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LABORATORY INDUSTRY REPORT®

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HIGHLIGHTS

WASHINGTON G-2 REPORTS

Is Your Outreach Program Profitable?

Most hospital lab directors and managers take enormous pride in providing outreach clients with top quality technical services, quick turnaround times, and availability of medical technologists and pathologists for consultations. Hospital lab personnel have always argued that their ability to provide quality lab tests results in a timely manner meets or exceeds that of the national labs.

But when it comes to measuring the financial success of their outreach programs, most lab administrators, at even the largest programs, can't provide a definitive answer. In fact, a recent Park City Solutions' survey completed by administrators at 59 hospital outreach programs showed that 58% were unable to estimate in quantitative terms the profitability of their program. Of course, in qualitative terms 96% of the respondents said they felt their programs were either break-even or profitable.

But can you imagine if at the next board meeting at Quest, LabCorp, or any for-profit independent lab, the chief executive stood up and announced "I can't provide you with any hard financial data for our company's past 12 months of operation, but I'm pretty sure we made some money."

The need for hospital lab administrators to raise their financial acumen is the topic of this month's *Inside the Laboratory Industry*, pp. 5-7.

ChromaVision To Enter Lab Services Business

ChromaVision (San Juan Capistrano, CA), which sells automated cell-imaging systems, has hired three former Impath executives and announced plans to begin providing in-house slide-preparation services to hospital clients using its remote-viewing pathology system. The new business strategy follows a recent Medicare decision that cut reimbursement to labs using cell-imaging systems by almost in half. Richard Cote, M.D., a founder of Impath, is serving as a special consultant to ChromaVision and is developing its service expansion strategy. Other former Impath executives recently hired include Heather Creran, who will serve as chief operating officer of oncology services, and Horacio Vall, a medical technologist who will serve as vice president of lab operations.

➟ *p. 2*

ChromaVision says 30% of all breast cancer panels in the United States are currently being analyzed using its cellular imaging technology.

ChromaVision To Enter Lab Services Business, *from page 1*

ChromaVision's Automated Cellular Imaging System (ACIS) was cleared by the FDA in July 1999 "to detect, count, and characterize cells of interest that are stained with immunohistochemistry." And in December 2003, the FDA cleared the company's ACIS system to perform tests used to help physicians determine an appropriate course of treatment for breast cancer patients. Specifically, the FDA clearance allows ACIS to be used as a complement to the DakoCytomation HercepTest in the detection and measurement of Her2/neu. This measurement is critical in assessing breast cancer patients for whom Herceptin treatment is being considered.

ChromaVision had previously marketed its breast cancer test on a homebrew basis and as of Dec. 31, 2003, 166 labs were using the full ACIS system and another 95 labs were analyzing specimens using remote viewing workstations that let pathologists view slides prepared at a central location. Placements of the ACIS system had grown largely because pathology groups and labs were advised to bill Medicare for a combination of CPT codes that provided total reimbursement of more than $200. And clients paid ChromaVision as much as $80 per test to use the system.

But effective Jan. 1, 2004, Medicare instituted a specific code (CPT 88361) for quantitative immunohistochemistry by cellular imaging and set a national limit of $138.90. The new code and drastically lowered reimbursement have forced ChromaVision to restructure its way of doing business, which had followed the typical reagent/rental model.

ChromaVision now plans to begin providing in-house laboratory staining and ACIS image scanning services to clients that use the company's remote viewing workstations. Thus ChromaVision and its clients will be spared the expense of installing the complete ACIS system. ChromaVision will be compensated for the technical component of CPT 88361, or $84.01 per slide, and the pathologists and labs that interpret the prepared specimens will get the professional component of $54.89.

As a result, ChromaVision says it will be terminating certain contracts with US Labs (Irvine, CA), under which it had previously been outsourcing the technical services component of the remote-viewing program.

In addition, two members of the ChromaVision board, Douglas Harrington, M.D., and Thomas Testman, have resigned because of potential competitive conflicts. Harrington and Testman are both affiliated with Specialty Labs (Santa Monica, CA).

Matt Clawson, a spokesman for ChromaVision, tells *LIR* that the company has received a CLIA number for its lab facility in San Juan Capistrano, California and is now in the process of scheduling the necessary inspections. Clawson says ChromaVision is assessing other opportunities to provide lab testing services as well.

LabCorp Adds Swedish Hospital Outsourcing Deal

LabCorp (Burlington, NC) has won a long-term contract to manage laboratory services at Swedish Medical Center's Providence campus (334 licensed beds) in Seattle effective March 1. This deal adds to LabCorp's recently renegotiated contracts with Swedish Medical Center's First Hill (697 beds) and Ballard (163 beds) campuses that also become effective March 1. The three hospitals perform a total of two million billable tests per year, according to Brian Kuske, vice president for ambulatory and ancillary services at Swedish.

LabCorp initially gained its lab management contract with Swedish Medical Center (First Hill and Ballard) through the acquisition of Dynacare in July 2002. According to Dynacare financial reports, the Swedish lab management agreement had generated some $18 million in annual revenue to the company.

The contract was due to expire in 2005 and Kuske says Swedish had given serious thought to ending the LabCorp/Dynacare relationship and bringing management of its labs in-house. Kuske says Swedish chose to stay with LabCorp/Dynacare because it was happy with the service and was able to negotiate annual savings of 20% under the revised and expanded contract.

In total, LabCorp will now be managing approximately two million billable tests per year for Swedish. Nearly all of the testing is inpatient related with a small portion coming from outreach services provided to 11 primary care clinics owned by Swedish. Anatomic pathology services will continue to be provided to Swedish by a local group.

Losing out is PacLab Network, a hospital lab network administered by PAML (Spokane, WA), that Swedish Providence had been a member of. In addition, 160 medical technologists, lab technicians, blood-bank workers, couriers, and office workers at Swedish Providence will lose their jobs. A spokeswoman at Swedish says many of the affected employees might be able to find new jobs with LabCorp or get other jobs at Swedish Medical.

LabCorp Wins Saskatchewan Lab Service Contracts

Gamma-Dynacare Medical Laboratories (Toronto), a subsidiary of LabCorp, has won a five-year lab service contracts with both the Saskatoon and Regina-Qu'Appelle Regional Health Authorities in the Canadian province of Saskatchewan (located just north of Montana and North Dakota). The two regional health authorities provide health services to 532,000 Canadians.

The contracts become effective on April 30 and were formerly held by MDS International (Toronto). Gamma-Dynacare will manage phlebotomy services at a total of 18 patient service centers in Saskatoon and Regina and will also provide specimen transportation to government-owned hospital labs in both cities that will perform the actual testing. Gamma-Dynacare will also provide lab supply

purchasing services to the two health authorities. The value of the contracts was not disclosed.

Through its Dynacare operations, LabCorp currently operates three central laboratories in the province of Ontario and a fourth in Edmonton, Alberta. Based on historical financial reports from Dynacare, *LIR* estimates that LabCorp generates approximately $100 million per year in revenue from its Canadian operations.

Ford Motor Company May Direct Contract With Labs

In order to try and control escalating employee health care costs, Ford Motor Company (Dearborn, MI) is considering carving out its lab testing benefit and contracting directly with a national laboratory company, *LIR* has learned. The move would be aimed at eliminating the administrative costs associated with managed care and indemnity health plans that act as the middlemen between employers and health providers.

A source tells *LIR* that Ford recently sent out a request for proposal (RFP) to several national labs, including Quest Diagnostics, LabCorp, and Mayo Medical Labs, asking for bids for both capitated and fee-for-service arrangements. Such a deal would be similar to the way that many large employers have carved out their prescription drug benefits by contracting directly with pharmacy benefit management (PBM) companies like Express Scripts, Caremark Rx, and Medco Health Solutions, observes *LIR*.

Ford is among the nation's largest employers with a total of 140,000 employees, including 90,000 union and 50,000 salaried employees. The company's largest number of employees is located in southeastern Michigan. Including all active employees, retirees, and dependents, Ford provides health coverage to a total of 619,000 people in the United States.

Anne Marie Gattari, a spokeswoman for Ford, would not comment on news that Ford may be considering direct contracting with labs. "I can't confirm that, but I can say that Ford is always looking for ways to make its health plan design and processes more efficient," says Gattari.

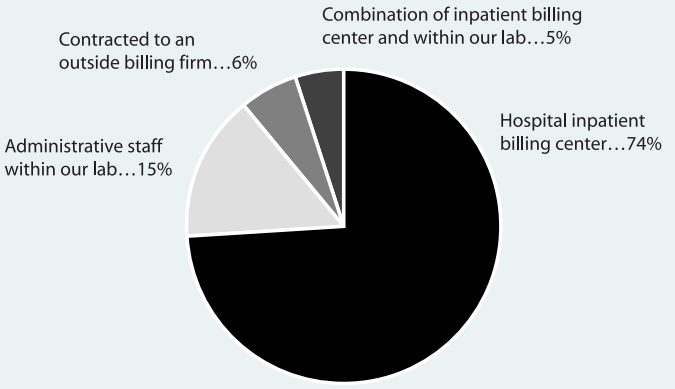
Ford spent $3.2 billion on health care for U.S. employees, retirees, and dependents in 2003, up 14% from $2.8 billion in 2002, according to Gattari. At the Chicago Auto Show, February 6-15, Ford chief executive Bill Ford said health care costs were his biggest challenge. "We are paying more for health care per vehicle than we are paying for steel," he said, adding that he saw no easy solution.

Meanwhile, *LIR* observes that this would not be the first time that Ford had considered carving out its laboratory testing benefit. Ford tried it more than 10 years ago, but protests from smaller labs and union workers concerned about limiting provider choice beat the plan down.

It's Time For Hospital Labs To Take Control Of Outreach Billing

Numerous surveys completed by Washington G-2 Reports and Park City Solutions Lab Services Group over the past few years[1] indicate that hospital outreach labs are growing their test volumes in the 5% to 10% per year range. That compares with small percentage test volume decreases at the two big national labs. The market share gains made by hospitals appear to be driven by their higher levels of service to physician clients, especially in the areas of stat turnaround times, prompt phoning of critical results, pathology services, and accurate test results (*see survey below*).

How Do You Manage the Billing and Collections for Your Outreach Services?



Source: Washington G-2 Reports' *First National Hospital Laboratory Survey, n=371*

But while hospitals have successfully grown outreach test volumes, the profitability of this added volume is largely a mystery. In fact, there is evidence that the old saying, "We lose money on every sale, but make it up on volume," may apply to a lot of hospital outreach programs.

This is almost the exact opposite position that Quest and LabCorp are in. The two national labs are seeing modest test volume declines, but on the other hand, they each have very sophisticated financial systems in place and earn verifiable pretax profit margins of 15% to 18% (*see page 8-9*).

Physician Satisfaction Level Summary*

	Hospital Labs	Quest	LabCorp
Routine TAT	7.2	7.1	6.8
Stat TAT	6.9	6.5	6.1
Prompt phoning of critical results	7.0	6.6	6.1
Easy-to-use requisitions	7.0	6.9	6.4
Competitive fees	6.6	6.7	6.5
Pathology services	7.3	6.8	6.4
Prompt response to inquiries	7.2	6.6	6.4
Convenient patient service centers	7.9	7.0	6.6
Accurate billing	6.6	6.6	5.8
Accurate test results	8.3	7.7	7.3
Convenient courier pickups	7.5	7.8	7.2
Consistent courier services	7.6	7.9	7.3

*Physician satisfaction levels were based on a scale of 1-10, with 1 being not satisfied and 10 being very satisfied. This survey includes responses received in 2001-2003 from 504 physician groups around the country representing more than 2,000 physicians.

Source: Park City Solutions Lab Services Group

Most outreach programs do not know their profitability because they do not have access to accurate financial reports. The billing and collections function for outreach services at 74% of the nation's hospital labs is handled by their hospital's main inpatient billing center, according to Washington G-2 Reports' *First National Hospital Laboratory Survey*.

Two of the biggest problems associated with mixing outreach billing with the main inpatient billing system are:

[1]Washington G-2 Lab Institute Survey, October 2002; Washington G-2 First National Hospital Lab Survey, December 2003; Park City Solutions Outreach Surveys, 2002, 2003, and 2004.

1 The hospital's billing systems are designed for inpatient bills that average $2,000 to $10,000 per claim and are not designed for outreach claims that only average around $35. The relatively small-dollar claims generated by outreach programs do not get the special attention they need in order to be billed properly. For example, missing information on lab orders is often never tracked down and, instead, automatically written off as non-billable by the main inpatient billing center.

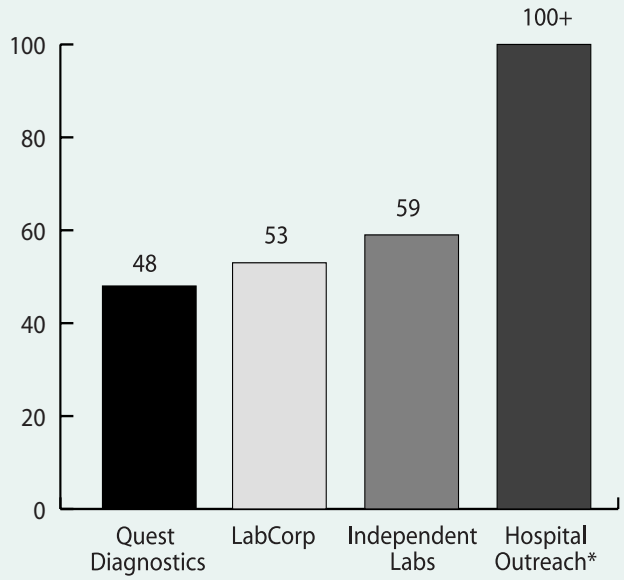
One hospital billing consultant that *LIR* interviewed went as far as to estimate that one out of every four outreach tests performed are never even billed because of missing information. Similarly, many hospitals do not have systems in place to correct and re-submit bills that are rejected.

The unwillingness of hospital billing departments is not completely irrational. Most have a limited staff that has to prioritize which bills to follow up on. And not surprisingly, the $6,000 inpatient bills get a lot more attention than the $35 lab claims.

2 Most inpatient-focused billing systems do not provide lab administrators with even the most rudimentary financial yardsticks (*e.g.*, net collected revenue, days in accounts receivable, and bad-debt expense) needed to run a business. This may be the most serious problem because without detailed information on which clients' claims are not getting paid and why, lab administrators have no ability to provide the client education necessary to obtain necessary billing information. "The great majority of outreach businesses are being run blindly," observes one consultant.

As a result, outreach programs are forced to rely on the financial information they can get their hands on, such as reportable or billable test results performed, cost per test, and total charges submitted. But none of these measures are helpful in determining whether or not an outreach program is profitable.

Days in Accounts Receivable Comparison



*For hospital outreach programs where billing and collection is managed by the main inpatient hospital billing center
Source: Washington G-2 Reports

For example, some hospital labs believe that the added volume they obtain from outreach will reduce their cost per test and point to this as a measure of success. But this is only one side of the profit equation (in simplest terms: net collected revenue – costs = profit). Without knowing your net collected revenue, there is no way to determine whether or not an outreach program is profitable. In fact, it's quite possible to have your cost per test decrease dramatically because of added volume, yet still be worse off at the bottom line.

Because most hospital lab outreach programs do not have systems in place

to identify lab orders with missing information and to correct rejected claims and resubmit them, they have bloated accounts receivable balances that lead to big writeoffs. Hospital inpatient billing centers throw outreach bills with problems into accounts receivable, and each day that passes by lowers the chance that these bills will ever get paid.

Many hospital outreach administrators make the mistake of assuming that the collection cycle for outreach is similar to that of the hospital's overall billing experience. The average overall days in accounts receivable (DAR) for hospitals in the United States is approximately 65 days, according to data from Fitch Ratings (New York City).

But it's a mistake to think that lab outreach billings are in line with this figure. In fact, several billing management firms that *LIR* spoke with said that the typical outreach program has a DAR that's well in excess of 100 days, with some as high as 200 days.

The DAR is calculated by taking your accounts receivable balance at the end of a certain period and dividing it by your average net revenue collected per day. For example, an outreach program with an accounts receivable balance of $1.5 million and annual net collected revenue of $5 million (or $13,700 per day) has a DAR of 109 days (*i.e.*, $1.5 million divided by $13,700 = 109).

This is in sharp contrast to the billing experience at the two biggest commercial labs: Quest Diagnostics had a DAR of 48 days in the fourth quarter of 2003, while LabCorp's was 53 days. But Quest and LabCorp don't have a lock on good billing and collection systems. A Washington G-2 survey of 119 smaller independent labs with average annual revenue of $3.2 million showed that they had an average DAR of 59 days.

The relatively low DARs at Quest, LabCorp, and small independents means that they are writing off only about 4% to 8% of their submitted claims as bad debt. But the hospital experience of 100-plus DAR means that they are probably writing off at least 15% of the claims they send out as bad debt. And this level makes it nearly impossible to earn a profit on outreach.

Of course it doesn't need to be this way. Lab billing consultants and accounts receivable management firms tell *LIR* that those few outreach programs that have taken control of their billing and put systems in place to identify and correct lab orders with missing information are able to achieve DAR's in the 50- to 70-day range making them competitive with the commercial and independent labs. It's not rocket science. It just requires hospital labs to get their heads out of the sand and start treating their outreach programs as a business, billing consultants tell *LIR*.

Want more info?

Then be sure to listen in on Washington G-2's upcoming teleconference, Success Strategies For Lab Outreach Billing & Collections on March 16.

This special 90-minute national audio conference will feature expert advice for developing and maintaining an optimal billing system for your lab outreach program. You'll hear expert advice and have the opportunity to ask questions from three experts: Doug Jaciow, director, pathology services at Baystate Health Systems; John Leskiw, chief executive of the accounts receivable management firm Quadax Inc.; and Lale White, president of the lab billing system consulting company Xifin Inc. For more information or to register call 800-401-5937 or go to *www.g2reports.com*.

Big Profits/Declining Test Volumes At Quest And LabCorp

Quest Diagnostics and LabCorp each reported strong revenue growth (driven by acquisitions) and increased profits for full-year 2003. However, aside from acquisitions, both big labs continue to struggle to grow their test volumes in the key routine physician office testing business. Meanwhile, both companies are seeing substantial growth in their esoteric/gene-based testing businesses. In particular, the big labs cite DNA-based HPV testing as fast growing and each company says they will soon launch a new DNA-based ovarian cancer test (named "OvaCheck") licensed from Correlogic Systems (Bethesda, MD). A summary of 2003 financial results for each company is provided below:

Quest Diagnostics (Teterboro, NJ) reported net income of $437 million for 2003 versus $322 million in 2002; revenue increased by 15% to $4.7 billion driven by the acquisitions of American Medical Laboratories (completed in March 2002) and Unilab (February 2003). Excluding these acquisitions, Quest's internal revenue growth rate was approximately 4.1%, comprised of a 1% decline in test volume offset by a 5.1% increase in average revenue per requisition.

Overall, Quest processed a total of approximately 131.5 million requisitions in 2003 and generated an average of $36 of revenue per requisition.

Among the bright spots at Quest was esoteric/gene-based testing, which is growing at roughly 15% to 20% annually and now represents 18% of the company's total revenue, or approximately $850 million per year.

Full-Year 2004 Stats at Quest and LabCorp

	Quest Diagnostics	*LabCorp*
Revenue	$4,737,900,000	$2,939,400,000
Pretax income	737,800,000	540,400,000
Net income	436,700,000	321,000,000
Pretax margin	15.6%	18.4%
Net income margin	9.2%	10.9%
Patient service centers	1,925	1,100
Requisitions	131,500,000	87,915,100
Employees	37,000	23,000
Revenue per PSC	$2,461,247	$2,672,182
Revenue per requisition	$36.03	$33.43
Revenue per billable test*	$14.41	$13.37
Revenue per employee	$128,051	$127,800
Days in accounts receivable**	48	53
Bad-debt expense**	4.7%	6.8%

*Assumes 2.5 billable tests per requisition
**For fourth quarter ended Dec. 31, 2003

Source: *LIR* from company reports

This year Quest expects internal revenue growth of approximately 4.5%, including a 2% to 3% rise in average revenue per requisition and 1.5% to 2.5% volume growth. On a January 27 conference call, Surya Mohapatra, Ph.D., president of Quest, cited the company's increased marketing efforts and incentives for customer satisfaction, loyalty, and new business wins. In particular, Mohapatra said Quest had "special initiatives" in the Ohio and Carolina markets.

LabCorp (Burlington, NC) reported net income of $321 million for 2003 versus $255 million in 2002; revenue was up 17% to $2.9 billion.

Revenue growth was driven by the acquisitions of Dynacare (completed in July 2002) and Dianon (January

2003) as well as a number of smaller acquisitions including Cytology Screening Inc. (May 2002), Immunodiagnostic Labs (August 2002), the northern California assets of Quest/Unilab (February 2003), and Clinical Labs Inc. (July 2003). After accounting for the effects of all of these acquisitions, *LIR* estimates that LabCorp's revenue growth was 3%, comprised of a volume decline of 2.5% and a 5.5% increase in its average revenue per requisition.

On a February 12 conference call, Tom Mac Mahon, chief executive of LabCorp, said that he was seeing more lab companies being formed and significant pricing competition for routine business. To raise volume growth, Mac Mahon said LabCorp was enhancing service levels in key markets and working to get more managed care contracts.

Overall, LabCorp collected an estimated 87.9 million requisitions in 2003 with an average revenue per requisition of $33.43. LabCorp's average revenue per requisition was pulled up by growth in its esoteric/gene-based testing business, which now represents about 30% of the company's overall revenue and has an average revenue per requisition of $62.28.

Damon's Thurston Gets Five-Year Prison Term

William Thurston, age 54, former vice president of Damon Clinical Testing Laboratories (now part of Quest Diagnostics), has failed one more time to persuade an appeals court that he should get a light sentence for his role in a Medicare bundling fraud scheme that took place in the early 1990s.

Thurston was convicted last year of defrauding Medicare of millions of dollars by bundling ferritin tests into a commonly used blood test panel called a "LabScan." The ferritins were provided to physicians for free, or for a nominal cost, while Damon billed Medicare approximately $17 for each unnecessary test.

The original court decision issued in June 2003 had given Thurston a three-month prison term to be followed by three years of supervised release. In formulating this decision, District Court Judge Edward Harrington had reasoned that Thurston should not get a tougher sentence than his boss at Damon had gotten. In addition, Harrington cited Thurston's charity work as a reason for a light sentence.

James Isola, president of Damon, was offered a highly favorable plea bargain by the Government if he pled guilty; and he was ultimately sentenced to three years' probation. Thurston was offered a similar deal, but he refused to plead guilty and went to trial—a decision that angered prosecutors from the U.S. General Attorney's office.

Government prosecutors were further outraged when Judge Harrington issued what they believed to be a mere slap on the wrist to Thurston. Seeking harsher punishment, they appealed the decision to the First U.S. Circuit Court of Appeals (Boston).

The appeals court decision, originally issued last August and reconfirmed on February 4, reversed the sentencing after determining that Thurston's "charitable

activities," which included church membership, tithing 10% of his income, and volunteering hours every week at the church, did not clear the hurdle of "unique, exceptional and extraordinary"—factors that had swayed Judge Harrington's light sentencing.

Instead Thurston has received the five-year statutory maximum and a recommendation for a $12,500 fine. In explaining its decision, the appeals court said, "Business leaders are often expected, by virtue of their positions, to engage in civic and charitable activities. Those who donate large sums because they can, should not gain an advantage over those who do not make such donations because they cannot."

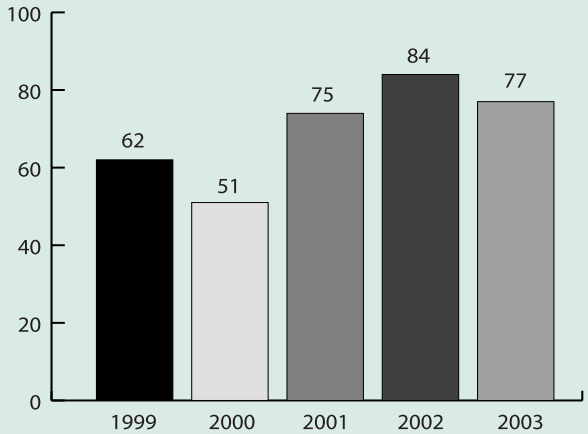
Small Business Administration Loans Now Open To More Labs

Effective January 28, the U.S. Small Business Administration (SBA) increased its receipts-based size standard for small lab companies from $6 million in average annual receipts to $10 million. Gary Jackson, assistant administrator to the office of size standards at SBA, says the change was the result of numerous requests from small lab companies seeking to grow and become more competitive.

Based on Census data, Jackson estimates that there approximately 120 lab companies with annual revenue (*i.e.*, receipts) in the $6 million to $10 million range that can now apply for SBA-guaranteed loans. He says the revenue limit figure is determined based on a three-year average and includes revenue from all sources. Jackson also notes that lab companies that are affiliates or subsidiaries of a parent company must use the parent company's revenue average. Thus, an independent lab company with $6 million per year in revenue that is owned by a health system with $500 million per year in revenue would not be eligible.

Jackson says SBA-guaranteed loans are typically provided to small businesses or startups that have had difficulty getting traditional bank loans. He says SBA-guaranteed loans generally have longer terms and higher interest rates than traditional bank loans. The other big difference is that SBA has less stringent collateral requirements and looks more at a company's ability to meet monthly payments. The maximum loan amount is $2 million.

Number of SBA Loans to Lab Companies



Source: SBA

For example, a fixed-rate SBA loan of $50,000 or more would have an interest rate of no higher than the Prime Rate (currently at 4%) plus 2.25% if the term were less than 7 years, and Prime Rate plus 2.75% if the term was 7 years or more.

In the fiscal year ended Sept. 30, 2003, the SBA backed a total of $17.2 million in loans to lab companies. A total of 77 separate SBA loans were made for an average loan size of $223,000. For more info go to *www.sba.gov*.

Drug Testing Stocks Jump On Hope For New SAMHSA Guidelines

Twelve publicly traded lab stocks are up unweighted average of 34% year to date through Feb. 13, 2004. The combined market capitalization of the 12 lab stocks is now $16.9 billion, up 12% from $15.1 billion at the start of the year.

Drugs-of-abuse-testing companies have scored the biggest stock price gains on the hope that the federal Substance Abuse and Mental Health Services Administration (SAMHSA) will soon announce new guidelines for employee drug-testing programs that will allow for alternatives to traditional lab-based urine tests (see *LIR*, February 2004, pp. 8-9). There are also signs that the economy is improving and hope that employee hiring and related drug screening will pick up.

Among the drug-testing companies, **Medtox Scientific** (St. Paul, MN) has risen 39% to $8.30 per share; **Psychemedics** (Cambridge, MA) is up 38% to $12.90 per share; and **Pharmchem** (Haltom City, TX) is up 181% to $0.45 per share.

Impath (New York City), which fell 80% last year, has rebound 79% to $7.08 per share. Although shareholders are usually wiped out after a company files for Chapter 11 bankruptcy reorganization, Impath's shareholders are betting that they get some value out of a reorganization or sale of the company.

But every week that goes by the "brain drain" at Impath is shrinking the company's business and hampering its ability to rebound in the future. *LIR* is aware of dozens of pathologists, medical technologists, and salespeople who have left Impath and taken jobs at competing firms (*e.g.*, ChromaVision, Esoterics, US Labs, Bio-Reference, Quest Diagnostics, etc.) within the past 12 months.

Most recently, Impath has filed a lawsuit against James Weisberger, M.D., director of hematopathology at **Bio-Reference Labs** (Elmwood Park, NJ), alleging that Weisberger misappropriated certain trade secrets and unlawfully solicited former Impath employees to join Bio-Reference. Before joining Bio-Reference in September 2003, Weisberger had worked at Impath for four years. Bio-Reference, which is not being sued, and Weisberger say the allegations are utterly baseless and without merit.

Lab Stock Review for 2003

Company (ticker)	2/13/04 Price	YTD % Chg	Market Cap ($ millions)	P/E Ratio
Bio Reference Labs (BRLI)	$17.25	32	198	34
Enzo Biochem (ENZ)	18.83	5	565	145
Impath (IMPHQ)	7.08	79	117	na
LabCorp (LH)	39.00	6	5,577	23
LabOne (LABS)	33.30	3	563	27
Medtox Scientific (TOX)	8.30	39	41	na
Myriad Genetics (MYGN)	16.93	32	459	na
PharmChem (PCHM)	0.45	181	3	na
Psychemedics (PMD)	12.90	38	67	56
Quest Diagnostics (DGX)	82.74	13	8,795	20
Specialty Labs (SP)	14.42	-14	323	na
ViroLogic (VLGC)	3.53	-6	160	na
Unweighted Avg.		34	$16,868	

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

INDUSTRY buzz

Ex-AmeriPath executive, Brian Carr, age 42, is forming a new esoteric testing lab called American Esoterics, *LIR* has learned. Details are sketchy, but we hear that the new company will be based in the Dallas, Texas area and has received venture capital funding from Oak Investment Partners (Westport, CT).

This is not Carr's first entrepreneurial endeavor. He was a co-founder of Pathology Consultants of America (d/b/a Inform DX), a pathology group management company that was acquired by AmeriPath in November 2000 for $55 million. Carr then served as AmeriPath's president until resigning in June 2003.

Quest adds lab outsourcing deal in Las Vegas. Spring Valley Hospital (Las Vegas), a new 176-bed hospital that opened late last year, has outsourced its laboratory to Quest Diagnostics. Quest now manages a total of four hospital labs in Las Vegas. The others are Valley Hospital (400 beds), Desert Spring (346 beds), and Summerlin Hospital (190 beds).

All four hospitals are part of Valley Health System, which is owned by Universal Health Services (King of Prussia, PA), a for-profit hospital chain that operates a total of 34 hospitals in the United States.

Throughout the United States, Quest now has a total of roughly 10 hospital lab outsourcing agreements. At least three of these have been completed within the past few months, including Spring Valley and Adventist HealthCare (two hospitals in Maryland).

References in this issue

Bio-Reference Labs 201-791-2600

ChromaVision 949-443-3355

Impath 212-698-0300

LabCorp 336-584-5171

Park City Solutions 800-860-5454

Quadax Inc. 440-777-6300

Quest Diagnostics 201-393-5000

Small Business Administration 1-800-827-5722

Swedish Medical Center 206-386-6000

US Labs 888-450-0145

Xifin 858-793-5700

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