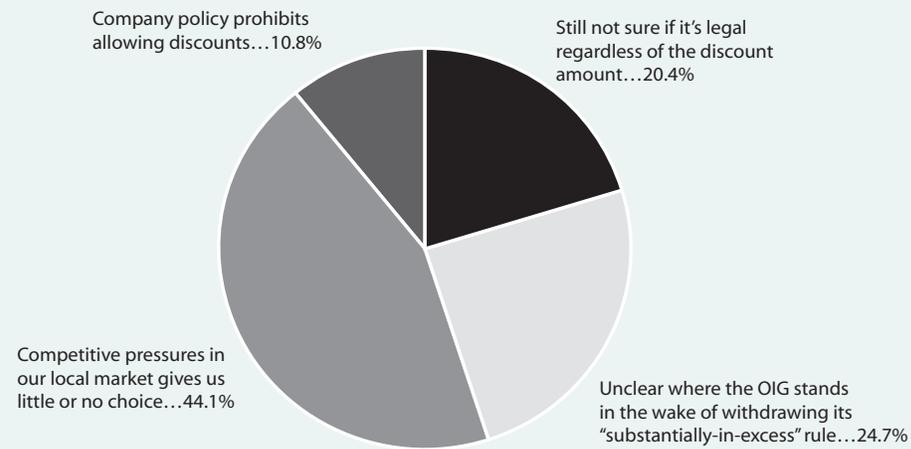
Hirsch believes that these recent price concessions are reminiscent of the capitation environment in the 1990s. Back then, negotiations between national reference labs and health maintenance organizations (HMOs) forced labs to accept one set price for all testing services for each member per month. “What’s different this time than 10 years ago? There’s been no breakthrough in operating costs that have been passed on to managed care and particularly the patient,” he explained.

Operating costs have increased close to the general rate of inflation, even for the larger labs that have acquired other labs and nearly doubled in size. Many labs believed that buying additional market share and pricing on the margin would be beneficial, but that has not proven to be the case, as Hirsch pointed out.

Many labs that grew in size during the 1990s believed that taking on increased volume would enable them to reduce costs. But as other issues arose—including IT needs—costs increased, even despite technological advances, said Hirsch. For example, labs’ current IT demands include integrating electronic medical record (EMR) programs, as well as physician office connectivity platforms. And while testing platforms have become more efficient, technology costs have increased as the labor pool continues to shrink. “I just haven’t seen breakthroughs in how we process work that says we can now do the work for \$7 a test instead of \$10,” he added.

One pricing approach some labs have used involves doing routine testing at lower prices and hoping to make up the financial shortfall in esoteric

### What is your main consideration in deciding whether to offer discounts below Medicare rates?



Source: Washington G-2 Reports Lab Institute Attendee Survey

testing. But this approach is flawed, said Hirsch. “While close to 20% to 30% of a lab’s revenue can be considered esoteric, it only represents 3% to 5% of test volume,” he explained. “If a lot of our test volume is viewed as a commodity and priced that way, I think that we are looking at overall lab reimbursement declining by 10%, or more.”

## Think Strategy

Despite this bleak financial outlook, there are ways for labs to prosper and remain competitive, the presenters emphasized. According to Nichols, it’s important to maintain a high level of personal service—which includes having adequate coverage and fast connectivity, as well as robust sales and marketing operations. Given the current contracting climate, it’s vital to maintain good managed care relationships, which is hard given the significant turnover among payers.

Labs also need to focus on dominating a local market. “If you can dominate a geographic niche and have a critical provision of logistics, services, and contracting, then managed care has got to work with you,” said Nichols. It’s also helpful to have an anchor or joint venture client. This could be a healthcare system, a large specialty group practice, or even a reference laboratory. “One of the national labs could be one of your good partners—they aren’t necessarily an adversary. It may turn out that they are, but you should have those discussions before it’s determined that you are going to directly compete with one of the national labs. They have needs with local and regional laboratories also.”

*“If you can dominate a geographic niche and have a critical provision of logistics, services, and contracting, then managed care has got to work with you.”*

*—David Nichols*

These strategies involve other changes and adjustments to a lab’s business model, pointed out another Lab Institute presenter, Michael Snyder, principal of Clinical Laboratory Business Solutions (Readington, NJ). These include becoming a full-service laboratory.

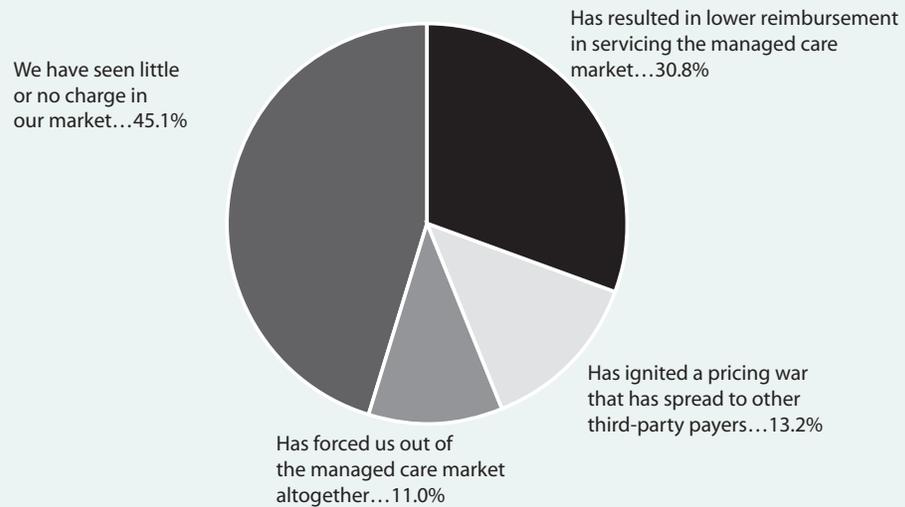


*Michael Snyder*

“If you are a clinical lab only, just doing core testing, you are leaving money on the table,” said Snyder who is also a former laboratory operations director with United-Healthcare, as well as a former senior vice president with LabCorp. According to the 2008 Laboratory Fee Schedule, there are higher reimbursements—sometimes over 80%—for tests other than those on the core testing panels.

“If you are core testing only, your survivability is going to be tough,” he added. “You need to think about your service model and become a full-service laboratory.”

## How has exclusivity in managed care contracting with national labs impacted your organization?



Source: Washington G-2 Reports Lab Institute Attendee Survey

Becoming a full-service laboratory also means having an efficient billing system, which will allow the lab to accept higher copays and deductibles. "If you are thinking . . . about fixing your billing system, stop thinking, and fix it," Snyder advised. "While nobody in the industry has historically wanted to do this, it's something we're going to have to do."

In addition to a streamlined billing system, full-service laboratories also have to enhance other areas of their IT services. This includes offering EMR capability to physicians, as well as other reporting options. These services should not just be limited to physicians, but should also be offered to patients. While this will increase IT costs, as well as costs

related to sales and marketing, it will also underscore the value of laboratory testing in the eyes of the patients and physicians. A laboratory's IT systems also need to capture quality and clinical data, which will likely be requested by health plans and employers in the near future.

*"By 2010, the [Centers for Medicare & Medicaid Services] are predicting that healthcare costs in America are going to rise to \$2.75 trillion, and the expense to the employer is going to be nearly a trillion dollars."*

—Michael Snyder

Snyder also recommended that local and regional labs negotiate health plan contracts as part of a network. A network approach will increase the labs' leverage to cut costs, as well as make negotiations easier on everyone. "It's very difficult for the plans if they have to negotiate . . . with hundreds within the same market of hospitals," he explained. "If you can create a single point of contact through networks, you have done a great job." 🏛️



Richard Atkin

**Vista/Misys Deal, from page 1**

Sunquest’s open, scalable systems are used by approximately 1,200 hospitals and independent laboratories in the United States. The company also has over 60 international customers in Canada, the United Kingdom, Western Europe, and the Middle East. Sunquest President and CEO Richard Atkin talked with *LIR* days after the acquisition closed. Below are some highlights of our conversation.

***What was it about Misys’s Diagnostics Systems division that appealed to Vista Equity Partners?***

The origin of the business, and we’ve sort of returned to our roots with the new name, is Sunquest Information Systems, which was founded in 1979. And what Vista saw in the Misys diagnostics business was an organization and a business that had a leading market share, had very loyal customers and a broad customer base, and very high customer satisfaction ratings, but it was a business that was somewhat lost within the Misys portfolio. Therefore there was an opportunity to take this business, stand it alone, and re-emerge the brand, the Sunquest brand, and then invest in the business to drive growth.

***Looking forward to that growth, what are some of your plans for the company?***

We see three major areas for growth. One is the whole area around outreach, what I like to call the commercialization of the hospital lab: how the labs connect to the community and how the labs participate in the continuum of care. In our view, hospital labs are really at the center of how healthcare is delivered. Some of our strategic partners are at the forefront of the outreach trend, but as a business, we see that there’s an opportunity to provide more solutions for more of our customer base in outreach.

Another area, which is almost like a second wave of outpatient or externally focused lab tests, is the growth in molecular and genomic tests. More and more protocols are being developed, and more and more are being approved, but they’re very complex tests, and we’re attracted to that trend because it holds the promise to fundamentally change how healthcare is viewed and delivered, if you move on through to the preventative medicine and pharmacogenomics elements of the lab.

We see those two things as significant needs and trends, and the third area is geographic expansion. We have a footprint overseas, and we also see the opportunity, particularly as a lot of molecular protocols and reference ranges become standardized, for some of these things to become more global in nature. Therefore, I think that the diagnostic information systems company of the future has to take a global view of the marketplace.

***In terms of molecular and genomic testing, what kinds of products or solutions do you envision Sunquest offering?***

Many of the labs themselves, even in the more academic institutions, are still evolving and developing how they will handle the increase and the complexity of molecular and genomic tests. I think almost every institution may have a different view: Does it expand the micro[biology] area? Does it create a specific area? To what extent does the digitization of pathology play into this? And how might radiology fit in? There are probably more unanswered questions than real answers at this point, but what we see is that our capabilities and experience in the



lab area, as well as in the radiology and pharmacy areas, give us insights that can help our customers evolve the solutions for them to do these things efficiently.

We see that molecular diagnostics is looking to change almost every aspect of the workflows in the lab, and therefore the application needs to be enhanced to support that—and not just within the lab, even the ordering and resulting aspects of how a lab works need to be modified. You also need very high-reliability solutions, because these complex protocols can take quite a while to be completed, and then you have to combine data from maybe a number of different protocols. There are a number of complexities that are going to create new solutions for lab customers. 🏠

## G-2 Award Winners Honored at Lab Institute

**D**ennis Weissman, founder and executive editor Washington G-2 Reports, is the recipient of G-2's 2007 Laboratory Public Service National Leadership Award, an annual honor that recognizes an individual who has made a significant contribution to the public interest through accomplishments that directly enhance the lab profession. Bridget Kreger, a third-year student in the medical laboratory science program at the University of Vermont, is this year's recipient of the Dennis Weissman/Washington G-2 Reports' Scholarship for Excellence in Clinical Laboratory Sciences. Weissman and Kreger received their awards in a special presentation on October 11 at Lab Institute in Arlington, Virginia.

Weissman, one of the nation's leading experts on the clinical diagnostic laboratory and pathology sectors, founded Washington G-2 Reports in 1979. Since then, his work with and on behalf of laboratory professionals has led many to think of him as "a kind of general commissioner of the laboratory industry," one Lab Institute attendee told *LIR*. In 2004, Weissman started a consulting firm, Dennis Weissman & Associates, which provides public policy and strategic business intelligence and advice for the healthcare industry.

Kreger was selected for her demonstrated leadership potential and excellence in the clinical laboratory sciences curriculum. She serves as a student representative on the University of Vermont's Curriculum and Planning Committee and also participates in laboratory research. According to Paula Deming, Ph.D., the university's program director for medical laboratory science, Kreger "is extremely well-rounded and has demonstrated the ability to successfully troubleshoot, solve problems, and multitask; qualities that are essential for success in the clinical laboratory."

The Lab Public Service award was sponsored by Kellison & Company (Warrensville Heights, OH), while the Scholarship for Excellence in Clinical Laboratory Sciences was sponsored by Per-Se Technologies (Alpharetta, GA), which is now part of McKesson. 🏠

### G-2 Welcomes New Editor Julie McDowell

Washington G-2 Reports is pleased to announce the addition of Julie McDowell to its editorial team. Julie will be taking over the editorship of *Laboratory Industry Report* beginning with the December 2007 issue. Prior to joining G-2 Reports, Julie was the senior editor of *Clinical Laboratory News*, as well as an assistant editor at the American Chemical Society. Julie can be reached at [jmcdowell@ioma.com](mailto:jmcdowell@ioma.com).



## Lab Stocks Up 19% Year to Date

The G-2 Laboratory Stock Index has risen 19% so far this year through October 19, with eight stocks up in price and three down. Over the same period, the Nasdaq is up 13% and the S&P 500 has gained 6%.

The leading gainers year to date are **Orchid Cellmark** (Princeton, NJ), up 67% to \$5.17 per share, and **Myriad Genetics** (Salt Lake City, UT), up 63% to \$50.92 per share. Both companies specialize in genetic testing, Orchid for human identity and agricultural applications and Myriad for hereditary cancers.

In September, Myriad launched a direct-to-consumer marketing campaign in the Northeastern United States focused around its BRCAAnalysis blood test, which analyzes the BRCA1 and BRCA2 genes for cancer-linked mutations. The campaign, which also includes physician education and outreach, consumer education, and public relations, will continue through the spring of 2008. In addition to molecular diagnostic testing, Myriad is developing drugs for conditions including cancer, Alzheimer's disease, thrombosis, and HIV / AIDS.

At the two biggest lab companies: **Quest Diagnostics** (Lyndhurst, NJ) has gained 6% to \$55.81 per share and **LabCorp** (Burlington, NC) is up 4% to \$76.28 per share.

Meanwhile, **Bio-Reference** (Elmwood Park, NJ) has climbed 45% to \$32.65 per share. The company has been able to take advantage of the regional shake-up in managed care contracts that resulted from Quest being dropped as an in-network provider for members of UnitedHealthcare's Oxford plan. The top-line revenue growth is poised to continue as the high start-up costs of the new business begin to taper off. "This influx of new business has also changed test volumes on some tests, and we are now getting a better handle on the change in ordering patterns that has come with this sudden growth," said Bio-Reference CEO Marc Grodman, M.D., on the company's third-quarter conference call.

**Medtox** (St. Paul, MN) and **Clariant** (Aliso Viejo, CA) have shown substantial gains this year. Medtox is up 35% to \$17.98 per share, and Clariant has gained 27% to reach \$2.18 per share. 🏠

### Year-to-Date Performance of Lab Stocks

<i>Company (ticker)</i>	<i>12/29/06 price</i>	<i>10/19/07 price</i>	<i>YTD % Chg</i>	<i>Market Cap (\$ millions)</i>
Bio-Reference (BRLI)	\$22.49	\$32.65	45%	\$155.6
Clariant (CLRT)	1.72	2.18	27	152.8
Enzo Biochem (ENZ)	14.27	12.44	-13	450.5
Genomic Health (GHDX)	18.60	20.25	9	636.4
LabCorp (LH)	73.47	76.28	4	8,890.0
Medtox (MTOX)	13.33	17.98	35	158.3
Monogram (MGRM)	1.78	1.45	-19	193.1
Myriad Genetics (MYGN)	31.30	50.92	63	2,270.0
Orchid Cellmark (ORCH)	3.10	5.17	67	157.1
Psychemedics (PMD)	18.80	16.45	-13	85.7
Quest Diagnostics (DGX)	52.60	55.81	6	10,760.0
Unweighted Average			19	



**The impact of falling reimbursement . . .** Steady or falling reimbursement and increased competition from national and regional labs are the top trends affecting the financial performance of many labs, according to a survey conducted of attendees to last month's Washington G-2 Reports Lab Institute held in Arlington, Virginia.

The growth of exclusive managed care contracting arrangements was also cited as an emerging trend impacting labs over the past years. Labs are also seeing more intense competition from national labs in their local markets. When asked what factor most affected the ability to compete locally, over 34% cited more intense competition from national and/or regional labs, while 30% said the implementation of a robust IT program.

Looking to the future, respondents were asked what was the most critical change likely to affect the industry by 2032. The implementation of IT and advanced testing systems was cited by 40.6% of respondents, while 30.2% pointed to the projected growth in the elderly population. 🏛️

**What is the most critical change likely to affect the industry's face by 2032?**

Advanced testing and IT .....	40.6%
Major growth in the elderly population.....	30.2
Federal oversight of healthcare .....	18.8
Lab testing access .....	6.3
Competition and reducing lab capacity .....	4.2

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- Medtox 651-636-7466
- Misys 866-647-9787
- Monogram Biosciences 650-635-1100
- Myriad Genetics 801-584-3600
- Nichols Management Group  
207-363-8230
- Orchid Cellmark 609-750-2200
- Quest Diagnostics 800-222-0446
- ReliaGene 504-734-9787
- Sunquest 520-570-2000
- United Healthcare 800-328-5979
- Vista Equity Partners 415-765-6500

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