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LABORATORY INDUSTRY REPORT®

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HIGHLIGHTS

Economic Stimulus Bill's $19 Billion in IT Investments Include Incentives for Pathologists, but Not Labs

The $787 billion economic stimulus bill—the American Recovery and Reinvestment Act of 2009—features $19.2 billion in health information technology (HIT), including incentive payments for independent pathologists that could total $44,000 per eligible provider over five years. While hospital-based pathologists are excluded from these incentives—as they are considered part of separate HIT incentive payments for hospitals—providers such as laboratories are not eligible for any of this incentive money.

The bill, signed in mid-February by President Obama, has also prompted concerns over changes to existing privacy provisions under HIPAA. In addition, the lab industry is grappling with significant problems related to interoperability, interfacing, and lack of standardization in laboratory information systems that might only be exacerbated by this sudden infusion of federal IT funding.

For more on this story, read *Inside the Lab Industry*, pp. 5-7.

California AG Alleges Billing Fraud in Suit Against Quest, LabCorp, and Five Other Labs

California Attorney General Edmund G. Brown has joined a civil suit against seven clinical laboratories—including national leaders Quest Diagnostics (Madison, N.J.) and LabCorp (Burlington, N.C.)—alleging that the defendants charged the state's Medicaid program, known as Medi-Cal, up to six times more for tests compared to other clients over the past 15 years.

Lawsuit Alleges Test Overcharging

Some examples cited by California Attorney General Brown:

- Quest Diagnostics charged Medi-Cal $8.59 for a complete blood count test (CBC); charged other clients $1.43 for the same test;
- LabCorp charged Medi-Cal $30.09 for a Hepatitis C Antibody screening; charged some other customers $6.44 for the test;
- Health Line Clinical Laboratories (now known as Taurus West) charged Medi-Cal $12.65 for HIV antibody screening; charged some other customers $1.75 for the test.

Under state law, providers cannot charge more for any service, such as testing, than they would charge for the same service to other purchasers of "comparable services … under comparable circumstances."

Continued on page 2

CALIFORNIA AG ALLEGES BILLING FRAUD, *from page 1*

The civil suit was originally filed by Chris Riedel, CEO of Hunter Laboratories, who contended that it could not compete in markets where many of the defendants were offering referring doctors, hospitals, and clinics lower rates than they were charging Medi-Cal.

In response to the lawsuit, Quest officials deny any wrongdoing. "We believe that our services were priced appropriately," company spokeswoman Wendy Bost told *LIR*. "We intend to vigorously defend ourselves in the case." LabCorp officials did not respond to a request for comment.

Charges Include Referrals in Exchange for Discounts

The civil suit specifically alleges that in exchange for steep discounts, the defendants expected customers to refer all of their other patients (who were covered by Medi-Cal, Medicare, or another insurance provider) to their labs, which is considered an illegal kickback under state law.

However, these discounts were not made available to Medi-Cal. The suit states that the defendants charged the state program up to six times more than they charged other clients for the same tests, in effect shifting the cost of doing business from the private sector to Medi-Cal. In addition, the suit alleges that the defendant labs offered clients who paid them directly, rather through Medi-Cal or other insurance, additional discounts to increase their share of the lab testing market.

The lawsuit asks for relief in the amount of triple the amount of California's damages; civil penalties of $10,000 for each false claim; and recovery of costs, attorneys' fees, and expenses. It is estimated that damages could amount to hundreds of millions of dollars.

Defendants in Calif. Billing Fraud Lawsuit

- ❑ Quest Diagnostics (Madison, N.J.) and its affiliate Specialty Laboratories (Valencia, Calif.) and four other affiliates based in Valencia; and 4 other Quest affiliates. Quest has more than 500 patient service centers (PSCs) in the state.
- ❑ Health Line Clinical Laboratories, now known as Taurus West Inc. (Burbank)
- ❑ Westcliff Medical Laboratories (Santa Ana)
- ❑ Physicians Immunodiagnostic Laboratory (Burbank)
- ❑ Whitefield Medical Laboratory (Pomona)
- ❑ Seacliff Diagnostics Medical Group (Monterey Park)
- ❑ LabCorp (Burlington, N.C.), more than 12 PSCs in California.

Survey Finds 63% of Labs Grappling With High Vacancy Rates; Medical Technologist Rate Highest at Over 10%

Sixty-three percent of laboratories are facing increased competition for qualified staff as the primary challenge to filling vacancies, according to the *Wage & Vacancy Study 2009* conducted by the American Society for Clinical Pathology (ASCP). Other hiring challenges include salary and job location. Thirty-three percent of survey respondents reported low compensation as a recruiting problem, while 28 percent said that applicants were unwilling to relocate. The survey results include responses from almost 1,600 laboratorians working in hospital, reference, and physician office laboratories in the United States.

Respondents said that the most difficult positions to replace are medical technologists (MT) at the staff level (63 percent), followed by medical laboratory technicians (MLT) at 38 percent. The highest vacancy rate was for MTs at 10.4 percent, primarily in the East North Central and Far West areas of the United States. Laboratory assistants (LA) also reported high vacancy rates at 8.8 percent, primarily in high-volume testing labs (26.3 percent). Histotechnicians (HT) also rated among the highest in vacancies at 8 percent. The survey showed MLTs with a 6.4 percent vacancy rate. The highest MLT vacancies were in outpatient clinics, reference labs, and high-volume testing labs. Cytotechnologists also had a high vacancy rate at 4.8 percent, although this rate included only hospital and private clinic/reference labs.

The current workforce shortage issues are only exacerbated by the high rate of staff expected to retire in the near future. The ASCP survey found that 13 percent of the current laboratory staff is likely to retire in the next five years. And hiring qualified lab staff to replace these workers will prove tough with fewer becoming trained. The U.S. Department of Health and Human Services reports that by 2012, 138,000 lab professionals will be needed, but fewer than 50,000 will be trained.

Pathologists' Assistants Are Top Wage Earners

In terms of average annual salaries, the ASCP survey also found that the highest earner in the field was the pathologists' assistant (PA), with staff-level wages around $72,800 per year. MT managers followed with a national average of about $70,720 annually, while the average salary for a full-time MT was $47,840 per year. Cytotechnologist (CT) wages are slightly higher at a national average of $58,032. The survey's findings also reported that staff-level LAs had an average annual salary of $28,080, while phlebotomists (PBT) earned $27,040 annually. The survey also reported median average hourly wages, although for many positions, there was an insufficient sample size to provide adequate analysis. However, it does appear that private clinic and reference labs outpace hospital and physician office labs in hourly pay rates.

Genoptix Leads in FY2008 Productivity Benchmark Measures

Full-year results are out and most publicly traded clinical labs have filed their 10-Ks, signaling that it's time for *LIR*'s periodic benchmarking analysis. Based on earnings from the full-year 2008, hematopathology specialty lab Genoptix (San Diego) continues to lead in productivity—for both revenue per full-time employee (FTE) and pretax income per FTE (see Table 1 on page 4).

For revenue per FTE, the Genoptix benchmark was $412,811—up 8 percent from the 2007 figure. Following was Myriad Genetics (Salt Lake City) with $335,614 in revenue per FTE, an increase of 81 percent over 2007. The cancer diagnostic testing company recently expanded its salesforce by 100 for a total of 250. But Myriad's current $8 million physician and direct-to-consumer marketing campaign in Texas and Florida, promoting its BRACAnalysis test, appears to be driving revenues and offsetting any associated costs or dilution in this benchmark. Rounding out the top three is Genzyme Genetics/Diagnostics at $279,625, an increase of 16 percent over the previous year. It's important to note that beginning with

full-year 2008 results, revenues and associated earnings from the genetics and diagnostics business units are now combined.

For the other benchmark tracked by *LIR*—pretax income per FTE—Genoptix leads with $105,694, an increase of 19 percent over 2007. Following is the drugs-of-abuse testing provider Psychemedics (Acton, Mass.), at $53,191, which is actually a drop of 19 percent over the previous year. The growing unemployment rate—and subsequent decrease in employment-related drug testing—is likely impacting Psychemedics. Rounding out the top three in this category is Myriad at $48,798, an increase of 219 percent over 2007.

Table 1
FY2008 Financial Benchmarks

	Revenue (in millions)	Full-Time Employees	Revenue /Employee	Comparison to FY07	Pre-Tax Income (millions)	Pre-Tax Income/Employee	Comparison to Q4 07
Quest	$7,249.0	42,800	$169,369	10%	$1,019.0	$23,808	14%
LabCorp	4,505.2	28,000	160,900	3	772.4	27,586	-11
Bio-Reference	301.1	1,484	202,898	38	26.7	17,992	34
Enzo Clinical Labs	42.1	266	158,271	3	2.0	7,519	-40
Genzyme Genetics/Diagnostics	477.6	1,708	279,625	16	n/a	n/a	n/a
MedTox Scientific	85.8	582	147,423	-4	8.7	14,948	-16
Monogram Biosciences	59.5	382	155,759	38	n/a	n/a	n/a
Myriad Genetics	333.6	994	335,614	81	48.5	48,793	219
Psychemedics	22.9	94	243,617	15	5.0	53,191	-19
Orchid Cellmark	57.4	410	140,000	-4	(6.2)	(15,122)	-114
Genoptix	116.0	281	412,811	8	29.7	105,694	19

Source: Washington G-2 Reports from company reports and 10-K filings.

DSOs Down

As *LIR* has stressed in recent months, Wall Street analysts are keeping a close eye on how publicly traded labs are able to manage their days sales outstanding (DSO) and bad debt expense, as these are two areas likely to be negatively impacted by the recession. Both Quest and LabCorp officials have pledged that they are watching these metrics on a daily basis.

It appears that efforts to decrease DSO have paid off for both the national labs, as well as Bio-Reference (Elmwood Park, N.J.). Quest's DSO was 44 at the end of 2008, compared to 48 the previous year, while LabCorp's was 51, down from 56 between 2008 and 2007. Bio-Reference's DSO is still relatively high at 107, but that is down from 2007's 115 figure. Genoptix held steady for both years at 53.

Table 2

	End of Year Bad-Debt Expense (%)			End of Year DSO		
	2006	2007	2008	2006	2007	2008
Quest	48	48	44	3.8	4.4	4.3
LabCorp	54	56	51	4.8	4.8	6.2
Bio-Reference	117	115	107	13	13.9	13.3
Genoptix	n/a	53	53	n/a	3	3

In terms of bad debt expense, the only lab to show an increase this year was LabCorp—up to 6.2 percent from 4.8 percent at the end of 2007. Quest was down to 4.3 percent from 2008's 4.5 percent, while Bio-Reference was down to 13.3 percent from 13.9 percent at the end of 2007. Genoptix held steady at 3 percent for both years. For a closer look at Genoptix's full-year 2008 results, turn to p. 9.

Stimulus Bill's $19 Billion in IT Investment Provides Incentives, Penalties for Lab Industry

One of the highlights of the $787 billion economic stimulus bill is the almost $20 billion in investments that could deliver over $40,000 to pathologists in health information technology (HIT) incentives payments over five years. But it's not all good news for the lab industry, as Medicare-participating pathologists and other physicians who are hospital-based are barred from directly receiving such payments because they are considered covered under separate HIT incentive payments for hospitals. In addition, the economic stimulus law does not provide such payments to other providers, including laboratories and skilled nursing facilities.

The American Recovery and Reinvestment Act of 2009 (ARRA) that was signed by President Barack Obama on Feb. 17 invests $19.2 billion in HIT infrastructure and Medicare and Medicaid spending to encourage physicians and hospitals to use this technology to electronically exchange patients' information. As part of this investment, independent pathologists who participate in Medicare are eligible for up to $44,000 in incentive payments over five years by adopting and using a certified HIT system, including electronic health records (EHRs). For early adopters (those who start in 2011 or 2012), the incentive for the first payment year is $18,000 (see box for more details). The law also includes a whistleblower protection provision that protects employees who reveal violations of the law related to stimulus funds.

Incentive Payment Details for Independent Pathologists

The ARRA's payment incentives to eligible physicians will be capped at a maximum of $44,000 over five years as follows:

- ❑ For the first payment year, $15,000. If this year for an eligible physician is 2011 or 2012, the payment is $18,000.
- ❑ For the second payment year, $12,000.
- ❑ For the third payment year, $8,000.
- ❑ For the fourth payment year, $4,000.
- ❑ For the fifth payment year, $2,000.
- ❑ For any succeeding payment year, $0.

There are also penalties included in these provisions for what the law defines as those who are not "a meaningful EHR user." They will see their Medicare payments reduced by 1 percent in 2015, 2 percent in 2016, and 3 percent in 2017 and thereafter. For 2018 and each subsequent year, the HHS secretary may make the cut deeper, but not below 95 percent. An exemption from the payment reduction is allowed on a case-by-case basis if the secretary determines that compliance with the requirement would result in significant hardship—such as in a rural area without sufficient Internet access. But in no case may an eligible professional be exempt for more than five years.

ACLA Questions Privacy Provisions, Urges Safe Harbor Revocation

In addition to the incentive payments, the stimulus bill also makes a number of changes to IT-related privacy provisions under the Health Insurance Portability and Accountability Act (HIPAA). The American Clinical Laboratory Association (ACLA) is concerned that the bill will require laboratories and other providers to develop costly procedures to meet these new requirements. Requirements include having providers notify individuals when their

unsecured health information has been accessed, acquired, or disclosed as a result of breach. In addition, this breach must be treated as discovered on the first day it is known. ACLA believes the notification should take effect only if it results in some level of harm and that the notification should be made upon confirmation of the breach.

ACLA is also urging both the CMS and the Department of Health and Human Services' Office of Inspector General to completely revoke the existing safe harbor provisions under the federal anti-kickback statute. In August 2006, the OIG finalized this provision protecting arrangements between health care providers such as physicians and laboratories and IT companies that donate technology to these providers to create, maintain, transmit, or receive EHRs. The safe harbor provision allowed these entities to donate this technology, so long as the recipient paid for 15 percent of the total donation cost. But given these recent incentive payments, the ACLA thinks that it is no longer necessary for entities to underwrite the cost of EHR technology in order for it to be available to hospitals and physicians. "It's redundant to have the money out there and the safe harbor provisions for giving this technology, when this money has been put into the system to allow physicians and hospitals to buy it," said ACLA's vice president of government relations. "We think there's a potential for some fraud and abuse if both provisions remain in place."

In contrast, the College of American Pathologists (CAP) is pushing for the OIG not to include laboratories in the EHR safe category of protected donors. In a letter to the OIG, CAP's president Jared N. Schwartz, M.D., Ph.D., noted that in many instances, commercial labs are offering these EHR software packages to physicians as a referral inducement. "These arrangements do not promote widespread adoption and use of health information technology, as intended by the safe harbor, but instead promote fragmented care, duplicate testing, and a reduction in care coordination," states the letter. "In fact, many of our member laboratories have indicated that electronic access to records is even less effective than it had been prior to the adoption of the EHR safe harbor due to the impediments and perverse incentives that have resulted due to the permissibility of donated laboratory records under the current safe harbor.

Interfacing, Interoperability Still Major Issues

Currently, only 4 percent of physicians have access to an EHR system that is connected to a laboratory information system (LIS) or a radiology (also know as PACS) or hospital information system, according to a July 2008 survey published in the *New England Journal of Medicine*. Clearly, the incentive payments in the stimulus bill will force more physicians to invest in IT systems, but when it comes to communicating with the lab, interface and interoperability—as well as lack of standardization—remain significant problems, according to many speakers at the recent Lab InfoTech Summit, held March 16-18 in Las Vegas, Nevada.

Rob Bush, President, Orchard Software

"True interoperability is still mostly a fantasy," declared Anand Dighe, M.D., Ph.D., director of the Core Laboratory at Massachusetts General Hospital (Boston), adding that there is a dire need for standards in EHR, LIS, and other related lab IT systems. "Personal health records are a good idea and patients should have this information, but national personal health record plans will not be successful without interoperability and standards for data exchange."

In fact, several speakers remarked that this federal IT funding from the government was "too much, too soon," and would prompt a number of costly initiatives that would ultimately prove impractical in a clinical setting. Nevertheless, this latest EHR initiative is going to increase pressure on labs to have a user-friendly, reliable IT product to sell to clients, which features more sophisticated interfaces, said Rob Bush, president of lab IT provider Orchard Software (Carmel, Ind.), during a panel discussion with lab IT company executives. "If labs are putting their test results in a less-than-great product, they might lose customers," he said. "We need to change our interface model, from the current and expensive point-to-point model, to a Web services-based model, but no one is really doing this."

The other major issue looming is, of course, the economy, which is making it even harder for hospital outreach and independent labs to invest capital to expand and improve their IT systems. But lab IT vendors have a role in helping labs ensure a timely return on investment, as well as reducing costs, noted many of the panel's executives. With IT linked so closely to preventing costly medical errors, vendors can design systems with patient safety initiatives that position the lab as an enterprisewide leader, even helping out the emergency room and nursing departments, said Kelly Feist, vice president of marketing for Sunquest Information Systems (Tucson, Ariz.). Vendors also need to be more flexible when it comes to software contracting. "Most software operates on perpetual fee license," she explained. "I think we can be creative in offering alternative models, like a subscription model."

CMS to Suspend MUEs for Labs

The Centers for Medicare and Medicaid Services (CMS) will suspend implementation of Phase VIII of the agency's medically unlikely edits (MUEs) temporarily while problems are being resolved, according to the American Clinical Laboratory Association (ACLA).

On a March 13 conference call with ACLA and other lab groups, Kim Brandt, director of the CMS Program Integrity Office, said CMS will collaborate with the laboratory community to work out serious problems with the implementation that took effect January 1.

Phase VIII contained over 100 lab and pathology codes, noted David Mongillo, ACLA's vice president for policy and medical affairs. An informal survey of ACLA members found that monthly denials could total as much as $1 million.

"We were able to point out that the degree of denials was way beyond what should be the overall intent of the program, which was to identify those significant code errors or outliers," he explained.

Moving forward, CMS will continue to meet with the ACLA and other industry stakeholders to revisit issues such as the ability to challenge proposed MUEs and the process for appealing denials. "There are some unique considerations in pathology and lab medicine that have to be discussed, and I think CMS officials are more aware of that now," said Mongillo.

Cleveland Clinic Eyes $25 Million Reference Lab Expansion, Broadens Focus on Cardiac Esoteric Testing

Currently, outreach testing comprises only 10 percent of the Cleveland Clinic's annual volume of 10 million tests. But that outreach volume is set to grow in coming years, as the world renowned medical facility leverages both its reputation and esoteric testing technology to expand its reference lab capabilities by building a new $25 million, 10,000 square-foot facility. Projected to be completed in 2010, the new laboratory, which will be part of the clinic's Pathology and Laboratory Medicine Institute, is slated to create 500 new jobs over the next five years. Currently, the institute employs 800, including 59 pathologists.

While the current economy might be forcing many hospitals to scale back outreach growth plans, the reference lab's CEO Dino Kasdagly said that the clinic has another perspective on pursuing growth during this recession. "With the advances of the esoteric tests, along with the economic challenges that smaller hospitals have across the country, many hospitals can't make the investments in providing this kind of patient care," he explained. "Yes, the economy is bad, but if you just manage to a bad economy, then you forget about the future. What we are doing is managing very tightly to the economy, while targeting those areas that are important for our future, and one of them is laboratory medicine."

Focus on Cardiac-Related Mol Dx Testing

In terms of the new reference lab's test menu, Kandice Kottke-Marchant, M.D., Ph.D., chair of the Pathology and Laboratory Medicine Institute, said the focus will be on expanding molecular diagnostic offerings, as well as immunopathology, flow cytometry, and hematology. In fact, the current lab just established a molecular pathology department. "The other focus is in what I would call interpretative diagnostic testing, so the results won't be just numbers, but ways in which we can help clinicians understand the meaning of their test results," she added. "What I want to do is to get to the point where we can help clinicians and hospitals order the right tests for their patients." This is also a means to bring more patients into the clinic, as a referral for difficult patient cases at other facilities that may require another level of care.

Since the Cleveland Clinic is renowned for its cardiology expertise, molecular testing in this specialty will also be a focus. In addition, the lab would like to offer more tests related to cardiac pharmacogenomics, such as warfarin testing. "We also have a strong hemotapathology group and are looking at expanding our hematopathology/hematoncology molecular testing, as well as more prognostic and drug-related molecular testing in those areas," she explained.

Two-Phased Growth

CEO Kasdagly explained that the lab expansion will happen in two phases, with the first phase focusing on local outreach growth in northeast Ohio to ensure that the appropriate infrastructure and integration is in place. "The second phase will be to broaden nationally and expand our current hospital client base, eventually solidifying our national presence with esoteric reference testing," he said. "This could also be international as well. Once we have a solid foundation, it shouldn't

hold us up to go internationally." The clinic is currently developing partnerships in Vienna, Austria, and Abu Dhabi in the United Arab Emirates.

The expansion will focus primarily on growing the clinic's hospital outreach client base. Hospital labs make up 55 percent of the testing market by test volume and nearly 60 percent by revenue, according to the recently released *Washington G-2 Reports Lab Industry Strategic Outlook 2009*. "For our outreach in northeast Ohio, there's a physician market that is based on our hospital system and our main campus that we want to target," said Kasdagly. "But the strategy is to focus on the hospital market nationally."

Genoptix FY08 Revenues Up 96% to $116 Million; Growth Includes Move Into Solid Tumor Testing

The San Diego-based hematopathology specialty lab Genoptix continues impressive growth—with increased volumes driving full-year 2008 revenues up 96 percent to $116.2 million. Active customers were up to 1,000 by the end of 2008, compared to 700 at the end of 2007, which leads to a 71 percent increase in volume to 39,000 total cases processed in 2008 compared to 2007. In addition, the average revenue per case for 2008, which was $3,000, represents an increase of 14 percent over 2007. For the fourth quarter 2008, revenues were up 83 percent to $34 million. This included a $3.3 million benefit related to changes in accounting and other out-of-period revenues credited to fourth quarter 2008.

This growth was also fueled by staff expansion. The company's total full-time employee (FTE) count grew by 126 in 2008, for a total FTE count of 281. This includes an expansion of the field sales team to 55 by the end of last year, up from 34 at the end of 2007. The current FTE total also includes approximately 25 hematopathologists.

Genoptix currently estimates that it currently has approximately 6 percent of the market share related to the 375,000 bone marrow procedures performed annually in the United States. The company would like to more than double this in the next three to five years, a goal that William Blair & Company (WB&C; Chicago) analyst Amanda Murphy said is realistic given recent performance. "The number of new cases per sales rep in the quarter increased to 18 from 16 in the third quarter and was much higher than our five-case estimate," she wrote in a recent research note. "The company's salesforce targets, as well as the effectiveness of those reps, provide us more comfort that the company's three- to five-year goal of 15 percent to 20 percent market share, while ambitious, is achievable."

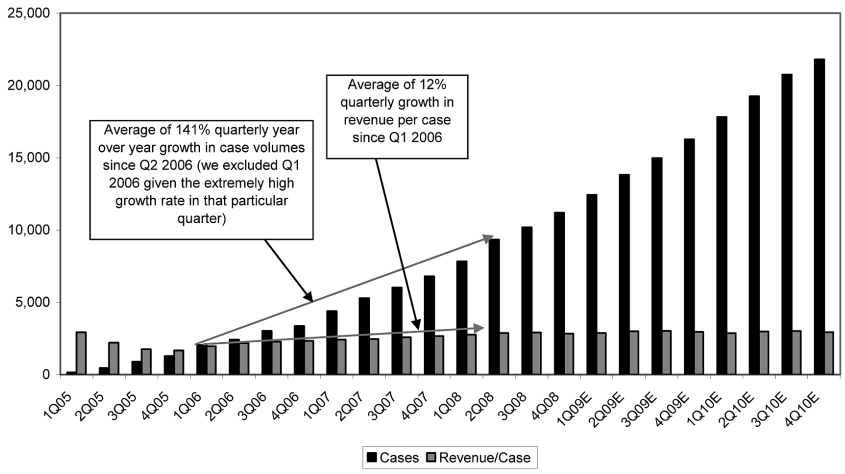
More Growth in 2009 and Beyond

Looking ahead, Genoptix has given a guidance of 47 percent revenue growth to $170 million for 2009. Already this year, the company has moved more into solid tumor testing, with the launch of assays for K-RAS mutational analysis and EGFR amplification analysis to help guide cancer therapies. The company hopes to use this new technology to increase sales to existing customers, which currently ranges between 3.5 to 5 cases per customer per month, explained executive vice president and chief operating office Sam Riccitelli in the most recent earn-

ings call. "Now, going forward by moving into the solid tumor space, we open up a greater potential for the company," he explained. "Instead of 4.5 to 5, we are estimating it could be more like 15 to 20 cases per customer per month."

In addition to expanding its test menu, Genoptix's growth is going to continue to be driven by increasing both hemepaths and the salesforce. Ultimately, the company would like to have between 100 and 120 sales representatives in the field, but plan on having a total of 85 by the end of this year, said Riccitelli. He also mentioned plans to hire 12 hemepaths this year, which would bring the on-site physician total to 37. Given these projections and additional estimates, this could help grow the company's annual volume from over 38,000 this year to almost 80,000 in 2010, according to WB&C's Murphy (see graph). Laboratory expansion is also planned for 2009, with capital expenditures estimated to come in at around $8 million.

Genoptix Inc. Key Revenue Growth Drivers



Notes: Revenue per case excludes contractual adjustments
Source: William Blair & Company, 2009.

Enzo Biochem Names New Clinical Lab President; Acquires Assay Designs

New York City-based Enzo Biochem has named Kevin Krenitsky, M.D., as the new president of its subsidiary, Enzo Clinical Labs. Krenitsky will replace Shahram Rabbani, who was formerly the treasurer, secretary, and director under his brother Elazar Rabbani, Ph.D., who is Enzo Biochem's chairman and chief executive officer. Enzo Clinical Labs has exhibited significant growth over the past two years. Between 2007 and 2008, the subsidiary saw 79.5 percent revenue growth, according to Washington G-2's recently released *Laboratory Industry Strategic Outlook 2009*.

Prior to joining Enzo, Krenitsky was most recently the CEO of Bioserve Biotechnologies Ltd., a global biotech company that validates, processes, and develops molecular diagnostics. Prior to Bioserve, he was chief CEO of Parkway Clinical Laboratories (Bensalem, Pa.), a clinical diagnostic lab purchased by Rosetta Genomics (Jersey City, N.J.) in July 2008.

In related news, Enzo Biochem also announced the acquisition of Assay Designs (Ann Arbor, Mich.) for approximately $12.2 million. Founded in 1992, Assay Designs sells kits and reagents for the detection and quantification of small molecules and proteins related to inflammation and immunity, oxidative and cellular stress, steroid and hormone biology, cell signaling, and bioenergetics. With approximately $11 million in annual revenue, the purchase calculates to a 1.1x revenue per price multiple.

Lab Stocks Down 16% So Far in March; Down 7% So Far in 2009

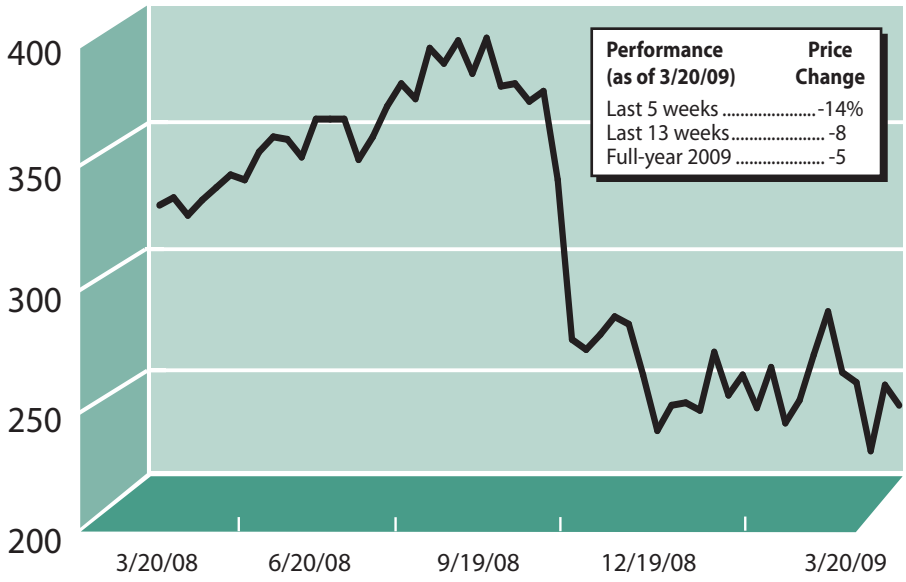
Despite showing strength in February, lab stocks struggled in March—down 16 percent over five weeks and down 11 percent over 13 weeks for the week ended March 20, 2009. The 14 publicly traded labs tracked by the G-2 Reports Laboratory Stock Index are down 7 percent so far this year. The Nasdaq and S&P 500 Indices also continue to struggle. For 2009, the Nasdaq is down over 10.72 percent, and the S&P 500 remains down over 17 percent so far in the year.

In terms of the top three labs posting gains this month, cancer testing specialty lab **NeoGenomics** (Ft. Myers, Fla.) was in the lead, up 32 percent to $.99 per share for a market cap of $31.55 million over four weeks for the week ended March 20. Following was another cancer testing specialty provider, **Clarient** (Aliso Viejo, Calif.), which was up 17 percent to $1.73 per share for a market cap of $133.29 million. Rounding out the top three gainers was **Genomic Health** (Redwood City, Calif.), which was up 8 percent to $21.35 per share for a market cap of $622.59 million.

For up to the minute laboratory and diagnostic firm data, financial news and company podcasts—go to **www.g2reports.com**

Leading the list of labs posting losses over the past four weeks for the week ended March 20 was **Genoptix** (San Diego), which had been posting significant gains in recent months. The hematopathology specialty testing provider was down 30 percent to $24.42 per share for a market cap of $409.47 million. Next was Acton, Mass.-based drugs-of-abuse testing provider **Psychemedics**, which was down 29 percent to $4.40 per share for a market cap of $23.95 million. Following was the biotech powerhouse **Genzyme** (Cambridge, Mass.), which was down 24 percent to $54.60 per share for a market cap of $14.78 billion.

G-2 Laboratory Stock Index



Source: The G-2 Laboratory Stock Index is tabulated weekly by *Laboratory Industry Report* from the average percentage change in the price of 14 laboratory testing service stocks.

Top Gains and Losses Over Past Four Weeks

Percent price change, week ended 3/20/09

	Percent Change	*Price*
UP		
Neogenomics	32%	$.99
Clarient	17	1.73
Genomic Health	8	21.35
DOWN		
Genoptix	30	24.42
Psychemedics	29	4.40
Genzyme	24	54.60

INDUSTRY buzz

LabCorp, Quest Name New Chief Medical Officers

Over the past month, both national labs announced the appointment of new chief medical officers. Joining Quest Diagnostics is Jon R. Cohen, M.D., who was also named senior vice president of the national lab leader. Cohen is the former chief policy advisor to New York Governor David Paterson (D) and previously served as managing director of health industries services at PricewaterhouseCoopers, as well serving for six years as CMO and senior vice president at North Shore-Long Island Jewish Health System in New York. A 2006 candidate for lieutenant governor of New York, Cohen advised Sen. John Kerry (D-Mass.) on health care policy during his presidential campaign in 2004.

LabCorp has tapped Mark Elliott Brecher, M.D., as its new chief medical officer. Brecher was previously vice chairman of the department of pathology and laboratory medicine at the McLendon Clinical Laboratories, which is part of the University of North Carolina Hospitals system in Chapel Hill. He replaces Myla Lai-Goldman, M.D., LabCorp's former chief scientific officer and medical director, who left the company last December.

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American Society for Clinical Pathology 800-267-2727

Bio-Reference Labs 800-229-5227

Clarient 949-425-5700

Cleveland Clinic 216-444-2200

College of American Pathologists 847-832-7000

Enzo Biochem 212-583-0100

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