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LABORATORY INDUSTRY REPORT®

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HIGHLIGHTS

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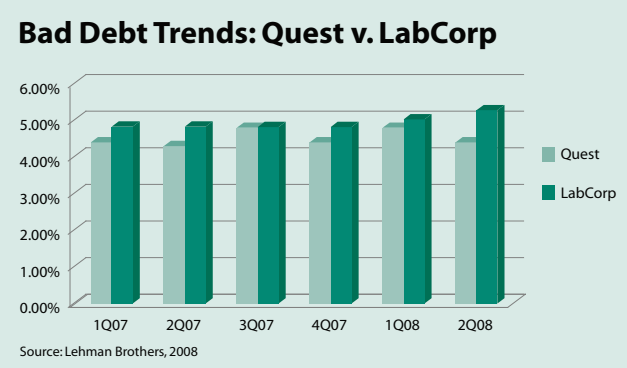
Bad Debt, Weak Volumes Force Lower '08 Guidance for LabCorp Despite Revenue Rise of 10%, Quest Up 12%

While Quest's second quarter revenues were up 12 percent to $1.8 billion and LabCorp's were up 10 percent to $1.1 billion, Wall Street analysts were dismayed by LabCorp's (Burlington, N.C.) increase in bad debt to 5.28 percent and the addition of $45 million to the allowance for doubtful accounts. Blaming the slowing economy, LabCorp executives indicated that higher patient copays and reduced collection of self-insured payments are driving the bad-debt increase. In addition, volume growth was relatively flat compared to the first quarter at 1.4 percent (and 1.3 percent in the second quarter of 2007), forcing LabCorp to lower its 2008 revenue guidance to 10.3 percent to 11.3 percent from the original projections of 13 percent to 14 percent.

Additional analysis, as well as benchmarking data based on Q2 results of other publicly traded labs, is on pp. 8 and 9.



LabCorp Finalizes Stanford Outreach Acquisition for Rumored $30 Million

Expanding its presence in northern California, LabCorp (Burlington, N.C.) has paid a rumored $30 million to acquire Stanford Hospital & Clinics basic outreach testing services, which has a reported annual revenue of $30 million. The acquisition includes patient service centers, as well as rapid response laboratories throughout the San Francisco Bay Area, although Stanford officials wouldn't disclose exactly how many of these facilities were included in the acquisition.

Of the approximately 200 basic outreach testing employees, more than half have been either hired or offered a position by LabCorp, according to Stanford Hospital & Clinics spokesman Gary Migdol.

Continued on page 2

LABCORP FINALIZES STANFORD OUTREACH ACQUISITION, *from page 1*

This move gives LabCorp more of a footprint in Quest-dominated California, and with a valuation of 1x revenue, it is in line with what the testing provider is currently pursuing in terms of acquisition valuations. "I think 2x revenue is the high end of the range that we will be looking at," said Brad Hayes, LabCorp's executive vice president and chief financial officer, in the company's recent Q2 earnings call with analysts. "We look at the internal rate of return and our return, but 2x revenue would have to be something that we thought was pretty strategic."

LabCorp executives have touted their interest in the hospital outreach market, but at least one industry insider questions the synergy of these two diverse businesses. "In my mind, there is still a philosophical and strategic disconnect," said Earl Buck, vice president of the consulting company Chi Solutions. "There is a natural disconnect between a for-profit, publicly traded company and a not-for-profit health system. There is a constant struggle that neither of the big labs has found a way to work effectively in those markets."

But since LabCorp appears uninterested in pursuing international opportunities, unlike Quest, it must pursue the hospital outreach market because of its estimated $30 billion in annual revenue, according to Doug Brown, managing director of health care investment banking for Wachovia Securities (Charlotte, N.C.), who spoke recently at an audioconference on mergers and acquisitions sponsored by *The Dark Report*. "I think if LabCorp executives see that there is a way to crack it and become the preferred buyer in that industry, that's a lot of business over time that they can aggregate, although it's extremely cumbersome to do that," he explained.

Legislative Update

New House Bill Seeks to Overhaul Lab Fee Schedule

In late July, the Medicare Clinical Diagnostic Laboratory Fee Schedule Modernization Act of 2008 (H.R. 6761) was introduced by Reps. Bart Stupak (D-Mich.) and Michael Burgess (R-Texas) to reform the present lab fee system. The goal is to develop a single national Part B lab fee schedule for use in all lab settings, based on the value of the testing and the resources required, plus an adjustment for geographic cost differences. While lab industry groups generally acknowledge that the current lab fee schedule is inadequate and inefficient, especially in pricing new tests such as molecular diagnostics and other gene- or protein-based procedures, some are warning that switching to a different payment method could be problematic. But two leading industry groups—the Clinical Laboratory Management Association (CLMA) and the American Society of Clinical Laboratory Scientists—are working to secure support from other members of the Clinical Laboratory Coalition. In a statement supporting the bill, CLMA said, "The Medicare lab fee schedule was adopted in 1984 and has not been subject to a fundamental review and updating since then to reflect changes in the delivery of clinical lab medicine, resulting in real reductions in reimbursement."

ViraCor Labs Expecting 35% Rev Growth to $27 Million in 2009

Bob Wilhelm, vice president, ViraCor Reference Lab (Kansas City, Mo.)

With its strategy focused on offering 24-hour turnaround time, the molecular diagnostic testing provider ViraCor Reference Lab (Kansas City, Mo.) is expecting revenues to climb to a $27 million in 2009, up 35 percent from this year's revenue total of $20 million, company Vice President Bob Wilhelm explained at the American Association of Clinical Chemistry's Annual Meeting and Clinical Expo, held July 27-31 in Washington, D.C.

Specializing in infectious disease testing, most of ViraCor's clients are from pediatric and academic medical institutions with specimens coming from patients with compromised immune systems, as well as a broad spectrum of transplant patients. Wilhelm estimates that his company partners with about 75 percent of the pediatric transplant hospitals in the United States. Their primary value proposition is quick turn-around time, which is especially vital for these patients. "We deliver a majority of our results in just eight hours or by 5pm client time, with all results available in less than 24 hours," he added.

> ***"Our intent is not to be all things to all people, we like to focus on the patient disease outcome for this group of patients." —Bob Wilhelm***

Even with their growth—which has been between 35 percent and 50 percent over the past five years—ViraCor does not plan on extending far beyond their infectious disease testing focus, even though this segment of the molecular diagnostic market is believed to be slowing down after years of rapid growth. "Our intent is not to be all things to all people, we like to focus on the patient disease outcome for this group of patients," said Wilhelm.

Pod Lab UroPath Acquired by HealthTronics for $7.5 Million

Following CMS's implementation on "pod" lab restrictions earlier this year, one of the country's largest pod lab companies, UroPath (Arlington, Texas), has been acquired by HealthTronics (Austin, Texas), a provider of urological services, equipment, and technologies. HealthTronics also operates an anatomic pathology lab, ClariPath, in Augusta, Ga.

Last year, UroPath processed over 400,000 specimens in their five labs located in Arlington and San Antonio, Texas; Leesburg and Sarasota, Fla., and Philadelphia, Pa. The practice also partners with over 450 urologists in 17 states.

"We believe UroPath's historical model provides greater continuity in the handling of specimens, increased communication between specialists in the continuum of care, and improved focus on the needs of the patient," said HealthTronics' CEO James S.B. Whittenburg in a statement. "UroPath's decision to join HealthTronics affirms the prominent and unique role that we play in urology today. . . . HealthTronics brings deep and capable resources to bear in restructuring the existing UroPath model to fully address the regulatory environment while preserving, to the greatest extent possible, the tangible patient and quality of care benefits. Our existing laboratory, ClariPath, adds significant flexibility and efficiencies as we refine the UroPath business model."

EMRs Falling Short in the Lab as Push Continues for $100+ Billion Nationwide Network

Estimates for a nationwide adoption of electronic medical/health records (EMRs, EHRs) currently range from between $114 billion and $150 billion, even though there is evidence that a majority of U.S. physicians are not using even basic EMRs. In fact, a recent survey published in the *New England Journal of Medicine* found that only 4 percent of physicians had an extensive, fully functional EHR system, and only 13 percent had even a basic system.

Nevertheless, both independent and hospital outreach labs need to have a solid EMR system in place to be competitive with LabCorp and Quest. Both national labs commit significant resources to their EMR, as well as personal health record (PHR) capabilities, and competitors need to do the same. "For labs today, the reality is that you've got to connect to whatever programs the clients are putting in their practice," said Rob Atlas, CEO of Atlas Medical Software (Calabasas, Calif.). "Usually labs think they have to interface with these EMRs, but our position is that interfacing is not enough, it's got to be at a higher level of being able to get orders from these EMRs, and then being able to push results back to clients in an optimal way." One of Atlas's primary product offerings is a lab outerware program designed for outreach laboratories. Also referred to as a "wraparound" program, this outerware facilitates communication between the LIS, hospital information systems, billing systems, and outside EMRs and practice management systems.

Atlas at a Glance

Location: Calabasas, Calif.

Product pricing: Implementation charges run between $29,000 and $39,000; interface fees for connecting Atlas to and from the LIS are $9,900 for HL7 orders and $9,900 for results (HL7, or Health Level 7, refers to the standards involved in the exchange, integration, sharing, and retrieval of electronic health information). For EMR interfaces, the cost is $4,900 per HL7 orders and $4,900 per HL7 results interface. There are discounts available based on volume, as well as if the client purchases the company's Lab-EMR integration platform. The system is available through a number of pricing models including a tiered-transaction model starting at about $3,500 per month and then increasing based on transaction volume.

Multiple Interfaces and Labs

But these multiple interfaces are further complicating EMR systems that are not adequately serving the complex nature of the laboratory, argue Bruce Friedman, M.D., active emeritus professor of pathology at the University of Michigan Medical School (Ann Arbor, Mich.), and founder of the annual Lab InfoTech Summit. "Both in radiology and lab pathology, the science and volume of testing and complexity of reporting requirements keep accelerating," he explained. "At the same time, I'm concerned about what is happening in the EMR world where they are placing limits on the kind of information they can absorb and report out, and they are doing this because of a history of periodic failures of EMR systems. The result is an expanding amount of knowledge in pathology but an unwillingness to accept that much complexity from the labs." *Cont., p. 10*

Bait and Switch an Issue as Lab Equipment Leasing Rates Climb

Amidst rising delinquencies and dropping volumes, the current tight credit environment is hitting the health care sector of the leasing market hard, according to Duane Rouba, managing partner of Leasing Partners Capital (Wayne, N.J.). This means that labs currently looking to lease equipment, computer systems, or anything else to expand operations will need to fully comprehend the complexities of this market, as well as be prepared for their finances to face greater scrutiny in order to get the best interest rates.

"In general, over the past quarter, we've seen leasing volumes drop 11 percent overall," said Rouba, who added that delinquencies are also up. "Because of that, credit standards are tightening." However, applications for credit and financing arrangements have not slowed down, but rather have been holding steady year over year at LPC, where health care-related industries like labs comprise about 40 percent of the leasing portfolio. "It seems that you've got people who are pursuing credit opportunities out there for their companies, but are much more reluctant to close the transactions as they wait to see what the financial environment brings," he explained. "Our feeling here is that it will probably remain flat throughout the summer. About the time of the general election in November, we hope to see an uptick."

Current Leasing Rates

Transaction Total	*Rate*
Up to $150,000, application only	8.25%-8.75%
$100,000-$500,000	7.25%-7.75%
$500,000+	low 6%-low 7%

Rouba estimates that labs should expect current leasing rates to range from the low 6 percent and low 7 percent for transactions over $500,000 to between 7.25 percent and 7.75 percent for transactions ranging between $100,000 and under $500,000. The lower-cost transactions—application-only leases under $150,000—carry the highest rates of between 8.25 percent and 8.75 percent.

Increased Financial Scrutiny

Many lab directors don't comprehend the details of leasing contracts, but that has to change in order to get a financially sound lease, particularly when facing today's credit challenges.

One key consideration is the type of equipment that the lab is looking to lease. "When analyzing fair market value of operating leases, the more sophisticated kinds of equipment, depending on the valuation, may garner a larger residual, which means that the monthly payment might be lower," explained Rouba. "That way, if obsolescence is an issue, you can get to the end of a lease and hand the equipment back without having to purchase the equipment and write off 100 percent of the payments."

Another important component of lease negotiations is the financial state of the lab. Rouba explained that if a lab's financial condition is at all tenuous, sometimes an application-only transaction is the best approach. "Those transactions would generally provide up to $150,000 in acquisition costs without any financial disclosure," he explained. "But if they are looking for the best possible rates and are financially supported, we would need to see a full financial package, which would generally be two years of financial statements and a current interim report. And of course, we always like to take a good hard look at exactly what the collateral is, and we need a good understanding of the equipment."

As part of the financial analysis, Rouba and his team will look at how long the lab has been in business, with longer being better. They will also look at how the business is rated on Dun & Bradstreet and Paydex, which assesses how a company pays its bills in relation to others in the same industry. "If everyone in the industry pays in 60 days and you pay in 60 days then that's great, but if you are paying in 90 days, you will probably get dinged for that," said Rouba. "Another measure is comparable credit payment history. Especially in this environment, lenders don't want to be the only one in the pool, so if they see there have been loans for similar amounts of money and it's been paid as agreed, the lenders are going to feel more comfortable with those circumstances."

Cash flow considerations and equity positions are also going to be scrutinized. "We realize that startups are going to present large, negative numbers, but we are really going to take a hard look at the equity position," explained Rouba. "If there's a negative equity position, that doesn't mean we won't be able to pursue the transaction, but we may ask to secure it against other free and clear pieces of equipment for security purposes. We can structure transactions so that, for instance, say they own their building, we could secure financing against the real estate."

Smaller startups can pose concern about cash flow. For labs that have 25 people or less, Rouba said that they look at the personal financial situation of the labs' principals to determine how much backing and guarantee they can provide the business. It also helps if these smaller facilities are linked to larger institutions.

"Sometimes, an institution may be weak, but it may be somehow related to a larger lab, hospital, or corporation," said Rouba. "We might look at getting a corporate guarantee of another entity that might have more strength to try and put together the transaction in that manner."

Beware of Contract Pitfalls

In addition to financing issues, labs also need to be aware of some common mistakes made when setting up a leasing contract with a vendor, whether it is for equipment or a billing system, warned James T. O'Neill, vice president, CSS Laboratory Information Systems (Linwood, N.J.), a

vendor specializing in LIS and billing systems for labs. One of the most common contracting pitfalls is not being aware of hidden licenses and fees.

For example, a billing system vendor might lease its equipment at a very low "teaser" rate, but then charge per requisition. "If a lab does 500 requisitions per day, and the vendor charges 75 cents per requisition, that can add up to an extra $7,000 or $8,000 in charges per month," said O'Neill. It's also important that the leasing contract includes what the lab needs to bill third-party carriers. "There might be software modification fees if the vendor doesn't do that for free in their contract," he added.

James T. O'Neill, vice president, CSS Laboratory Information Systems (Linwood, N.J.)

Licensing can be another area where fees can be hidden, noted O'Neill. These low leasing rates might not include any licenses or user permissions, meaning that the vendor might charge separate licensing fees for every lab employee who will be working in the system, as well as the various locations accessing the system. Maintenance is another issue, and labs need to determine if this is included in the contract and if there is a separate interest rate on this contract. Also, what happens to this maintenance contract if a lab is bought or goes out of business needs to be detailed. "I've seen instances where this has happened, and the principals of the lab are still responsible for the maintenance contract, even though the lab is out of business or has been sold," said O'Neill.

Rouba agrees that there is a lot of "bait-and-switch" in the leasing industry, such as the low teaser rates. He also added that labs should be skeptical of vendors who ask for security deposits before the lab receives approval. If the lab can't get approval for the financing, they often lose out on the security deposits. "You have to be very, very careful," he added. "It happens all the time and every day, and it gives our industry a black eye sometimes."

Next Month:
Watch for Lab Institute Highlights

October's "Inside the Lab Industry" will bring *LIR* readers all the breaking news, as well as insights and analysis on developments impacting the lab industry's bottom line from the 26th Annual Lab Institute, held on Sept. 17-19 at the Crystal Gateway Marriott in Arlington, Virginia. This year's program, "Changing of the Guard: Working With a New Administration, the New Millennial Generation, and a New Health Care System," examines fundamental realignments in politics, Medicare and health care reform policy, personalized medicine, and the molecular diagnostics market. At this year's Lab Institute, you will:

- Hear from the nation's foremost thought leaders on the future of health care policy and lab industry trends;
- Go inside the boardroom and hear what the lab industry's top CEOs are saying about the lab and IVD sectors;
- Improve your bottom line and reduce your risk with two intensive half-day workshops on coding and reimbursement and avoiding legal minefields for labs; and
- Train your future lab leaders, residents, and administrators at Lab Leaders' Boot Camp, a special all-day seminar in which lab professionals will address six core issues for future managers.

To register or get program details, *visit www.g2reports.com/labinstitute08*.

BAD DEBT, *from page 1*

According to Lehman Brothers' analyst Adam Feinstein, LabCorp's bad-debt exposure comes from self-pay revenue, as well as copays and deductibles. Since each of these represent 8.5 percent of revenue, almost all this bad-debt exposure comes from this total 17 percent of revenue. LabCorp's uninsured volumes actually decreased this quarter. These volumes are down 7.8 percent compared to the decline of 3.6 percent in the first quarter of this year.

In comparison, Quest's bad debt is much lower, currently at 4.4 percent—0.4 percent of that is attributed to the AmeriPath business, which is an improvement over last quarter's 0.6 percent contribution. On the revenue side, AmeriPath is contributing 8.1 percent this quarter, resulting in organic growth of about 4 percent. Volumes increased by 5 percent—4 percent attributed to AmeriPath and 1 percent organic growth—compared to the prior year.

More Economy Woes

The economy is also hitting both of the lab companies in terms of pre-employment testing. LabCorp's pre-employment testing volumes—which is 3 percent of total revenues—is down 8 percent in this quarter, while Quest's pre-employment volumes declined by 10 percent, which represents 3 percent of the total revenues.

Quest leaders have said that the economy is not having much of an impact on business, although LabCorp's CEO David King questioned this in the company's recent earnings call. "I know that our competitor has said they are not seeing an economic impact," said King. "All I would point you to is that their volume, year-over-year, increased by about 1 percent in the quarter, while ours increased by 1.3 percent. . . . So if 1 percent volume growth is unaffected by the economy, then the industry is growing a lot slower than I think it is."

In comparing these results, analysts praised Quest's cost-cutting measures, which are expected to save $500 million by 2009, while noting the company's conservative guidance for the rest of the year.

"We note that the underlying revenue growth was similar for both companies at about 4 percent after making certain adjustments for acquisitions, etc.," wrote Adam Feinstein, an analyst with Lehman Brothers (New York, N.Y.) "We think that LabCorp had a more optimistic revenue outlook coming into the year leading to the disappointment." In addition, for Quest Diagnostics's core business, the lab testing leader did a better job at collections compared to LabCorp, he

Current DSO					Current Bad-Debt Expense (%)			
	2006 (avg)	*2007 (avg)*	*2008Q1*	*2008Q2*	*2006 (avg)*	*2007 (avg)*	*2008Q1*	*2008Q2*
Quest	48	48	48	46	3.8	4.5	4.8	4.4
LabCorp	54	56	58	54	4.8	4.8	5.03	5.28
Bio-Reference	117	115	120	109	13	13.9	13.8	13.2

Source: Washington G-2 Reports from company reports, 8-K, and 10-Q filings

added. "We believe this was a function of geography with LabCorp having a bigger presence in the [southeastern United States] that has been hit the hardest by the weakness in the housing market."

Time to Benchmark

In the light of these Q2 earnings releases, *LIR* recently analyzed revenue per full-time employee (FTE) and pre-tax income per FTE benchmarks for the 10 labs tracked by the G-2 Laboratory Stock Index (see table below).

Psychemedics (Acton, Mass.) was the leader in both the revenue/FTE and the pre-tax income/FTE in the first quarter of 2008. For this quarter, leading in the revenue/FTE at $149,462 is specialty lab testing provider Genoptix (San Diego), up 100 percent over the previous year's second quarter. Following Genoptix is Myriad Genetics (Salt Lake City) at $74,458, up 51 percent, and then Psychemedics at $65,957, which is down 5 percent compared to the second quarter of 2007.

Genoptix is also leading in this quarter's pre-tax income/FTE benchmark at $31,720, an improvement of 49 percent over the previous year's second quarter. Following is last quarter's leader, Psychemedics, at $18,085, down 23 percent. Coming behind Psychemedics is LabCorp with $6,585 pre-tax income/FTE, which is down 22 percent from the second quarter of 2007. Also of note is Princeton, N.J.-based DNA testing provider Orchid Cellmark, which is down significantly in this benchmark. With a loss of $2,927 per FTE, they are down 208 percent. Total revenues for the company were down 32 percent to $15.2 million this quarter from $15.7 the previous year, primarily due to lower revenues in its U.K. operation.

Q2 2008 Financial Benchmarks

Company	Revenue (in millions)	Full-Time Employees	Revenue/ Employee	Comparison to Q2 07	Pre-Tax Income (millions)	Pre-Tax Income/ Employee	Comparison to Q2 07
Quest	$1,837.0	43,000	$42,721	12%	$263.0	$6,116	12%
LabCorp	1,147.8	27,000	42,511	6	177.8	6,585	-22
Bio-Reference	75.2	1700	44,235	23	5.7	3,353	8
Enzo Clinical Labs	10.3	300	34,333	-10	0.4	1,333	-71
Genzyme Genetics	78.5	1700	46,176	7	n/a	n/a	
MedTox Scientific	16.8	468	35,897	6	2.9	6,197	12
Myriad Genetics	61.8	830	74,458	51	(4.6)	(5,542)	22
Psychemedics	6.2	94	65,957	-5	1.7	18,085	-23
Orchid Cellmark	15.2	410	37,073	-3	(1.2)	(2,927)	-208
Genoptix	27.8	186	149,462	100	5.9	31,720	51

Source: Washington G-2 Reports from company reports, 8-K, and 10-Q filings

Rob Atlas, CEO of Atlas Medical Software

EMRs Falling Short, *from page 4*

Friedman also disputes the need for multiple interfaces, instead advocating for a federated model. This federated architecture allows the specialties like lab and radiology to maintain their separate databases, with the EMR acting as a conduit. "The clinician would generate a query within the EMR and then essentially the EMR would keep track of the various systems within the health system where patient data is stored," said Friedman. "The response to that query is patched together on the fly, acquiring data from multiple databases comprising the virtual database."

But both hospital and lab chief information officers (CIOs), as well as EMR vendors, will resist this architecture because many have invested heavily in these systems, according to Friedman. "The CIOs are going crazy right now, struggling to maintain all of the interfaces, so I think the answer is this federated model where you have peer-to-peer communications," he added. "The problem is that no EMR vendor is ever going to promote this as an acceptable solution because they are selling these systems for hundreds of millions of dollars. In addition, they have all of these costs sunk in these systems, so they have to keep selling these EMR systems, even though the architecture is obsolete."

Navigenics, 23andMe Now Licensed to Test in California

Personal genomic testing companies 23andMe (Mountain View, Calif.) and Navigenics (Redwood Shores, Calif.) have reportedly received licenses from the California Department of Public Health (CDPH) and are allowed to continue to do business in the state. Calls to the companies, as well as to the CDPH, were not returned by press time.

The licensing comes after the controversy started when CDPH began to crack down on direct-to-consumer (DTC) testing companies by sending cease-and-desist letters to 13 companies in June. This move came amid concerns that California-licensed physicians were not involved in licensing the tests (*LIR*, August 2008, p. 10). In addition, there were concerns about samples going to a laboratory with a California license that is also CLIA-certified and validated. G-2 Reports estimates that the DTC lab testing market is less than $100 million in annual revenue compared to the overall $51.7 billion U.S. laboratory testing market.

In related news, another DTC testing company has received confirmation that they are in compliance. On July 31, San Francisco-based DNA Direct Inc. announced that they had received a formal letter from the CDPH, confirming that they are in compliance with state laboratory law and that the tests are performed only with a physician order and are conducted at licensed laboratories. The letter added that DNA Direct gives validated interpretations of results directly to those ordering the tests and provides publicly available education material to aid in the understanding of results.

"This communication from the CDPH enables us to reassure California residents that DNA Direct continues to operate within the appropriate regulatory framework and that consumers can depend upon us for convenient, secure, and clinically valid personal genetic information and testing services."

Lab Stocks Showing Gains; Up 7% Over 5 Weeks, Up 4% for Year

Showing signs of strength, the *G-2 Laboratory Index* is up 7 percent over the past five weeks for the week ended August 15, and 4 percent so far in 2008. Over the past 13 weeks, the 14 publicly traded labs tracked by the *Index* are up 11 percent. But the same can't be said for the Nasdaq and S&P 500, which continue to decline. The Nasdaq is down 8.3 percent and the S&P 500 is down 12.19 percent so far in 2008.

The leading lab in gains over the past four weeks is the San Diego-based **Genoptix**, which is up 31 percent to $36.74 a share for a market cap of $607.35 million, for the week ended August 15. Up 17 percent is **Genomic Health** (Redwood City, Calif.) to $24.02 a share for a market cap of $679.93 million. Rounding out the top three gainers is **MedTox Scientific**, up 12 percent to $16.31 a share for a market cap of $137.92 million. The St. Paul, Minnesota-based drugs-of-abuse provider recently expanded its clinical laboratory testing services.

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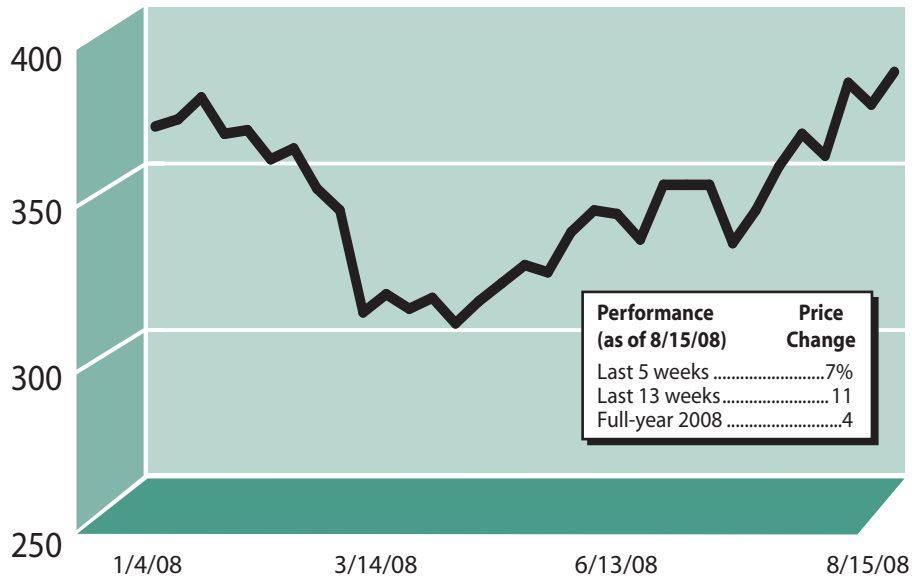
There were only four labs down for the week ended August 15. Leading this list is **Psychemedics** (Acton, Mass.), a drugs-of-abuse testing lab that was down 8 percent to $14.65 a share for a market cap of $76.65 million. **Monogram Biosciences** (South San Francisco, Calif.) was down 5 percent to $1.01 a share for a market cap of $136.41 million. **Orchid Cellmark** (Princeton, N.J.) and **Neogenomics** (Ft. Myers, Fla.) were both down 4 percent. For the week ended August 15, Orchid was at $3.16 a share for a market cap of $94.69 million, while Neogenomics was at $1.00 a share for a market cap of $31.37 million.

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 14 laboratory testing service stocks.

Percent price change, week ended 8/15/08

	Percent Change	*Price*
UP		
Genoptix	31%	$36.74
Genomic Health	17	24.02
MedTox Scientific	12	16.31
DOWN		
Psychemedics	8	14.65
Monogram Biosciences	5	1.01
Orchid Cellmark	4	3.16
Neogenomics	4	1.00

INDUSTRY buzz

Independent Labs Ineligible for CMS's PQRI Program

Pathologists employed by independent laboratories are not eligible for incentive payments through the Centers for Medicare & Medicaid Services's (CMS) Physician Quality Reporting Initiative (PQRI), *LIR* has learned from Pathology Services Associates, LLC (PSA), a business support company for labs and pathology practices.

PSA is informing its clients that the ineligibility appears to be because CMS treats independent labs as "suppliers" rather than physicians. This does not appear to be the result of a policy decision by CMS, but rather an oversight by the agency that its carriers' systems do not allow them to collect the data needed for PQRI reporting from independent labs, according to an e-mail sent by Leigh Polk, PSA's marketing and support services director. "PSA encourages independent labs to continue to report PQRI quality data through the end of the year with the hope that CAP and other industry advocates are successful in efforts to get CMS to make necessary systems changes or otherwise create some alternative mechanism for reporting PQRI data," wrote Polk. Approximately 60 percent of pathologists in the United States are employed by an independent laboratory.

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