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LABORATORY INDUSTRY REPORT®

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HIGHLIGHTS

WASHINGTON G-2 REPORTS

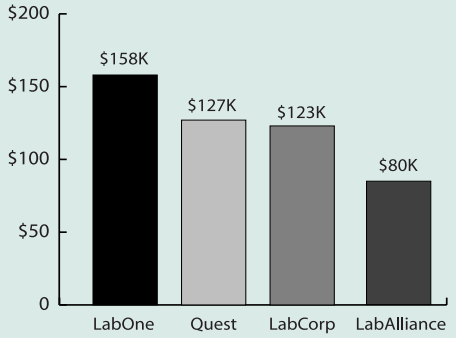
LabOne Completes Purchase Of ALS For $42.4M

LabOne Inc. (Lenexa, KS) has closed on its purchase of Alliance Laboratory Services (Cincinnati), paying $42.4 million in cash to the hospital system that owned it, Health Alliance of Greater Cincinnati. The purchase price works out to be approximately 1x the $40 million in annual revenue that the ALS core lab generates from outreach services and reference testing to the six Health Alliance hospitals. Under a separate agreement, LabOne will be paid $8.5 million per year to manage immediate response labs at the six hospitals. LabOne has given the ALS operations the new name of LabAlliance.

Now that the acquisition has been completed, it looks like LabOne is aiming to significantly build up its market share in the Greater Cincinnati region. Mike Asselta, chief operating officer at LabOne, says the company plans to spend roughly $20 million to build a new lab in Ohio or Kentucky that will be a minimum of 80,000 square feet. In addition, Asselta says LabOne is cutting only 53 jobs out of the total of 650 at the current LabAlliance core lab.

Raising the efficiency of LabAlliance's 600 employees (estimated 500 FTEs) is the key to success for this deal, observes *LIR*. With $40 million in annual revenue, LabAlliance is currently only generating an estimated $80,000 per year in revenue per FTE. That's about half as efficient as LabOne's existing operations. ➟ *p. 2*

Annual Revenue Per Full-Time Employee



Source: *LIR* estimates based on company reports

Shareholders Seek To Block Impath "Firesale"

Impath (New York City), which filed for Chapter 11 bankruptcy reorganization in September 2003, is moving toward a sale of all its assets. *LIR* speculates that potential buyers could include Quest Diagnostics or the investment firm Welsh Carson (New York City), which already owns AmeriPath. However, a group of Impath's largest shareholders believes any potential transaction is likely to occur at a firesale price, so they are pushing the firm to restructure its debt and emerge from bankruptcy as an independent company. ➟ *p. 2*

Shareholders Seek To Block Impath, *from page 1*

As reported in *The Daily Deal* on January 13, Impath shareholders (who own 34% of the outstanding stock) have formed a special committee that has asked the bankruptcy court to consider alternatives to a sale. But one money manager tells *LIR* that the top management at Impath is intent on selling the company because it will trigger millions of dollars in compensation to them under "change of control" clauses in their employment contracts. In addition, our source says Carter Eckert, age 61, current chief executive at Impath, is eager to make a sale so that he can begin his planned retirement in Arizona.

Eckert was named chief executive at Impath in February 2003, replacing Anu D. Saad, Ph.D., who had resigned following an audit of expenses submitted by Saad over the previous three years. Following this review, Saad agreed to reimburse the company $250,000.

Meanwhile, despite filing for Chapter 11 bankruptcy, Impath shares were trading at $6.50 per share for a market cap of approximately $108 million as of January 26. This indicates that shareholders believe there is still a valuable business left at Impath. But if the company pursues a sale, rather than reorganization, shareholders will probably be left with little or no value. Impath's latest operating statements to the U.S. Bankruptcy Court for the Southern District of New York showed that the company took in total receipts of $19.3 million (excluding tax refunds) in November and December 2003 (or $115.8 million annualized) and net cash flow before restructuring costs of $2.2 million (or $13.2 million annualized).

"The [shareholder] committee is gravely concerned that senior management is about to begin a process of selecting an offer for all its assets...without exploring the possible superior recovery based on a recapitalization and rehabilitation," the committee claimed in a January 9 filing with the bankruptcy court. Impath executives did not return phone calls from *LIR* seeking comment.

LabOne Completes Purchase Of ALS, *from page 1*

Certain management employees from ALS, including O'Neal and DeRisio, are getting up to a 10% ownership stake in the new LabAlliance venture.

Wendell O'Neal, Ph.D., age 61, formerly vice president of ALS, has been named executive vice president of LabAlliance and will be in charge of the core lab and outreach business. O'Neal will report to Rich Sokol, senior vice president for laboratory operations at LabOne. And Sokol reports to Asselta.

Asselta says LabOne will continue all Cincinnati-based testing operations, with the exception of certain toxicology and immunology tests, which will be shipped to LabOne's facility in Lenexa.

Asselta says that expanding LabAlliance's share of the market in Greater Cincinnati is a top priority. In this regard, he notes that LabOne recently signed a non-exclusive agreement to provide lab testing services to Anthem Blue Cross and Blue Shield in the Greater Cincinnati area. ALS had formerly held the contract, which is also served by Quest, LabCorp, and several hospital-based labs including Mercy Hospital and TriHealth (Bethesda North and Good Samaritan hospitals). Anthem has a total of 350,000 health plan members in Greater Cincinnati.

Asselta says that the Cincinnati lab market has always been dominated by local hospital outreach programs. But he notes that Quest has opened a few patient

LabOne Acquisitions *($ millions)*

Date	*Company*	*Revenue*	*Price*
Dec-02	Central Plains Laboratories	$12.6	$12.1
Aug-03	ScanTech Solutions	$6.0	NA
Oct-03	MetLife Insurance Testing Lab	NA	NA
Jan-04	Alliance Lab Services	$40.0	42.4
Pending	Northwest Toxicology	$12.0	NA

Source: LabOne

service centers in some of the towns just outside of Cincinnati within the past 12 months. "We're expecting some increased competition from the commercial labs as we go through our transition," adds O'Neal.

LIR also observes that Clinical Pathology Laboratories (Austin, TX) recently entered the Ohio market through the acquisition of Pathology Laboratories Inc. (Toledo), and stated its intentions to expand the geographic reach of this lab (*see LIR, January 2004, p. 6*).

Meanwhile, Vincent DeRisio, D.O., age 48, formerly vice president and medical director at ALS, has been named executive vice president and medical director at LabAlliance and will oversee management of the six immediate response labs and relations with local pathologists. DeRisio will report to Patrick James, M.D., executive vice president for laboratory and pathology services at LabOne. James will report to Asselta.

No jobs losses are expected for the 225 people that work at the immediate response labs. These six labs are now managed by LabAlliance, but the workers remain Health Alliance employees. In addition, Asselta says LabOne will maintain existing relationships with four pathology groups that have served ALS and the six hospitals. These groups include Greater Cincinnati Pathologists, Medical Laboratory Consultants, Fort Hamilton Pathology, and Academic Pathology Associates.

Separately, LabOne has agreed to acquire the assets of the drug testing division, Northwest Toxicology, from NWT Inc. (Salt Lake City). Northwest Toxicology is a SAMHSA-certified lab with about $12 million in annual revenue that performs testing for drugs of abuse in urine, oral fluid, and hair specimens. It also provides specimen validity testing, esoteric drug testing, and medical professional drug testing. Upon close of the deal (expected in March), NWT will focus its efforts on growing its Tandem Labs pharmaceutical contract research business, according to Dennis Lin, president of NWT.

Within the past 13 months, LabOne has completed or announced five acquisitions. Asselta says the company will focus most of its attention this year on its new Cincinnati operations, including building and moving into a new lab facility.

Memorial Hermann To Re-Enter The Outreach Market

Memorial Hermann Healthcare System (MHHS—Houston, TX) plans to re-enter the lab outreach market this spring, according to Jim Faucett, vice president of lab services at MHHS. The hospital system had competed in the outreach market from September 1995 to October 2001 through a partnership agreement with Dynacare (now part of LabCorp).

The partnership had managed the laboratory at Memorial Hermann Hospital and operated an outreach business that focused on physician offices affiliated with MHHS. Partnership revenues had reached as high as $43 million in 1999, including approximately $28 million from outreach services, according to financial reports published by Dynacare.

But MHHS chose to terminate its hospital lab management contract with Dynacare in September 2000 and sold its 50% stake in the outreach business back to Dynacare for $3 million in October 2001. Faucett estimates that MHHS saved more than $5 million per year by insourcing the management of the lab at Memorial Hermann Hospital.

The termination of the partnership forced Dynacare to relocate its outreach business to a new 67,000 square foot freestanding facility in Houston. LabCorp acquired Dynacare in July 2002 and the new facility was consolidated into an existing LabCorp facility in Houston. LabCorp currently operates a total of 27 patient service centers within a 25-mile radius of Houston.

The sale of its partnership stake included a two-year non-compete agreement for MHHS that expired in October 2003. Faucett says MHHS now plans to re-enter the outreach market using the lab at Memorial Hermann Hospital as its base of operations. This lab employs 485 FTEs that perform about 5 million inpatient tests per year.

Faucett says the goal is to reach $12 million to $15 million in annual outreach revenue in five years. He notes that while the big commercial labs may have an edge in pricing and can offer larger test menus, MHHS plans to compete on quicker turnaround times and a higher overall level of service.

Faucett says MHHS is in the process of putting patient service centers in all its campuses in the Houston area. He says that MHHS already has a sophisticated courier system in place for transporting inpatient specimens between hospitals. MHHS is contemplating whether it should outsource billing services for the outreach program.

Quest Signs Lab Outsourcing Deal With HealthPartners

Seeking to streamline its operations following a $1 million loss last year, HealthPartners Central Minnesota Clinics (St. Cloud) has decided to move most of its laboratory services to a Quest Diagnostics' facility in St. Cloud. HealthPartners Central Minnesota Clinics, which operates two clinics that had 45,000 patient visits in 2003, is associated with the larger Twin Cities-based HealthPartners organization. The transition to the Quest facility began at the end of January, according to a spokesman at HealthPartners. The agreement is part of a new larger strategy on the part of Quest to form outsourcing partnerships with hospitals and large physician groups, and follows a recent outsourcing deal with Adventist HealthCare Inc. (*see LIR, January 2004, p. 3*).

Hospital Test Volume Grew By 5% In 2003

For this issue of *Inside The Laboratory Industry*, we're highlighting a few of the findings from three separate hospital surveys, conducted by Washington G-2 Reports, Health Care Development Services (*see page 6*), and Park City Solutions (*see page 7*).

Hospital Lab Test Volume Growth, 2003

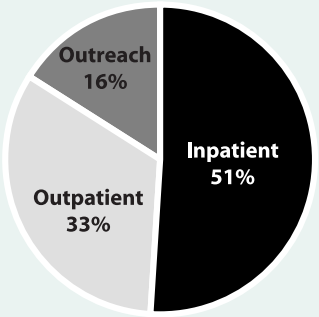
Annual Test Volume	*Sample Size*	*Median Growth*	*Average Growth*
Less than 250,000	140	5.0%	5.1%
250,000 to 499,999	68	5.0	7.2
500,000 to 999,999	83	5.0	6.6
1 million and more	80	5.0	5.6
Overall	371	5.0%	6.1%

Source: Washington G-2 Reports' *First National Hospital Laboratory Survey*

Washington G-2 Reports' *First National Hospital Lab Survey* showed that hospital test volumes (inpatient, outpatient, and outreach combined) grew by a median of 5% and an average of 6.1% in 2003. The survey was completed by a total of 371 hospitals across the country in November/December 2003. Survey forms were mailed to 6,000 CLIA-certified hospital lab facilities for a response rate of 6.2%.

In terms of test mix at the 371 respondents, inpatient tests accounted for 51% of total test volume, outpatient was 33%, and outreach was 16%. The survey showed little variation in test mix by hospital lab size. For example, the 80 hospital labs in the survey that performed 1 million or more tests in 2003 reported that 54% of volume was from inpatient tests, 30% outpatient, and 16% outreach.

Hospital Lab Test Mix



Source: Washington G-2 Reports' *First National Hospital Laboratory Survey*

Twenty-six percent, or 98 out of the total 371 respondents, said they do not actively market outreach testing services. The remaining 273 respondents actively engaged in outreach said their biggest challenges to growing their outreach business were exclusion from managed care contracts (32%) and competition from Quest and/or LabCorp (also 32%). The next most frequently cited challenge was difficulty in finding and hiring qualified lab employees (14%), followed by competition from independent labs (11%). Only 3% of respondents cited difficulty in adding new tests as their biggest challenge.

What Is The Biggest Challenge Your Lab Faces In Terms Of Growing Its Outreach Business?

Exclusion from managed care contracts	32%
Competition from Quest and/or LabCorp	32%
Difficulty in finding lab employees	14%
Competition from independent labs	11%
Other reasons*	8%
Difficulty in adding new tests	3%

*Included dealing with hospital bureaucracy, problems or expenses associated with LIS, and billing and collection problems

Source: Washington G-2 Reports' *First National Hospital Laboratory Survey*

How Do Hospital Execs View Their Laboratories?

Hospital executives view medical staff satisfaction and timely test results as their most important yardsticks for measuring the performance of their laboratories, according to a national survey conducted by Health Care Development Services (Northbrook, IL) in the fall of 2003. At the low end of performance measurements were efficient test utilization, efficient operations, and nursing staff satisfaction.

The survey results suggest that, in the minds of hospital executives, keeping the hospital's doctors happy and getting them timely test results should be the top priority of laboratories.

What Resources Do Hospital Executives Use To Measure Laboratory Performance?

Resource Ranked #1 In Performance	*Overall*	*CEO*	*COO*	*VP*
Medical staff satisfaction	33%	40%	28%	28%
Timeliness of reports	31%	32%	41%	25%
Effective test utilization	17%	13%	16%	23%
Efficient operations	16%	11%	14%	20%
Nursing staff satisfaction	3%	4%	1%	4%

The survey was completed by a total of 156 hospital executives, including 47 presidents or chief executives, 48 chief operating or chief administrative officers, and 61 vice presidents. The majority of survey respondents (78%) work at hospitals with more than 200 staffed beds.

Thirty-six percent of hospital executives cited labor shortages (retention and recruitment) as their most important challenge in the coming year, followed by managing blood costs, which was cited by 29% of respondents. The least important challenge is outreach program competition, according to the survey.

What Are The Most Important Challenges Hospital Executives Anticipate For Their Labs During the Next Year?

#1 Challenge	*Overall*	*CEO*	*COO*	*VP*
Labor shortages: retention/recruitment	36%	41%	33%	31%
Managing blood costs	29%	27%	33%	30%
Lab space constraints	14%	16%	9%	16%
Clinical technology replacements	12%	9%	16%	12%
Outreach program competition	9%	7%	9%	11%

Seventy-nine percent of respondents said their hospitals operate a laboratory outreach program. For respondents with outreach programs, 62% said they had validated their program's profitability, and the most common operating margin range (before deducting indirect expenses) was 11% to 20%.

PCS Survey Indicates Pricing Pressures Are Mounting

Per-member per-month (PMPM) capitation rates for laboratory testing services provided to managed care companies are drifting lower, according to *Park City Solutions Third Comprehensive National Laboratory Outreach Survey 2004*. Average PMPM capitation rates for lab services were $1.32 in late 2003 versus $1.37 in late 2002; median rates fell to $0.99 from $1.23.

Currently Experienced PMPM Cap Rates

	2004 Survey Results	*2003 Survey Results*
Maximum	$2.60	$2.50
Upper quartile	1.58	1.50
Median	0.99	1.23
Lower quartile	0.92	1.00
Minimum	0.65	0.90
Average	$1.32	$1.37

Source: PCS outreach surveys, 2003 & 2004

The data was based on a total of 57 hospital lab outreach program responses collected in fall 2003 versus 72 responses in fall 2002.

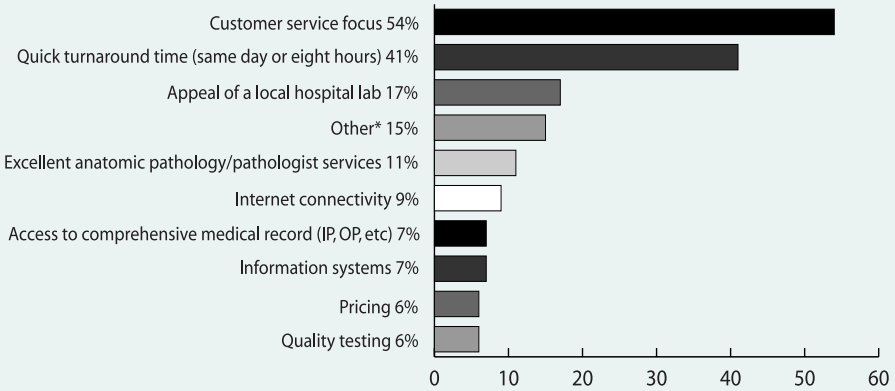
In terms of the market share competition experience, the greatest level of activity seems to be taking place between hospital outreach programs and LabCorp. Forty-four percent of respondents report that they are holding share versus LabCorp, 32% says they are gaining, and 24% are losing, according to the survey.

Hospital Lab Outreach Market Share Experience

	Holding Share	*Gaining Share*	*Losing Share*
Versus Quest	53%	31%	16%
Versus LabCorp	44%	32%	24%
Versus key local lab	56%	25%	19%
Versus competing hospital	73%	20%	7%

Source: *PCS Third Comprehensive National Laboratory Outreach Survey 2004*

Key Competitive Success Strategies



*Other: Lab acquisitions, develop outreach as a separate business line, veterinarian practices, partnering with other regional hospitals

Source: *PCS Third Comprehensive National Laboratory Outreach Survey 2004*

The most common key competitive success strategy employed by hospital outreach programs is customer service focus, cited by 54% of respondents. Quick turnaround time (same day or eight hours) was cited by 41%, and appeal of a local hospital lab was at 17%.

SAMHSA To Overhaul Employee Drug-Testing Guidelines

The federal Substance Abuse and Mental Health Services Administration (SAMHSA) is expected to soon announce new guidelines for employee drug-testing programs that will allow for alternatives to traditional lab-based urine tests. The anticpated new guidelines will include specifications for lab testing of workers' hair, saliva, and sweat, as well as standards for point-of-care methods for urine samples.

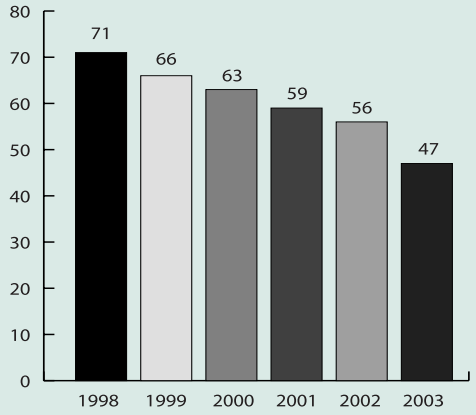
New guidelines that allow for alternative forms of testing could be a blessing for the employee drug testing market, which has suffered from several years of intense price competition. In particular, pricing for oral- and hair-based testing methods is significantly higher than for urine tests, which currently account for more than 90% of all employee drug tests performed in the United States.

Leah Young, spokeswoman at SAMHSA, says the guidelines will be published in the *Federal Register* sometime within the next few weeks. After collecting public comment, the new guidelines are expected to become effective early next year. Young would not discuss details in advance of publication

Drug testing lab executives tell *LIR* that the planned changes have been in the making for several years and reflect SAMHSA's efforts to make it more difficult for workers who try to cheat on urine tests. Alternative testing methods will give employers more certainty about the timing and scope of drug usage than is now possible solely with urine sampling. For example, hair testing can detect drug usage over the past 90 days versus 1-3 days for urine testing.

SAMHSA guidelines apply to the nation's 1.6 million federal workers and are also followed by regulatory agencies that conduct drug testing in industries they oversee, such as the airline and trucking industries. In total, SAMHSA is responsible for about 6.5 million of the estimated 33 million workplace drug tests done each year by U.S. employers. The agency's testing standards are also widely followed by thousands of other employers, public and private.

SAMHSA-Certified Laboratories

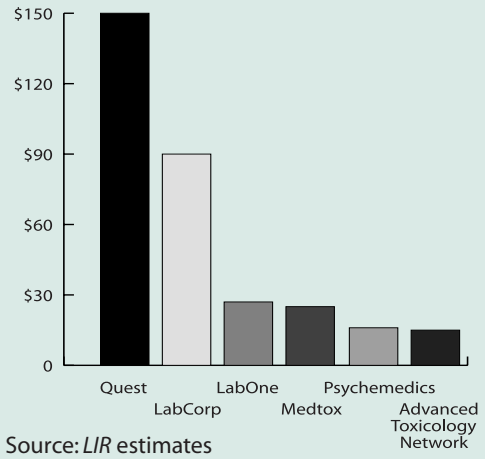


Source: SAMHSA

The average selling price of a lab-based urine test for a standard five-drug panel (*i.e.*, marijuana, cocaine, amphetamines, opiates, and PCP) is about $12. This indicates a market size of approximately $396 million (*i.e.*, 33 million tests multiplied by $12.00 per test = $396 million) for lab-based drug testing. Specimen collection fees and medical review and program management services add roughly $15 in cost per specimen, bringing the total market for employee drug screening in the United States to approximately $891 million.

Intense price competition has forced many SAMHSA-certified laboratories out of business. As of Dec. 31, 2003, there were 47 lab facilities certified by SAMHSA to perform employee drug testing, including seven facilities owned by LabCorp and six owned by Quest.

Estimated 2003 Revenue At Top Employee Drug Testing Labs



Source: *LIR* estimates

Quest has the biggest share of the employee drug testing. In 2003, Quest performed more than 10 million drug screens, generating an estimated $150 million in revenue. LabCorp is next with an estimated $90 million in revenue, followed by LabOne, $27 million; Medtox, $25 million; Psychemedics, $16 million; and Advanced Toxicology Network, $15 million.

The biggest benefactor of new SAMHSA guidelines could be Psychemedics (Cambridge, MA), which is the only lab that has received FDA clearance on its hair tests. The company performed an estimated 400,000 hair tests in 2003 at an average price of $40 each.

The next largest hair tester is Quest, which performs an estimated 150,000 homebrew hair tests per year at its lab in Las Vegas. Quest gained its expertise in hair testing through the acquisition of American Medical Labs in March 2002. Other companies that perform homebrew hair tests include U.S. Drug Testing Labs (Des Plaines, IL) and Northwest Toxicology, which is being acquired by LabOne (*see p. 3*).

Bio-Reference Wraps Up Successful Year

Bio-Reference Labs (Elmwood Park, NJ) reports that its net income increased 33% to $6.5 million in the fiscal year ended Oct. 31, 2003; revenue was up 13% to $109 million and came entirely from internal growth. Days in accounts receivable improved to 99 days in the fiscal fourth quarter of 2003 versus 102 days in the same period a year earlier. *LIR* estimates that bad-debt expense as a percentage of revenue fell to 12% from 12.9% a year earlier.

On a January 8 conference call with analysts, Marc Grodman, president, said that he expects the company's revenue growth to exceed 13% in the coming year, driven by increases in the company's esoteric testing business (particularly cancer diagnostics), which now comprises 28% of total revenue. In addition, Grodman said that Bio-Reference is now considering acquisitions to add to internal growth.

Bio-Reference at a Glance

	Fiscal 2003	*Fiscal 2002*
Revenue	$109,033,364	$96,630,704
Pretax income	8,603,519	5,222,539
Net income	6,539,519	4,921,539
Days in accounts receivable*	99	102
Bad-debt expense %*	12.0%E	12.8%

*Figures are for the fiscal fourth quarter ended October 31.
E=estimated by *LIR*
Source: *LIR* from company reports

Pathologists Get 0.7% Hike For CPT 88305

Under the revised physician fee schedule published in the January 7 *Federal Register*, Medicare reimbursement for CPT 88305 has been raised 0.7% to a global rate of $95.21. CPT 88305 (gross and microscopic exam, Level IV) is the most commonly billed anatomic pathology code, comprising over half of the total billable volume and allowed charges paid by Medicare to pathologists.

Quest and LabCorp have each targeted the anatomic pathology market for growth.

Despite 2004's tiny increase, CPT 88305 has risen by an average annual rate of 8% over the past five years. But the highest increases have come for the technical component of CPT 88305, which has risen by a whopping annual average of 22.1% over the past five years to $53.77, while the professional component has actually declined by 1.7% per year.

"The reallocation of reimbursement toward the technical component has been a source of great irritation for pathologists," says Ray Howard, president of the pathology consulting firm Ray Howard & Associates (Jacksonville, FL). "They feel it's a great liability for them to determine whether a patient will need surgery based on their analysis of a breast or prostate biopsy," he adds.

These changes have not gone unnoticed by the nation's two largest commercial labs. Quest and LabCorp have each increased marketing efforts aimed at gaining control of anatomic pathology specimens. LabCorp's decision to purchase Dianon for $605 million was undoubtedly influenced by reimbursement factors.

In addition, Quest has been working to internalize the tens of millions of dollars of anatomic pathology work it has subcontracted to local pathology groups. AmeriPath (Riviera Beach, FL) has been hurt the most by this strategy. In late 2002 and early 2003, Quest cancelled its contracts with AmeriPath in Florida, taking away some $20 million per year of revenue.

"Quest, LabCorp, and AmeriPath are all trying to increase their pathology revenues, professional and technical, because they are more profitable than most clinical chemistry tests," observes Joe Plandowski, president of Lakewood Consulting Group (Lake Forest, IL). "Quest's recent announcement of the takeover of two hospital labs (*see LIR, January 2004, p. 3*) shows support for my conclusion," he adds.

Plandowski believes Quest is trying to gain management of other hospital labs as well and is now willing to employ hospital-based pathologists to win deals. "When that begins to unfold, independent pathology practices as we have known them will be history," predicts Plandowski.

Medicare Reimbursement For CPT Code 88305*

	1999	2000	2001	2002	2003	2004	Annual % Chg
Global	$64.95	$76.15	$88.38	$93.39	$94.54	$95.21	8.0%
Technical	19.80	31.12	44.00	52.85	53.71	53.77	22.1%
Professional	45.15	45.03	44.38	40.54	40.83	41.44	-1.7%

*Unadjusted for geographic practice cost differences

Source: Medicare physician fee schedules, 2000 to 2004. CPT codes © American Medical Assn.

Lab Stocks Jumped 37% In 2003

Twelve publicly traded lab stocks, including three drug testing firms, jumped an unweighted average of 37% last year versus a 26% gain for the S&P 500 Index and a 50% gain for the Nasdaq. The combined market capitalization of the 11 lab stocks was $15.1 billion as of Dec. 31, 2003.

ViroLogic (South San Francisco) led all lab companies last year with a stock price gain of 183% to $3.76 per share for a market cap of $167 million. ViroLogic markets a proprietary gene-based testing method, PhenoSense, for testing drug therapy resistance in viral diseases, such as HIV/AIDS, hepatitis B, and hepatitis C. The company, which generates approximately $33 million in annual revenue, provides reference testing services from its CLIA-certified laboratory in South San Francisco.

Bio-Reference Labs (Elmwood Park, NJ) was up 112% to $13.06 per share for a market cap of $170 million. The company reported greatly improved financial results for the fiscal year ended Oct. 31, 2003 (*see page 9*).

The worst-performing lab stock was **Impath** (New York City), which fell 80% to $3.95 per share for a market cap of $65 million. Impath filed for Chapter 11 bankruptcy reorganization in September 2003 after audits of the company's financial reports revealed that its accounts receivable balance was overstated. Shares of Impath have since rebound to $6.50 (*see pp. 1-2*).

Meanwhile, **Quest Diagnostics** (Teterboro, NJ) rose 29% to $73.11 per share for a market cap of $7.6 billion. **LabCorp** (Burlington, NC) jumped 59% to $36.95 per share for a market cap of $5.4 billion. **LabOne** (Lenexa, KS) was up 83% to $32.47 per share and **Specialty Labs** rose 74% to $16.79 per share.

Lab Stock Review For 2003

Company (ticker)	*12/31/03 Price*	*52-Week % Chg*	*Market Capitalization*	*P/E Ratio*
Bio-Reference Labs (BRLI)	13.06	111.7	170	23
Enzo Biochem (ENZ)	17.91	34.3	538	na
Impath (IMPHQ)	3.95	-80.0	65	na
LabCorp (LH)	36.95	59.0	5,352	18
LabOne (LABS)	32.47	83.2	417	28
Medtox (TOX)	5.95	-10.0	30	na
Myriad Genetics (MYGN)	12.86	-11.9	348	na
PharmChem (PCHM)	0.16	-30.4	1	na
Psychemedics (PMD)	9.37	-0.9	49	50
Quest Diagnostics (DGX)	73.11	28.5	7,600	19
Specialty Labs (SP)	16.79	73.8	376	na
ViroLogic (VLGC)	3.76	182.7	167	na
Unweighted Avg.		36.7		na

na=The company has reported a loss in the most recent four quarters.
Source: *LIR*

INDUSTRY buzz

What's going on at AmeriPath? On January 21, the company announced that, James New, age 59, chairman, and chief executive, was resigning from both positions effective February 1. *LIR* had been scheduled to interview Mr. New on January 23 to discuss the outlook for the pathology market, but we weren't able to get in touch with him for that appointment. Furthermore, *LIR* has learned that New stopped coming to the office after the announcement was made.

In a press release, AmeriPath said Paul Queally, an AmeriPath director and general partner with Welsh, Carson, Anderson & Stowe (New York City), had become chairman of AmeriPath effective immediately. AmeriPath has begun an executive search for a new CEO. At press time, Queally was not available for comment.

Welsh Carson is an investment firm that purchased AmeriPath in March 2003 for about $800 million in a deal that took the public company private. As part of the transaction, New had signed a three-year employment contract with Welsh Carson.

New's abrupt departure ends his long relationship with the company he helped found back in 1996 by acquiring several pathology groups in Florida. Today, AmeriPath manages some 400 pathologists working at more than 40 labs and hospitals around the country.

References in this issue

AmeriPath 561-845-1850

Bio-Reference Labs 201-791-2600

Esoterix 512-225-1100

Health Care Development Services 847-498-1122

Impath 212-698-0300

LabCorp 336-584-5171

LabOne 913-888-1770

Lakewood Consulting Group, 847-295-8805

Northwest Toxicology 801-293-2300

Park City Solutions 800-860-5454

Psychemedics 617-868-7455

Quest Diagnostics 201-393-5000

Ray Howard & Associates 904-268-0787

ViroLogic 650-635-1100

Welsh Carson 212-893-9500

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