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HIGHLIGHTS

WASHINGTON G-2 REPORTS

Quest To Market Test Services At Stop & Shop In Latest Effort To Get A Grip On DAT Market

Quest Diagnostics (Teterboro, NJ) has begun marketing a limited menu of its laboratory testing services directly to consumers at the pharmacy sections at 60 Stop & Shop supermarkets in Connecticut. Kate Langevin, consumer health director at Quest, tells *LIR* that if this pilot program is successful, it could be rolled out to other Stop & Shop stores. The Stop & Shop Supermarket Company (Quincy, MA) operates a total of 326 supermarkets in Connecticut, Massachusetts, Rhode Island, New York, and New Jersey.

The deal represents Quest's latest effort to tap into the potential of direct-access testing (DAT), where consumers directly order and pay for their own lab tests. However, despite various attempts by Quest and other laboratories, getting consumers to take control of their own healthcare has been a tough nut to crack. Numerous DAT ventures have either failed or are simply limping along without meaningful demand from consumers.

Even though the market for DAT has yet to be proven viable, the rewards for those who can figure it out could be enormous. "Building a whole new retail spending category doesn't happen overnight. We view this [DAT] as being in the very early stages of a long-term mega trend and we're going to continue to experiment with it," says Langevin. For an update on where Quest and other labs stand with their DAT programs, see *Inside The Lab Industry*, pp. 5-7.

Industry Lobbyists Seek To Squash Lab Co-Pay

With the odds favoring congressional passage of a sweeping Medicare modernization bill that includes an outpatient prescription drug benefit, lab industry lobbyists are pressing lawmakers to eliminate an attempt to restore a 20% co-payment for clinical laboratory services reimbursed under Medicare Part B. The co-pay was abolished in 1984 when Medicare switched from reasonable cost to fee schedule payment for these services. Reviving the co-pay means that labs would get only 80% of the fee schedule rate for their testing from Medicare and would have to collect the remaining 20% from the beneficiary.

➡ *p. 2*

Opponents of the provision note that a lab co-pay would shift significant costs to Medicare beneficiaries with chronic diseases such as HIV/Aids and end-stage renal dialysis patients

LAB CO-PAY, *from page 1*

The lab co-pay provision is included in the Medicare reform bill passed by the Senate Finance Committee, but it is absent from similar bills approved by the House Ways & Means and Energy & Commerce Committees. At press time, barring any amendments to the legislation during House and Senate floor action, the split over the lab co-pay would be left to a conference committee to reconcile, along with other differences between separate House and Senate versions of Medicare reform.

Proponents of the lab co-pay say it would save Medicare an estimated $13.4 billion over 10 years, money that the Finance Committee would divert to rural healthcare provider relief, a major concern of the panel's chairman, Sen. Charles Grassley (R-IA). Opponents note that the provision not only shifts the cost to beneficiaries, but also would force labs to absorb additional billing costs to collect millions of co-payments, many miniscule, from beneficiaries each year. Labs would not be able to write off (or waive) even the smallest co-payment without risking the real likelihood of a fraud and abuse prosecution for violating the prohibition against inducements under Medicare anti-kickback law.

To Opponents, It's "Nightmare" Economics

The average lab claim contains roughly 2.6 billable tests priced at an average $12.50 for a total average claim of $32.50. The administrative cost of billing and collecting a lab claim is estimated by *LIR* to be $4 per claim—an amount equal to approximately 12% of the average lab claim ($4/$32.50).

With return of the 20% co-pay, labs would have to bill twice. They'd need to collect 80% of the average $32.50 claim, or $26, from Medicare, then turn to the beneficiary for the remaining 20%, or $6.50. But the administrative cost of billing and collecting each claim would be expected to remain about the same. *LIR* observes that although labs could leverage off their existing billing systems to bill Medicare beneficiaries, these economies of scale would be more than offset by the higher-than-average bad debt associated with billing individuals and the need for repeat billing. Thus, labs would be incurring $4 in billing and collection costs for every $26 they billed Medicare—or about 15% of the average claim ($4/$26). They also would incur $4 in billing and collection costs for every $6.50 they billed beneficiaries—or 62% of the average claim ($4/$6.50).

Several lab executives tell *LIR* they are directing their lobbying efforts at the ranking Democrat on the Finance Committee, Montana Sen. Max Baucus, and his staff because they feel he could wind up an ally of the lab industry in the fight against the co-pay.

As part of a massive lobbying blitz, industry lobbyists are imploring lab executives nationwide to immediately call or e-mail their congressional representatives seeking their support to eliminate the lab co-pay provision from any final Medicare reform legislation passed by Congress. Aside from the negative impact the provision would have on labs, lobbyists explain that the larger issue that should be emphasized in communications with legislators is that the lab co-pay represents a direct assault against the pocketbooks of Medicare beneficiaries who would end up responsible for paying an additional 20% for lab testing under the Medicare program.

Beyer Named President Of Satellite Laboratory Services

Satellite Laboratory Services (SLS—Redwood City, CA), an independent laboratory focused on end-stage renal dialysis (ESRD) testing services, has named Paul Beyer as its president and general manager. In this newly created position, Beyer will report to the board of SLS.

Beyer was formerly president, chief operating officer, and a board member at Specialty Laboratories (Santa Monica, CA). He resigned from Specialty in mid-2002 after the lab was found to be in non-compliance with federal rules under CLIA regarding employee licensure requirements (*see LIR, July 2002, p. 3*).

SLS is owned by Satellite Healthcare Inc. (Redwood City), a not-for-profit company that owns 14 dialysis treatment centers throughout Northern California. SLS has a total of approximately 50 employees and operates a 25,000-square-foot lab that provides testing services to Satellite Healthcare facilities plus more than 100 other dialysis treatment centers across the country. Annual revenue at SLS is estimated by *LIR* at $15 million to $20 million.

In total, there are nearly 300,000 ESRD patients in the U.S. Common lab tests performed for these patients include routine chemistry and hematology panels, parathyroid hormone, zinc, and aluminum tests. The largest end-stage renal dialysis lab testing company is Spectra Laboratories (Fremont, CA, and Rockleigh, NJ). Others include Gambro Healthcare and ESRD Laboratory (each headquartered in Fort Lauderdale, FL) and Total Renal Laboratories (Deland, FL).

ARUP On Track To Grow 19% To $190 Million

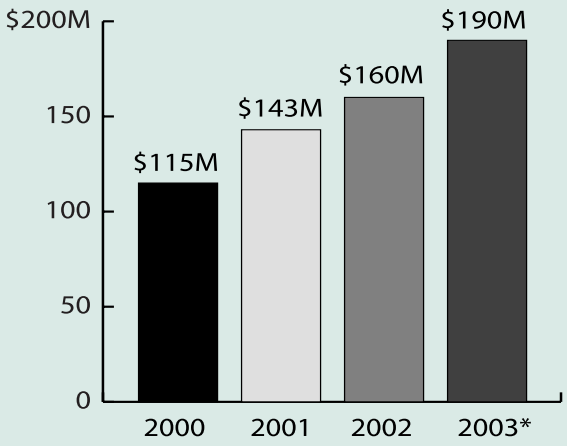
ARUP Laboratories (Salt Lake City, UT), which is owned by the University of Utah and operated by the department of pathology, projects that its revenue increased by approximately 19%, to $190 million, in the fiscal year ending June 30, 2003, versus $160 million for the prior year, according to Ron Weiss, M.D., senior vice president and director of business development at ARUP.

Weiss says growth is being fueled by a combination of increased volume from existing accounts plus a net addition of new clients. New clients signed in the past year include NYU Medical Center, the Adventist East hospital system, and the University of Massachusetts.

He cites the explosion in demand for cystic fibrosis (genetic analysis) testing, which reference labs typically charge $150 to $300 to perform. "There continues to be debate in the medical community about whether or not widespread screening is appropriate. There are still important questions that need to be answered regarding the cost versus benefit of cystic fibrosis testing," notes Weiss.

Increased utilization of new gene-based diagnostics is driving the need for hospital labs to proactively work with their clinicians to determine medical appropriateness for very expensive send-out tests, according to Weiss. He stresses the need to establish, through consensus discussions with key clinician

Revenue Growth At ARUP Labs



*Projected
Source: ARUP Laboratories

opinion leaders, "formularies" of approved send-out tests and procedures for reviewing send-out requests with ordering physicians.

To this end, Weiss says that ARUP works with pathologist "champions" at its client sites to employ its data repository to analyze test ordering patterns for opportunities to more effectively manage both the cost and clinical utility of send-out tests.

Finally, Weiss observes that the growth in the homebrew genetic testing market has not escaped the attention of the federal government. He notes that the Department of Health and Human Services is studying the appropriateness of genetic testing usage given its growth and that the FDA is moving toward establishing jurisdiction over homebrew tests. "I would not bet against the fact that we'll see increased regulation of genetic testing in the future," he adds.

AMTL Prepares For Major Push For Expensive Food Allergy Test

American Medical Testing Laboratories (AMTL—Hollywood, FL) is planning to launch a major sales effort aimed at creating physician and consumer awareness of its proprietary food allergy test panel, the Alcat test, beginning this September, Roger Deutsch, president and founder of AMTL, tells *LIR*. AMTL's plans are in keeping with the broader trend among niche esoteric testing laboratories that are marketing high-priced proprietary tests directly to physicians and consumers (*see LIR, May 2003, p. 1*).

Deutsch says AMTL is planning on training some 500 nutritionists, diet counselors, and other healthcare professionals on the benefits of the Alcat test and contracting with them to generate sales. Deutsch would not discuss the exact financial relationship that AMTL will have with these healthcare professionals/salespeople.

The Alcat test is a homebrew blood test that is used to determine if a person is allergic to 100 to 150 different types of food and additives for everything from celery, milk, and chocolate to aspartame, saccharine, and various food colorings. Deutsch says the Alcat test is especially useful in identifying foods and additives that may cause delayed adverse reactions in patients. AMTL allows the test to be performed only at its CLIA-certified lab in Hollywood (just north of Miami), and charges between $265 and $382 per test panel.

As a result, Deutsch believes that nearly everyone would benefit from receiving the Alcat test. When asked by *LIR* if the healthcare system can afford potential widespread testing for such an expensive test, Deutsch replied, "The test should be judged on the basis of health outcomes rather than the fear that somebody is getting rich from it."

Quest And Others Find Direct-Access Testing A Tough Nut To Crack

Creating consumer demand for direct-access testing is proving to be a costly and difficult challenge for labs

Quest Diagnostics' new agreement to market lab tests directly to consumers at Stop & Shop supermarkets represents one of several attempts made by labs in recent years to find the right recipe for success in the fledgling direct-access testing (DAT) market.

Under its "QuestDirect" initiative, the company opened six retail locations at strip shopping malls in various markets in the Midwest in early 2001 with great fanfare (*see LIR, July 2001, p. 1*). These lab stores were aimed at attracting consumers to walk in and order a lab test on their own and then pay by cash or credit card. However, low demand for the service led Quest to shut down all of its DAT retail sites last year.

Quest spokesman Gary Samuels says that stand-alone retail lab centers turned out not to be an easy or cost effective way to attract demand. Another company that learned this lesson in a big way was HealthScreen America (Jacksonville, FL), which shut down its 9,000 square-foot retail health screening facility in Jacksonville last year, less than two years after its opening.

HealthScreen America had offered a combination of diagnostic imaging (heart scans, virtual colonoscopies, etc.) and lab tests for self-paying customers. Screening packages were priced as high as $2,295 for a combination of 30 lab tests and a full body imaging scan. But even after spending $20 million raised from a group of investors on equipment, advertising, and employee salaries, the company was never able to bring in enough customers to offset its cost of operations.

Meanwhile, Samuels says Quest has switched to using existing patient service centers as its "store front" for interacting with direct-paying customers. He says that this lower-cost model is being used in certain cities in seven states, including Nevada, Utah, Colorado, Montana, Missouri, Kansas, and Virginia.

Kate Langevin, consumer health director for Quest, says the company is promoting QuestDirect in these markets through a combination of marketing brochures and newspaper and radio advertisements.

Another component of Quest's DAT efforts is aimed at establishing business relationships with supermarkets and drug stores, similar to its new deal with Stop & Shop. This method is attractive because it provides on-site advertising to the hundreds of customers who frequent each supermarket or drug store every day.

However, experience has shown that winning consumers' time and pocketbooks at these sites is no easy task either. For example, Quest began marketing its test services at CVS drugstores in Tampa Bay, FL, and Columbus, OH, last year (*see LIR, September 2002, p. 8*). Langevin says the program in Ohio has since been discontinued because of poor consumer response, although she notes that the response in Florida has been "encouraging" and the program remains in effect there.

In related news, Tori Tomlinson, co-president and founder of US Wellness Inc. (Gaithersburg, MD), tells *LIR* that its deal to operate "wellness centers" at Giant Food Supermarkets (Landover, MD) has been terminated based on mutual agreement.

US Wellness, a privately held company that manages health screening programs at independent pharmacies, physical therapy offices, and other locations, had announced an agreement to open wellness centers at 40 Giant stores early last year (*see LIR, May 2002, p. 9*). These centers were to offer consumers a choice of more than 25 laboratory tests, including liver health panels for $40, thyroid panels for $40, PSA tests for $45, and blood typing for $25.

Tomlinson says that US Wellness opened 10 such centers at the pharmacy departments in Giant stores in Maryland and Virginia, but consumer demand was weak so the program was scrapped. "What we learned is that when people go to the grocery store, they are thinking about buying food, not lab tests," observes Tomlinson.

She also notes that the cost of operating the centers was expensive, given that each was staffed by a nurse or physician assistant employed by US Wellness to draw specimens. Samples were then sent to Quest for actual testing. Quest also provided physician oversight and test result reporting services to the cancelled program.

In terms of the outlook for DAT at supermarket chains, she says, "Creating consumer demand and awareness takes so much money. We were a little ahead of our time at the Giant stores." In terms of Quest's efforts, Tomlinson says, "I have to give them credit. They're willing to try new ideas and ready to cut their losses if they don't pan out."

Despite the setback at Giant, Tomlinson says that US Wellness continues to successfully manage lab test screening programs for high cholesterol and other diseases (many of which are funded by pharmaceutical companies) at some 350 independent pharmacies and physical therapy centers.

A Closer Look At The Quest/Stop & Shop DAT Deal In Connecticut

Under Quest's latest foray into the DAT market, consumers can choose from among 12 "QuesTest" order cards on display racks at the pharmacy sections at some 60 Stop & Shop stores in Connecticut. Each card represents a test or test panel. Payment is made at each Stop & Shop store and health insurance is not accepted. Stop & Shop receives a fee for each patient who buys a QuesTest card at its stores.

Consumers must then register with Quest by calling a toll-free number or using Quest's Internet site. During the registration process, the consumer answers a few demographic questions and provides a brief medical history. This information is forwarded to one of several state-licensed M.D.'s who have agreed to review and authorize each test order for Quest before the test is performed.

This system allows Quest to comply with Connecticut state law which prohibits consumers from ordering lab tests on their own without a physician's authorization. Langevin says that Quest uses this system even in states such as Colorado and Virginia where a physician's authorization is not required.

After the phone call or Internet site visit, the consumer can take the validated QuesTest card to a Quest patient service center to get a sample drawn.

Customers get their test results directly from Quest via mail or the Internet. If test results indicate a serious or life-threatening condition, one of Quest's contracted physicians will notify the customer and advise him or her to talk to their doctor.

Examples of tests offered through the QuesTest program include a Women's Health Profile and a Men's Health Profile, each priced at $115, and PSA testing priced at $45.

Langevin would not reveal the annual budget for Quest's DAT efforts or how much in revenue or test volume they are generating. She says that Quest's experiments with DAT services are providing it with key bits of information, such as the most effective form of advertising and how much to charge. Eventually, Quest will roll out a national DAT campaign, according to Langevin. "People are just becoming aware of their ability to take charge of their own health care....You can see it in the popularity of whole-body imaging centers, flexible healthcare spending accounts, and the number of visits to health care Web sites," she concludes.

A Quick Update On Hospital-Based DAT Programs

Anecdotal evidence from several hospital laboratories that have launched DAT programs in recent years suggests that they are not doing gangbuster business either. For example, ACM Medical Laboratory (Rochester, NY), a for-profit regional independent lab owned by Unity Health System (Rochester), has chosen to scale back plans for a newspaper ad campaign for its new DAT program after several months of disappointing consumer response.

Meanwhile, Jim Fantus, president of SED Medical Laboratories (Albuquerque, NM), tells *LIR* that SED has seen modest success from its DAT program (launched in November 2000). SED is currently attracting 5 to 10 walk-in lab customers per day and expects to generate about $60,000 in revenue from the program this year.

"It's not something patients enjoy.... They avoid healthcare until they are sick or concerned. Over-the-counter testing for things like pregnancy has an appeal because it does not require you to stick a needle in your arm. The fear of needles is the main resistance from the public. The other is cost. Consumers seem to view a price of even just $15 per test as a costly way to satisfy their curiosity," observes Fantus.

QuesTest Menu

Test/Panel Name	*Composition*	*Price*
Women's Health Profile	cholesterol (total, HDL, LDL), triglycerides, iron, kidney function, liver function, blood glucose, thyroid function	$115
Men's Health Profile	cholesterol (total, HDL, LDL), triglycerides, iron, kidney function, liver function, blood glucose, thyroid function	$115
Nutrition and Vitamin Panel	vitamin B12, folate, calcium, iron, glucose, cholesterol (total, HDL, LDL), triglycerides	$95
Heart Risk Panel	cholesterol (total, HDL, LDL), triglycerides	$40
PSA	PSA	$45
Thyroid Health Screen	thyroid function, metabolism, TSH, FT4	$40
Diabetes Screen	glucose, hemoglobin A1c	$40
Liver Health Panel	ALT, AST, ALP, direct bilirubin, total bilirubin, GGT, LDH, globulin, total protein	$40
Homocysteine	homocysteine level	$50
Drug Screen	marijuana, amphetamines, opiates, cocaine	$55
Hepatitis C Screen	hepatitis C antibody	$50
STD Screen	chlamydia, gonorrhea	$105

Source: Quest Diagnostics

Enzo To Market Expensive New Aspirin Test

Enzo Clinical Labs (Farmingdale, NY), the clinical lab division of Enzo Biochem, has announced that it has acquired exclusive rights in the metropolitan New York area for a new test, AspirinWorks, an immunoassay that can be used by physicians to monitor dose response to aspirin. Enzo licensed use of the test from a privately held company called Creative Clinical Concepts Inc. (CCCI—Denver, CO), which is seeking to develop and brand new lab tests, license them to labs, and then help labs market them to consumers and physicians. CCCI itself does not operate a licensed clinical laboratory.

Gordon Ens, president of CCCI, says that the AspirinWorks test is really not new at all, but rather an adaptation of the existing tests for 11-dehydrothromboxane B2 and creatinine. He says that by comparing the amount of 11-dehydrothromboxane B2 in a urine specimen and comparing it to creatinine levels, a patient's aspirin resistance or response level can be predicted. Aspirin resistance or inadequate response occurs in approximately 25% of patients who are taking aspirin to reduce the risk of heart attack or stroke, according to Ens.

David Goldberg, senior vice president at Enzo Clinical Labs, says Enzo is just now beginning to market the test to its physician office clients. Goldberg says the market potential could be huge, given that there are roughly 20 million to 30 million patients in the U.S. taking aspirin to reduce the risk of heart attack or stroke. He anticipates that Enzo will sell the AspirinWorks test for $80 to $100 per test.

Other labs that have licensed the right to perform AspirinWorks in their markets include Florida Hospital Center for Hemostasis and Thrombosis (Orlando), Colorado Heart and Body Imaging (Denver), Diagnostyx Laboratories, Ltd. (Atlanta, GA), and ThromboCare Laboratories (Dallas, TX).

Cytyc Gets FDA Clearance For Automated Pap System

The U.S. Food and Drug Administration (FDA) has cleared for marketing the ThinPrep Imaging System made by Cytyc Corp. (Boxborough, MA). The ThinPrep Imaging System is an automated imaging and review system for use in routine primary screening of ThinPrep Pap test slides.

The FDA has established a cytotechnologist workload limit for the ThinPrep Imaging System at 200 imager-assisted slides in no less than an eight-hour workday, as described in the product labeling. This compares with data from the American Society of Cytopathology that indicates that cytotechnologists in the U.S. screen an average of approximately 60 to 70 slides per day.

New CPT codes were established earlier this year for the screening of thin-layer Pap tests using an automated system (*see LIR, January 2003, p. 10*). Under the 2003 Medicare Part B lab fee schedule, automated thin-layer Pap testing is reimbursement at $29.85 (CPT code 88174, thin-layer prep with screening by automated system) and $37.01 (CPT 88175, thin-layer prep with screening by automated system and manual rescreening). This compares with the $28.31 per slide that manual thin-layer Pap testing is reimbursed under CPT 88142 and the $14.76 per

slide that traditional Pap smears are reimbursed under CPT codes 88150, 88152, 88153, 88154, 88164, 88165, 88166, and 88167.

FDA clearance of Cytyc's ThinPrep Imaging System comes almost two years after its competitor, TriPath Imaging (Burlington, NC), got approval for its automated Pap system. TriPath's AutoPap Primary Screening System was cleared by the FDA to screen AutoCyte Prep thin-layer slide preparations in October 2001.

On June 16, Cytyc announced that it had filed a federal lawsuit to get TriPath's patents on imaging technology for Pap tests voided. Cytyc chief executive Patrick Sullivan says the suit was prompted by "threats made by TriPath that they would sue Cytyc for patent infringement," once Cytyc's automated system began to be sold. Sullivan claims that the Cytyc system does not violate any TriPath patent. Cytyc filed the suit for declaratory judgment in the U.S. District Court for the District of Massachusetts.

The following day, June 17, TriPath filed a federal lawsuit against Cytyc. The suit alleges that Cytyc's ThinPrep Imaging System infringes two TriPath patents. The suit also claims defamation, intentional interference, unfair competition, and unfair and deceptive trade practices. TriPath says it is seeking an injunction against Cytyc and monetary damages for the alleged patent infringement and other complaints. The company did not indicate how much money it was seeking. Executives at both TriPath and Cytyc each declined to comment on the dispute.

Detroit Medical Center Implements Apollo's Telepathology System

Detroit Medical Center (DMC) has announced implementation of a robotic telepathology system made by Apollo Telemedicine (Falls Church, VA) to provide remote frozen section services to the Orthopaedic Specialty Hospital (Madison, MI), which does not have a full-time pathologist on-site.

David Grignon, M.D., chairman of pathology at Wayne State University and DMC, says the Apollo system is allowing DMC staff pathologists to provide real-time frozen section coverage without the necessity of traveling back and forth to Madison (located about 12 miles north of DMC).

Meanwhile, Mark Newburger, chief executive of Apollo, tells *LIR* that his company now has more than 100 telepathology workstations installed at about 20 hospital networks and independent labs. Customers include University of Arizona Medical Center, North Shore-LIJ Health System, University of Pennsylvania Health Network, and Dianon (now part of LabCorp).

Apollo, a privately held company with seven employees, was founded by Newburger 10 years ago. He believes that hospitals and pathologists are just now beginning to accept telepathology technology. He says that over the past year, Apollo completed approximately 30 workstation installations and he believes the company will install 100 in the coming year.

The typical setup includes a robotic microscope with a camera mounted to it at one location that is connected via the Internet or a private network to a computer

workstation at another location. After a histotech has loaded a slide onto the robotic microscope, a pathologist can remotely read and manipulate the slide. The average cost for such a system is roughly $75,000 to $100,000, according to Newburger. He notes that Apollo also sells simpler non-robotic telepathology systems for $10,000 and less.

Newburger says that demand for telepathology services is being driven by 1) pathologists' need to cover distant sites; and 2) pathologists' desire to receive second opinions from other pathologists on difficult-to-read cases.

Newburger says that most third-party payers reimburse for the professional component when a pathologist reads a slide via telepathology for a primary diagnosis. The tricky part is determining how reimbursement should be split when a second opinion on a case is rendered, he adds.

Sunland Entertainment Buys Trestle Telepathology Business

Apollo is the leading provider of telepathology systems in the U.S. (*see story above*). Its closest competitor, Trestle Corp. (Newport Beach, CA), filed for Chapter 11 bankruptcy protection in November 2002. On June 3, 2003, Sunland Entertainment Co. (Los Angeles, CA) announced that it had acquired the assets of Trestle Corp. for $1.25 million and the assumption of certain liabilities.

Trestle's telepathology products include MedReach and MedMicroscopy; customers include Memorial Sloan Kettering Cancer Center, University of California at San Francisco, M.D. Anderson Cancer Center, and Ohio State University.

Prior to its acquisition of Trestle, Sunland Entertainment had been focused on trying to produce various comic book stories and characters into motion pictures. Sunland, a publicly traded company with a recent stock price of $0.05 per share, now says it's focused on the telepathology business. Sunland has hired Andrew Borsanyi, Trestle's former president, as its new co-president.

Impath President Richard Adelson Resigns

Impath Inc. (New York City) has announced that its president and chief operating officer, Richard Adelson, has resigned "to pursue other opportunities." Adelson had been with the company for 11 eleven years. He initially joined Impath in 1992 as a district sales manager for the New York City area.

Adelson's departure comes three months after the company's chairman and chief executive, Anu Saad, Ph.D., stepped down following an internal review of expenses submitted over the last three years that revealed "a lapse of corporate integrity." Following the review of expenses, led by Impath's audit committee, Saad and the board agreed the resignation "was in the best interests of the company," and she agreed to reimburse the company $250,000 (*see LIR, March 2003, p. 1*).

Lab Stocks Up 18% In Latest Four Weeks; Enzo Jumps 68%

Stock prices for the 11 companies in the G-2 Laboratory Index rose an unweighted average of 18% in the four weeks ended June 13, 2003, with six stocks rising in price, one unchanged, and four falling. So far this year, lab stocks have risen 28%, while the S&P 500 is up 9%, and the Nasdaq is up 17%.

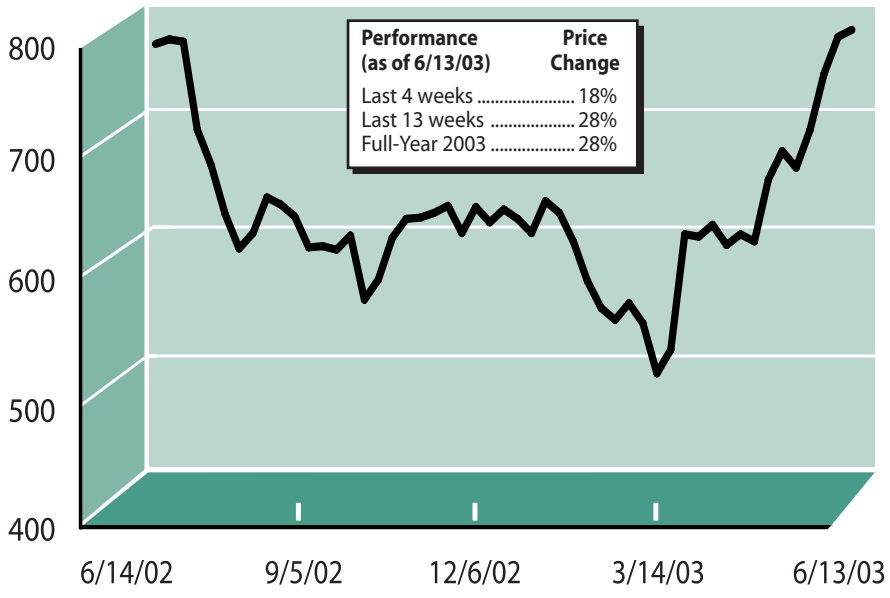
Enzo Biochem (Farmingdale, NY), which operates life science, pharmaceutical development, and clinical lab divisions, was up 68% to $27.43 per share for a market cap of $848 million in response to favorable results of its Phase I clinical trial of a new treatment for Crohn's disease.

Enzo also recently reported net income of $1.2 million for the fiscal third quarter ended April 30, 2003 versus $2.6 million in the same period a year earlier; revenue fell to $11.6 million from $15 million. More specifically, revenue from the company's laboratory, Enzo Clinical Labs, was up 10% to $7.5 million, largely due to expanded marketing and greater volume of higher-priced esoteric tests.

In related news, Enzo announced that it has acquired exclusive rights in the New York City area for a new test, AspirinWorks, which is used to monitor patient response to aspirin (*see p. 8*).

Other stocks moving up sharply included **PharmChem** (Haltom City, TX), up 70% to $0.34 per share for a market cap of $2 million; **Medtox** (St. Paul, MN), up 31% to $6.84 per share for a market cap of $34 million; and **Myriad Genetics** (Salt Lake City, UT), up 25% to $16.96 per share for a market cap of $460 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 11 laboratory testing service stocks.

% price change, 4 weeks ended 6/13/03

	Price	*%Chg*
UP		
Bio-Reference	5.65	6
Enzo Biochem	27.43	68
Medtox	6.84	31
Myriad	16.96	25
PharmChem	0.34	70
Specialty	10.52	24
UNCHANGED		
Quest	61.50	0
DOWN		
Impath	14.50	-3
LabCorp	28.30	-10
Lab*One*	20.00	-4
MDS	13.93	-4

INDUSTRY buzz

Ex-Dianon Sales Execs Join Diapath; LabCorp Sues

Two former Dianon sales executives have left Dianon (now part of LabCorp) to join a small anatomic pathology lab company based in Westchester County, New York, with the aim (it appears) of bringing a lot of their old accounts and sales associates with them. The move has infuriated LabCorp, which purchased Dianon in January for $544 million and has now filed a lawsuit against the two sales execs, the lab they joined, and its owner.

The two execs, Chris Metz, former executive director of national accounts at Dianon, and Jill Ellis, former regional sales manager at Dianon, joined Cytopath Biopsy Lab Inc. (Mamaroneck, NY) shortly after Dianon was acquired by LabCorp. Joining them were several other ex-Dianon sales reps. Shortly after Cytopath hired the influx of new sales talent, it changed its name to Diapath. Some Wall Street analysts have predicted that the loss of sales talent at LabCorp/Dianon could cost the company tens of millions of dollars of business.

LabCorp has filed a lawsuit against Metz, Ellis, Diapath, and its owner, Quintus Chess, M.D., in the U.S. District Court of the Southern District of New York, claiming that the group has violated non-solicitation agreements and conspired to lure sales reps and accounts from LabCorp/Dianon to Diapath.

"We welcome fair competition, but we've got to try to protect our rights," says Brad Smith, chief legal officer at LabCorp. He calls the Diapath situation "a bump in the road" and says LabCorp remains confident that the Dianon acquisition will prove to be a success. Dr. Chess of Diapath did not return calls seeking comment.

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Enzo Clinical Labs 516-755-5500

LabCorp 336-584-5171

Quest Diagnostics 201-393-5000

Satellite Laboratory Services 800-800-5655

TriPath 336-222-9707

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