Diagnostic Testing and Technology Report

Competitive Intelligence & Analysis for an Expanding Global Market

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WASHINGTON G-2 REPORTS

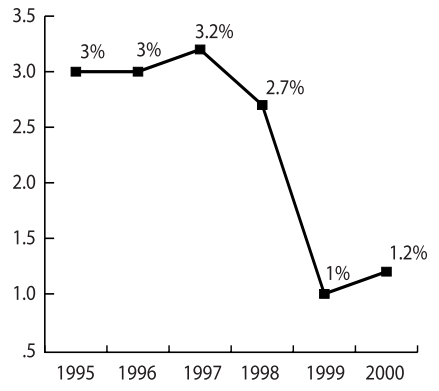
Established 1979

Hospital Lab Budgets Remain Tight, Labor Savings Key To New Instrument Sales

Despite rising inpatient admissions and the stabilizing of average length of stay, hospital profit margins remain under pressure. The median operating margin at not-for-profit hospitals was only 1.2% in 2000, according to an analysis of 153 hospitals and healthcare systems conducted by credit-rating agency Fitch IBCA, Duff & Phelps (New York City). Fitch IBCA attributes the relative flatness of median operating margins to the impact of the 1997 Balanced Budget Act, sustained losses on owned physician practices and increasing labor costs.

Not surprisingly, laboratory managers tell *Diagnostic Testing & Technology Report (DTTR)* there is intense pressure to cut costs and improve efficiency. Compounding the crunch is the widespread shortage of laboratory personnel. As a result, decisions to purchase new lab equipment are focused squarely on maximizing throughput with the least amount of labor necessary. For a first-hand look at how new equipment investment decisions are being made at 10 hospital labs, see *Inside The Diagnostics Industry*, pp. 5-7.

Median Operating Profit Margins At Not-For-Profit Hospitals



Source: Fitch IBCA, Duff & Phelps

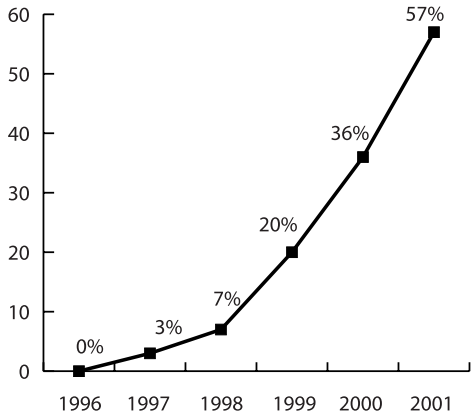
Cytyc To Pay 12.6x Revenue For Digene

Cytyc Corp. (Boxborough, MA) has agreed to acquire Digene Corp. (Gaithersburg, MD) for approximately $583 million, including $76.9 million in cash plus 23 million shares of Cytyc currently worth about $506 million. The purchase price is equal to 12.6 times Digene's current annual revenue run rate of $46.3 million (based on reported results for the quarter ended Dec. 31, 2001). The per share consideration to Digene shareholders is equal to $30.33, a 19% premium to Digene's closing price on Feb. 15 (prior to announcement of the deal). Notwithstanding the steep purchase price, the acquisition will allow Cytyc to add Digene's rapidly growing DNA-based Hybrid Capture2 HPV test to its expanding menu of women's health products. *Continued on p. 2*

▲ **Cytyc To Pay 12.6x Revenue,** *from page 1*

Through the acquisition, Cytyc will absorb the threat of Digene's HPV test replacing its own thin-layer testing technique for cervical cancer screening. Since gaining U.S. Food & Drug Administration approval in May 1996, Cytyc's ThinPrep Pap test has grown to account for 57% of the total 50 million Pap tests performed each year in the U.S., and it has provided Cytyc with incredibly high margins. For example, Cytyc's gross margin was 82% in fourth-quarter 2001.

ThinPrep: U.S. Market Penetration



Source: *DTTR*

Digene's HPV test, launched in 1999, is the only FDA-cleared test for human papillomavirus (HPV), which is the cause of more than 99% of all cervical cancer cases. Digene's test is currently used as a follow-up test for inconclusive Pap test results. There are approximately three million inconclusive Pap tests in the U.S. each year, indicating a total potential market of $60 million for the Digene test, based on an average selling price of $20 per kit. This market could be substantially increased if FDA clears Digene's PMA supplement, which would allow the test to be used as a primary screening test for cervical cancer for women over age 30, in conjunction with a Pap test. An FDA panel is scheduled to discuss the use of Digene's HPV test as a primary screening test on March 8.

In the fiscal second quarter ended Dec. 31, 2001, Digene reported a net loss of $1.074 million vs. a net loss of $1.578 million in the same period a year earlier; revenue was up 47% to $11.392 million. HPV test sales account for more than 70% of Digene's total revenue. The remainder comes from DNA-based tests for chlamydia, gonorrhea, cytomegalovirus and hepatitis B. Digene had expected to increase its revenue by about 50% in fiscal year 2002 (ends June 30) to roughly $50 million.

Cytyc says that with the addition of Digene, it will generate revenue of roughly $345-$360 million in 2002; revenue of $485-$515 million is estimated for 2003.

Armonk Partners, an investment partnership that is Digene's largest shareholder with roughly a 24% stake, has stated its support for the transaction with Cytyc. Evan Jones, chairman and CEO of Digene, and Charles Fleischman, president and COO, are the general partners of Armonk Partners. Jones will join Cytyc's board of directors following close of the transaction.

Cytyc & Digene Annualized Financials *($MM)*[1]

	Cytyc[2]	*Digene*
Total revenue	$253.1	$46.3
Operating income	104.0	-4.8
Net income	63.9	-4.3
U.S. sales personnel	185	37

[1]Based on annualized results for the three months ended Dec. 31, 2001.
[2]Excludes $56 million for a one-time write-off related to acquisition of Pro-Duct.
Source: *DTTR* from company reports

Judge Confirms $505 Million Igen Ruling, Roche To Appeal

Judge Peter Messitte of the U.S. District Court of Maryland has issued a final order confirming a recent jury verdict against Roche Holding (Basel, Switzerland) in a patent dispute with Igen International (Gaithersburg, MD). Roche says it will appeal the ruling, which is centered on Roche's license to use Igen's electrochemiluminescence (ECL) technology for its immunoassay products (*DTTR, Feb. '02, p. 1*). The judgment confirms the jury's decision to award Igen $505 million in damages and requires Roche to put up a bond for this amount.

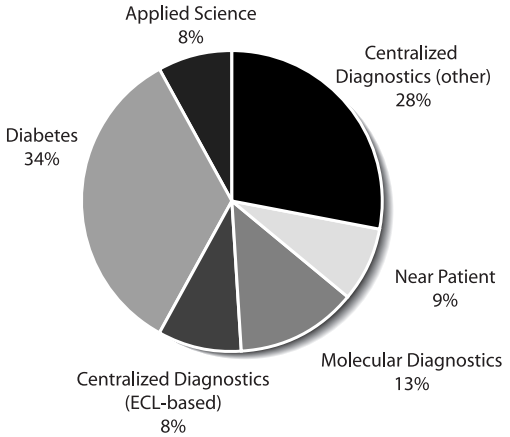
The judgment allows Roche to continue to sell its Elecsys immunoassay product line, based on Igen's ECL technology, to the hospital and commercial lab markets. However, John Putnam, analyst at Gruntal & Co. (Chicago, IL), notes that if the judgment is affirmed by the appellate court, Igen can immediately terminate this license, leaving Roche with no legal way to sell its Elecsys products to these or any other markets. Igen says it has already notified Roche that it will terminate the license.

The judgment also requires Roche to pay Igen at a royalty rate of 9%. Putnam notes that this had been the case all along, but he says Roche had never provided Igen with the documentation needed to confirm that Igen was being paid in full. Roche will now be required to provide a complete list of all past and present worldwide customers of the Elecsys 1010, Elecsys 2010, E-170 or other ECL-based products.

The judgment further directs and commands Roche to grant to Igen a (royalty-free) license to all improvements developed by Roche to Igen's ECL technology, including Roche's entire Elecsys product line plus all related tests. Putnam notes that Roche must bear all costs associated with the transfer of the improvements to Igen, including blueprints, formulae and know-how.

Putnam says Igen can immediately enter into agreements with other parties for the use of its ECL technology in the physician office market, for which Roche does not have a license. Nor is Igen precluded, he says, from entering into contracts for Roche's licensed fields (hospital and commercial labs) that would be predicated on the termination of Roche's exclusive license when the appeal is finalized (expected by mid-2003).

Roche Diagnostics 2001 Revenue: $4B



Source: Roche

In a Feb. 15 press statement, Roche said it "strongly believes that the awarded damages are out of proportion." Manfried Baier, head of the lab network business area at Roche Diagnostics, stated: "Roche has invested a great deal of money, time and resources alongside Igen to commercialize this technology. As a result, Igen's management and shareholders have benefited financially despite difficulties in the administration of the contract by Roche."

To date, Roche says it has invested more than $350 million in the ECL technology, which comprises approximately 8% (or about $300 million)

Continued on p. 4

▲ **Judge Confirms $505 Million Igen Ruling,** *from page 3*

of its diagnostics division's sales, but is growing at a 20% annual clip. Roche says it had placed approximately 7,000 Elecsys instruments worldwide as of year-end 2001. Roche Holding reports that its diagnostics division posted revenue of 6.9 billion Swiss francs (US $4 billion) in 2001, up 10% from 6.252 billion Swiss francs in 2000; operating profit was 993 million Swiss francs (US $581 million) vs. 822 million Swiss francs in 2000.

According to Putnam, Judge Messitte's decision is a major victory for Igen and he expects it to be upheld in the Court of Appeals. Industry observers have speculated that Roche will simply purchase Igen in order to keep its immunoassay business intact. At its current price of $44.21 per share, Igen has a market capitalization of $906 million, but Putnam believes the company could be worth twice that amount.

Separately, Igen recently reported a net loss of $9.576 million in the three months ended Dec. 31, 2001 vs. a net loss of $16.569 million in the same period a year earlier; revenue rose 23% to $10.4 million.

Igen At A Glance *($000)*

	Three months ended	
	12/31/01	***12/31/00***
Total revenue	$10,424	$8,500
Operating loss	-4,184	-7,808
Net loss	-9,576	-16,569

Source: Igen

Bayer Sues Chiron Over RapidPoint 400 Analyzer

Bayer Corp. (Pittsburgh, PA) has sued Chiron Corp. (Emeryville, CA) over the RapidPoint 400, a point-of-care blood gas and electrolyte analyzer that was part of Bayer's $1.1 billion acquisition of Chiron Diagnostics completed in November 1998. Bayer claims that Chiron failed to disclose technical problems with the RapidPoint 400, which forced Bayer to recall the instrument in early 1999. After fixing the problems, Bayer re-released the product in June 2001.

In addition, Bayer claims that Chiron improperly withheld other information vital to the operation of the acquired diagnostics unit, such as the fact that the business relied on a particular patent held by the University of California. Bayer further alleges that Chiron failed to disclose a potential case of patent infringement, unfunded pension liabilities of $973,000 at a Japanese subsidiary and suspected violations of Mexican law.

Under the lawsuit, filed in U.S. District Court in Delaware, Bayer is seeking compensation and punitive damages. The complaint lists monetary losses of $13.5 million, but alleges that losses related to patent issues could total "tens of millions of dollars." A spokesman from Chiron was not available for comment.

Budget Crunch, Rising Volume, Labor Shortage Plague Labs

The combination of these factors has vaulted productivity enhancement ahead of absolute cost as the deciding factor when new lab instrumentation is chosen

Hospital laboratory budgets (operating and capital), which average roughly 5% of overall hospital budgets, are under the gun. Though for-profit hospital chains like HCA-The Healthcare Company (Nashville, TN) and Tenet Healthcare (Santa Barbara, CA) are reporting improved profits, margins in the not-for-profit sector are negligible, according to the latest data from Fitch IBCA, Duff & Phelps (New York, NY).

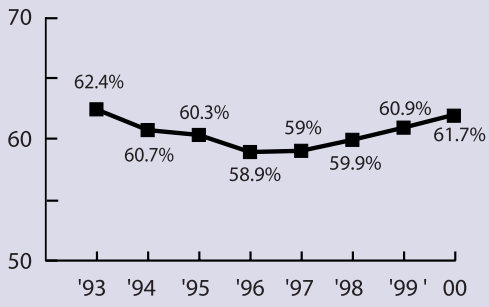
Laboratory managers tell *DTTR* that hospitals are spending heavily on information systems needed to meet HIPAA requirements, purchases of the latest radiology equipment, and pay raises for nearly all hospital staff. But getting approval for new instrument purchases for the laboratory is as difficult as ever. "Every purchase is highly scrutinized. Operating under the cost-cutting mentality has become a way of life," says one lab manager.

The struggle to make ends meet in hospital laboratories is compounded by the fact that inpatient test volume is rising. Data from the American Hospital Association (AHA-Chicago, IL) show that inpatient admissions at community hospitals grew 2.3% in 2000 to 33.1 million, the fastest growth rate in more than 10 years. This helped push inpatient occupancy levels to 61.7% in 2000, up nearly a full percentage point from the previous year.

Laboratory managers are further pressured by difficulties in finding and hiring laboratory staff. A survey of 1,092 U.S. hospitals released in January by First Consulting Group (Washington, DC) for AHA indicates that the average vacancy rate for laboratory technicians is 9.5%. For urban hospitals, the rate is 8%, for rural hospitals 12%. These shortages are only expected to get worse. For example, the number of new medical technologists fell from 2,333 graduates in 2000 to 2,061 in 2001, according to the latest data from the National Accrediting Agency for Clinical Laboratory Science (Chicago, IL).

The combination of tight budgets, increasing test volume and personnel shortages means that productivity enhancement has replaced absolute cost as the top factor when choosing a new lab instrument. For an inside look at trends in lab equipment purchase decisions, *DTTR* interviewed 10 lab managers from across the country.

Inpatient Occupancy



Source: American Hospital Association

Rick Panning, administrative director for laboratory services at Fairview Health Services (Minneapolis, MN), says capital budget restraints have required Fairview to acquire new technologies via lab reagent rental or cost per reportable result programs. Staffing shortages have put the focus on productivity-enhancing equipment, he adds.

For example, Fairview is considering front-end automation and a track system for delivering specimens to

analyzers at its two largest lab facilities—Fairview University Medical Center and Fairview Southdale Hospital. In total, Fairview Health Services includes eight hospitals and multiple physician office clinics; lab staff total 650 FTEs who perform 5.25 million billable tests annually.

Anne Alcala, administrative director of lab services at Presbyterian Healthcare (Charlotte, NC), says her lab is seeking to automate all repetitive, non-complex labor steps so that its medical technologists can focus on high-complexity testing. Recent investments include purchase of a DPC Immulite 2000 system that automates the RIA and EIA procedures involved with immunoassays. Presbyterian Laboratory Services employs 265 FTEs and performs approximately 2.5 million billable tests per year.

Bert Nash, laboratory manager at the University of Texas Medical Branch (UTMB-Galveston), says his lab is trying to automate in as many places as possible to offset sporadic staffing shortages. Recent additions include purchase of a Tecan Genesis system (marketed by Abbott) for front-end automation. Nash says the purchase decision was based on a number of factors, including the system's small space requirements and ability to decap various types of test tubes. The lab at UTMB employs 260 FTEs and performs approximately four million billable tests per year.

Jack Boehme, lab administrator at Middlesex Hospital (Middletown, CT), believes that hospital labs with successful outreach programs stand a better chance of getting extra budget dollars. "Those hospital labs with no outreach program are typically viewed as cost centers by hospital management," he notes.

The lab at Middlesex employs 94 FTEs and performed approximately 950,000 billable tests last year, including 73% from outpatient/outreach work. Boehme says Middlesex recently purchased three new Leica microtomes, a Tissue Tek automated slide stainer and a Thermo Shandon automated cover slipper. This equipment improves productivity and provides ergonomic relief for Middlesex's histotechnologists, according to Boehme. "Histotechs are hard to find. We want to keep ours happy."

Kathy Gordon, administrative director for laboratory services at Shands Hospital at the University of Florida (Gainesville), says Shands will soon shift its non-stat testing to a new 41,000 square-foot off-campus facility scheduled to open this April. Shands Medical Laboratories will occupy 18,600 sq. ft. The move is being made to create space for more beds at Shands Hospital. Gordon says Shands also plans to step up marketing of its outreach testing services. Shands employs 200 lab FTEs and performs approximately two million billable tests per year, including 30% from outreach/outpatient work.

New equipment being purchased for the new lab includes a Roche/Hitachi modular chemistry system (P800 and E170 modules). Gordon says the purchase decision was based on a number of factors: 1) ability to consolidate workstations; 2) throughput; 3) cost per test; 4) time needed for quality control/maintenance; and 5) ability of the system to accommodate test volume growth.

Marie McBride, laboratory director at Adirondack Medical Center (Saranac Lake, NY), says there has been no let-up in the drive to cut costs at her lab. She notes that increasing salaries for laboratory personnel are making it difficult to find budget dollars for new equipment. However, McBride notes that tobacco lawsuit settlement funds allowed Adirondack to recently purchase a Bayer Express chemistry analyzer for an off-campus lab site. Adirondack operates three lab sites that employ 34 FTEs and perform 300,000 billable tests per year.

Lynel Vallier, administrative director of laboratory services and corporate compliance officer at Boulder Community Hospital (BCH-Boulder, CO), says that despite significant volume growth over the past five years, his capital budget has remained the same. "It forces you to be innovative with the dollars you have."

Recent new equipment includes an Ortho-Clinical Diagnostics' ECi immunoassay system. Vallier says the instrument will help eliminate hours of incubation time and manual pipetting. The increased efficiency was needed, given that the lab at BCH performs hepatitis testing for a number of local hospitals. Lab staff total 90 FTEs; annual volume is 810,000 billable tests.

Bob Klicker, director of lab services at Hennepin County Medical Center (Minneapolis, MN), says the goal at his laboratory is to add revenue while restraining costs. Initiatives include expanding outreach volume and the test menu. The lab at HCMC employs 175 FTEs and performs 1.6 million billable tests per year, including about 20% from outreach testing.

Klicker says HCMC is in the process of selecting a new immunoassay system. Criteria include: 1) menu breadth; 2) cost/price; 3) ability to save labor time through automation and workstation consolidation; 4) ability to interface with the existing laboratory information system (Cerner Millenium); and 5) discussions with other hospital labs that have installed new immunoassay systems.

Klicker notes that HCMC has received presentations from six major IVD vendors. He thinks the most impressive have been by those who have analyzed how their equipment will fit into HCMC's lab as it grows over time.

Mark Fwitzer, laboratory director for Samaritan Hospital (Ashland, OH), says his lab will soon purchase an automated slide stainer. The decision was based on the need to increase the productivity of existing histotechnologists, given the difficulty in finding and hiring new ones. The lab at Samaritan employs 27 FTEs and performs approximately 480,000 billable tests per year.

Steven Oliver, laboratory supervisor at Grundy County Hospital (Grundy Center, IA), says his lab recently purchased a Beckman Coulter hematology analyzer (AcT diff) to replace a 10-year old instrument. Factors in the decision included: 1) price; 2) name-brand recognition; 3) availability of service representatives; and 4) Beckman's willingness to cover shipping costs for reagent supplies. Grundy is a small community hospital with 25 acute-care beds and 55 long-term care beds. The lab employs 3.2 FTEs and performs 35,000-40,000 billable tests per year.

Bio-Rad Develops Automated Testing For Mad Cow Disease

Bio-Rad Laboratories (Hercules, CA) has announced development of two new automated testing platforms for BSE (bovine spongiform encephalopathy) or "mad cow" disease. The new systems increase throughput to approximately 200 tests per hour from 50 tests/hour under current methods, Norman Schwartz, vice president of life science at Bio-Rad, tells *DTTR*. Full introduction is expected in the coming months.

Identification of animals infected with the "brain wasting" disease has become a critical element in protecting the food supply in Europe

In conjunction with these new systems, Bio-Rad is introducing a second-generation BSE screening test, along with the first commercially available Western Blot confirmation test sensitive enough to be used to verify initial screening results. The new confirmatory test can produce results in just one day vs. up to three days for immunohistochemistry, the traditional confirmatory method.

Schwartz estimates that approximately 7-10 million BSE tests are now being performed annually worldwide, mostly in Europe. The average selling price per test kit is approximately $10, indicating a market size of $70-$100 million. Bio-Rad is the leader is BSE testing with a market share of roughly 70%, according to Schwartz. The next largest vendor is Prionics Inc. (Zurich, Switzerland), which has a BSE test distribution agreement with Roche Diagnostics (Basel, Switzerland). A third major vendor is Enfer Technology Ltd. (Tipperary, Ireland), which has a distribution agreement with Abbott Laboratories (Abbott Park, IL).

The market for BSE testing has exploded since the European Union issued rules requiring all member countries to test all beef livestock slaughtered that are over 30 months old (effective December 2000). Subsequently, the EU lowered the age to 24 months (effective February 2001). In addition, the EU has become increasingly concerned that BSE could spread to sheep. As a result, it has begun requiring member countries with large sheep populations to test at least 60,000 of the healthy animals slaughtered for human consumption and 6,000 of the sick animals that die on the farm and are not intended for the food chain. These new requirements are expected to triple the number of BSE tests on sheep from 164,000 a year to 560,000 a year.

Bio-Rad recently began shipping BSE tests to Japan, Schwartz notes. Japan discovered its first case of BSE in October 2001. To date, no cases have been detected in the U.S., the world's largest cattle producer.

Schwartz says Bio-Rad is evaluating several opportunities to either self-develop or distribute a blood test for BSE and its human equivalent, nvCJD (new variant Creutzfeldt-Jacob Disease). However, he believes such a test, which could be used on live animals or people, is still several years away from hitting the market.

Bio-Rad At A Glance *($MM)*

	4Q01	4Q00	% Chg
Total revenue	$233,383	$177,834	31
EBITDA*	37,900	29,800	27
Net income	17,002	9,152	86

*EBITDA=Earnings before interest, taxes, depreciation and amortization

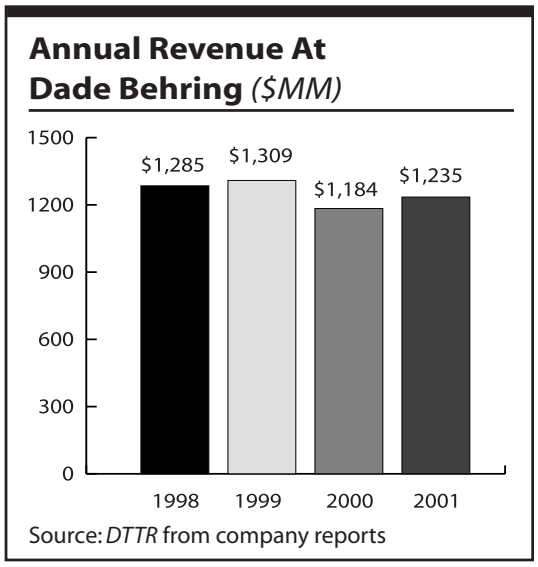
Source: Bio-Rad

Dade Behring Reports 4% Revenue Growth For 2001

Dade Behring reported full-year 2001 revenue of $1.235 billion, up 4.3% from $1.184 billion in 2000. Earnings before interest, taxes, depreciation and amortization (EBITDA) were $231 million in 2001, up 18% from $195 million in 2000.

But after adjustments to results reported for 2000 related to foreign exchange, sold businesses, and the impact of new accounting standards, Dade says revenue rose 10% in 2001, with EBITDA up 38%.

Dade says it continues to work with its banks and bondholders to modify its capital structure and expects to reach an agreement soon. Dade has more than $1 billion in debt outstanding.



Cholestech To Provide Screening Services To Sankyo Pharma

Cholestech Corp. (Hayward, CA) has announced two agreements with Sankyo Pharma Inc. (Parsippany, NJ) to provide cholesterol testing services for Sankyo at selected healthcare industry professional conventions and educational symposia. Cholestech, which makes a CLIA-waived portable analyzer for testing cholesterol levels, will provide the service through its WellCheck unit, which manages cholesterol and related testing services for pharmaceutical companies at health fairs.

Sankyo Pharma began marketing WelChol, a lipid-lowering drug made by GelTex Pharmaceuticals (Waltham, MA), in September 2000. In addition, Sankyo Pharma's parent company Sankyo Co. Ltd. (Tokyo, Japan), manufactures prevastatin, a lipid-lowering drug marketed in the U.S. by Bristol-Myers Squibb as Pravachol.

Under a separate agreement with Cygnus Inc. (Redwood, City, CA) signed in late 2001, Sankyo Pharma co-markets Cygnus' GlucoWatch Biographer in the U.S. It is a non-invasive, wrist-worn glucose meter for diabetes patients.

Beckman Coulter Takes Step Toward Molecular Diagnostics

Beckman Coulter (Fullerton, CA) has obtained an option to license molecular diagnostic technology from Orchid BioSciences (Princeton, NJ) to develop and sell DNA test kits. Beckman has three years to exercise the option, which is non-exclusive. Once the option is exercised, Beckman will pay Orchid upfront fees and royalties on diagnostic kits that incorporate its technology. Beckman also obtained a license to make and sell certain analyte-specific reagents using Orchid's technology.

Metrika Begins Marketing At-Home HbA1c Monitor

The American Diabetes Association recommends an HbA1c test be performed every 3-6 months for all diabetes patients to determine how well glucose has been controlled over that period of time

Metrika Inc. (Sunnyvale, CA) has announced the commercial availability of its flagship A1cNow monitor for measuring hemoglobin A1c (HbA1c) in physician offices or at-home use by diabetes patients with a prescription. The product was cleared by the U.S. Food & Drug Administration and gained CLIA-waived status in 2000, but Michael Allen, chairman and founder of Metrika, says the commercial launch was delayed as he worked on raising funds needed to develop manufacturing capability. Since its inception in 1994, privately held Metrika has raised approximately $50 million from investors, which include Oak Hill Capital Management, Sutter Hill Ventures, Spinnaker Ventures and St. Paul Venture Capital.

The disposable, pager-sized A1cNow monitor provides results in eight minutes from a single drop of blood. The device is the first HbA1c test cleared for use by diabetes patients to self-monitor their disease between office visits. Initial marketing efforts are focused on sales to the professional market plus mail order, Internet and 1-800 phone sales to consumers. Price per test to the professional market is $12.95; retail price to consumers is about $20. Allen says Metrika is negotiating with several drugstore chains for over-the-counter sale. He adds that Metrika will seek FDA clearance for sale directly to consumers (without a prescription) by year's end.

Competitors include Bayer (Tarrytown, NY), which markets a CLIA-waived desktop device named DCA 2000+ for HbA1c testing, and BioSafe Laboratories (Lincolnshire, IL), which gained FDA clearance for an HbA1c home specimen collection kit in December 1999.

Medisys Receives FDA Clearance For Glucose Test System

Medisys PLC (Suffolk, England) says its Hypoguard division (Minneapolis, MN) has received FDA clearance to market its Dart blood glucose monitoring system, which will be sold under the Hypoguard Advance name. Market launch is expected by Sept. 30 and will focus on private-label sales at pharmacy chains. The system utilizes biosensor technology, sample size is three microliters and test results are provided in about 15 seconds. Pricing has not yet been set.

Other Hypoguard blood glucose monitoring systems already on the U.S. market include the Assure, Assure II and Supreme II products, which are sold primarily to the nursing home market. Products under development include Flight, an integrated system that is disposable after 100 tests. Hypoguard is also working to develop a minimally invasive continuous glucose monitoring system.

In addition to its Hypoguard division, Medisys sells medical products, including safety syringes, through its Futura Medical unit, headquartered in Solana Beach, CA. For the 12 months ended Sept. 30, 2001, Medisys reported a net loss of 7.641 million pounds (US $10.9 million) vs. a net loss of 3.387 million pounds in the comparable period a year earlier; revenue increased to 29.904 million pounds (US $42.7 million) from 8.95 million pounds. The January 2001 acquisition of MEDgenesis (Minneapolis, MN), which had distributed Hypoguard products in the U.S., contributed 21.921 million pounds (US $31.3 million) to Medisys' fiscal 2001 revenue.

IVD Stocks Fall 6% In Latest Five Weeks

The 21 stocks in the G-2 Diagnostic Stock Index fell an unweighted average of 6% in the five weeks ended Feb. 22, 2001, with 14 stocks dropping in price, five moving up, and two unchanged. Year-to-date, the G-2 Index has fallen 10%, compared with a 5% decline for the S&P 500 and a 12% drop for the Nasdaq.

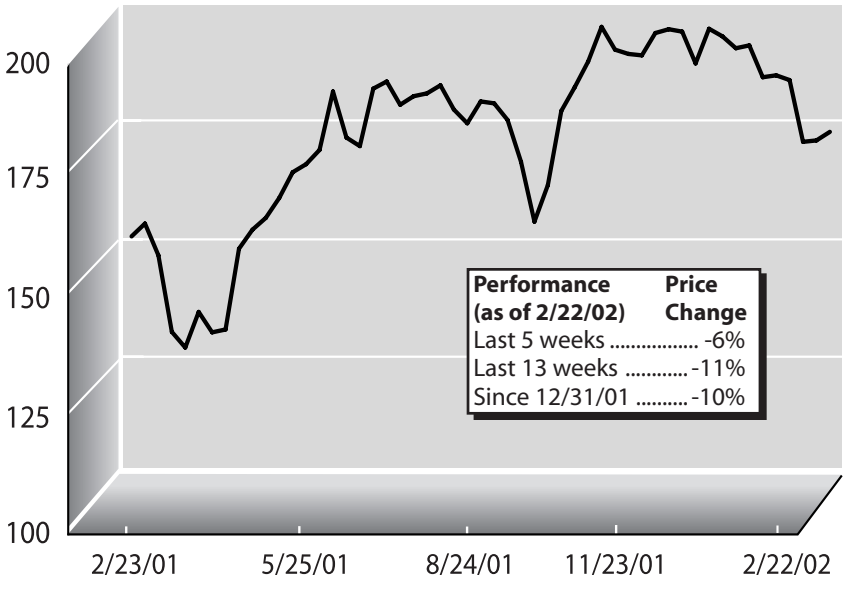
Shares of **Diametrics** (St. Paul, MN) fell 30% to $4.16 per share, giving the company a market capitalization of $111 million. Diametrics recently reported a net loss of $796,457 for fourth-quarter 2001 vs. a net loss of $124,317 in the same period a year earlier; revenue slipped 8% to $6.383 million. The company recently hired investment bank UBS Warburg (New York City) to serve as its financial advisor to "explore broader strategic alternatives" (*DTTR, Feb. '02, p. 4*).

Quidel Corp. (San Diego, CA) fell 29% to $5.70 per share for a market capitalization of $171 million. Quidel recently reported a net profit of $1.378 million for fourth-quarter 2001 vs. a net loss of $1.781 million in the same period a year earlier; revenue was up 15% to $21.234 million.

Shares of **Biosite** (San Diego, CA) rose 26% to $20.14 per share for a market capitalization of $291 million. Biosite recently announced it is implementing new antibody expression technology, enabling the company to stop licensing technology from Xoma Ltd. (Berkeley, CA).

Note: Effective with this issue, *DTTR* has added **Igen International** (Gaithersburg, MD), **Immucor** (Norcross, GA) and **Therasense** (Alameda, CA) to the G-2 Diagnostic Stock Index. Affymetrix (Santa Clara, CA) and Calypte Biomedical (Alameda, CA) have been removed.

G-2 Diagnostic Stock Index



Source: The G-2 Diagnostic Stock Index is tabulated weekly by *DTTR* from the average percentage change in the stock price of 21 diagnostic test and equipment makers.

% price change, 5 weeks ended 2/22/01

	Price	% Chg
UP		
Beckman Coulter	$48.08	10
Becton Dickinson	37.02	8
Biosite	20.14	26
Bio-Rad	67.50	17
Igen	44.21	10
UNCHANGED		
Abbott Labs	57.61	0
Cytyc	22.90	0
DOWN		
Careside	0.40	-41
Cholestech	11.70	-28
Cygnus	3.90	-20
Diametrics	4.16	-30
Diagnostic Products	37.22	-6
Digene	31.20	-17
Immucor	9.75	-6
Inverness Medical	19.92	-7
i-Stat	6.29	-24
Johnson & Johnson	59.40	-1
Meridian	6.10	-1
Quidel	5.70	-29
Therasense	20.02	-9
Ventana	18.99	-9

G-2 Insider

With laboratory budgets caught in a fiscal vise and employees as hard as ever to find, **productivity enhancement is the name of the game** at hospital labs. Lab managers tell *DTTR* that IVD vendors are increasingly being looked upon to take a more active role in helping labs analyze the efficiencies that can be gained from workstation consolidation and automation.

IVD vendors are being asked to prove how their equipment and systems can help labs run more tests with fewer people. A random survey by *DTTR* of data from 12 hospital labs shows that, on average, each lab FTE performs about 8,956 billable tests per year.

Vendors offering equipment that can raise lab employee output (with the data and analysis to back up their claims) stand to reap the rewards of bigger and bigger contracts.

Productivity At 12 Hospital Labs

Hospital/System	*Billable Tests*	*FTEs*	*Tests/FTE*
Cedars-Sinai Medical Center	3,300,000	493	6,694
Duke University Medical Center	2,800,000	441	6,349
Fairview Health Services	5,250,000	650	8,077
Presbyterian Healthcare	2,500,000	265	9,434
Middlesex Hospital	950,000	94	10,106
Shands Hospital at Univ. of FL	2,000,000	200	10,000
Adirondack Medical Center	300,000	34	8,824
Boulder Community Hospital	810,000	90	9,000
Hennepin County Medical Center	1,600,000	175	9,143
Penn State Hershey Medical Center	1,800,000	215	8,372
Grundy County Hospital	37,500	3.2	11,719
Excell Clinical Laboratories	1,200,000	123	9,756
Unweighted Average			8,956

Source: *DTTR* from hospitals. Note: Data not adjusted for test complexity.

Company References

Bayer Diagnostics 914-631-8000
Beckman Coulter 714-871-4848
Bio-Rad Labs 510-724-7000
Biosite 858-455-4808
Chiron 510-655-8730
Cholestech 510-732-7200
Cytyc Corp. 978-263-8000
Dade Behring 847-267-5300
Diametrics 651-639-8035
Digene 301-944-7000
Hypoguard 952-646-3200
Igen 301-869-9800
Metrika 408-524-2255
Quidel Corp. 858-552-1100
Roche Diagnostics 317-849-9350

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