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LABORATORY INDUSTRY REPORT®

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Vol. XI, No. 6/June 2007

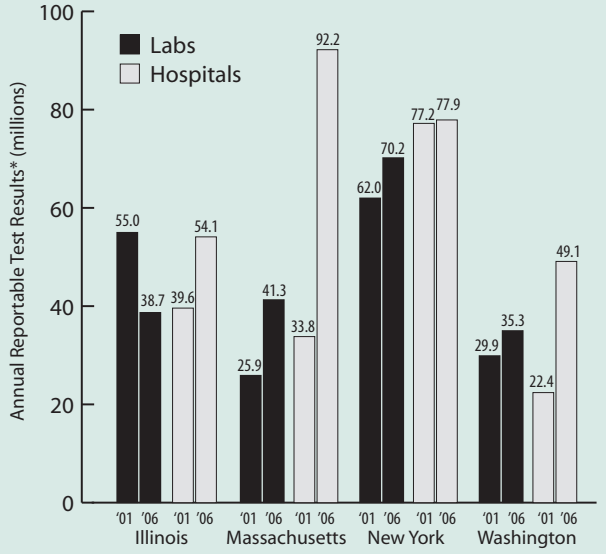
HIGHLIGHTS

Breaking Down The $51.7B Lab Industry: Four Key States

National spending on clinical laboratory services continues to grow at a steady rate. Washington G-2 Reports projects that the overall lab market will grow 6.5% in 2007, to approximately $51.7 billion. Meanwhile, test volumes in laboratories and hospitals nationwide are growing even faster, according to a new analysis by Washington G-2 Reports that will be published in the forthcoming revised edition of the *Laboratory Market Leaders Report*.

In this issue, *LIR* takes a look at the lab industry demographics in four states scattered across the country—Massachusetts, New York, Illinois, and Washington—to get a sense of what's going on in those states' lab industries. A comparison of the annual reportable test results for the top 12 laboratories and hospitals in these four states shows that test volume grew significantly from 2001 to 2006 in both commercial laboratories and hospitals. For an in-depth look at the laboratory industries of these four states, see *Inside the Laboratory Industry*, pp. 5-9.

Total Test Volumes of Top 12 Laboratories and Hospitals



Source: Washington G-2 Reports's Laboratory Market Leaders Report (2007), CLIA Provider Applications Files/2006, and state department of public health data. Test volume figures are summed annual reportable test results for top 12 laboratories and hospitals in each state; panel tests are exploded into individual test components of the panel.

Medicare Part B Spending Up 9.6% To $7.1 Billion

Medicare Part B spending on clinical laboratory services continues to surge. The latest data from CMS's *2007 Medicare Trustees Report* shows that Part B lab spending increased by 9.6% to $7.128 billion in calendar year 2006.

After declining through most of the 1990s, Part B lab spending has rebounded strongly over the past seven years.

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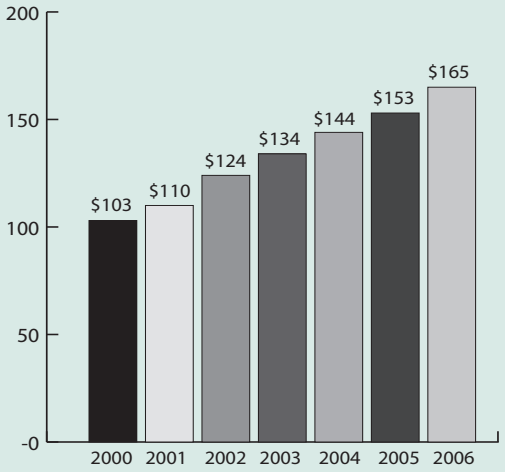
MEDICARE PART B SPENDING, *from page 1*

Part B Lab Spending per Medicare Enrollee

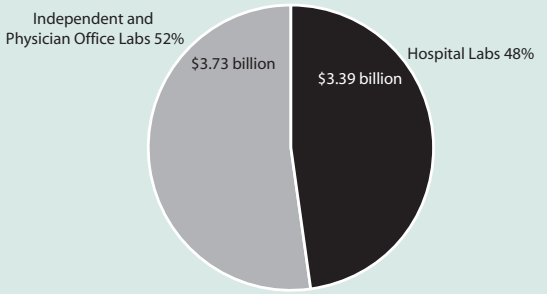


Source: *2007 Medicare Trustees Report*

From 2000 to 2006, Part B lab spending increased at an average rate of 10.2% per year. Over the same period, total Medicare Part B spending rose by 9.7% per year to reach $165.6 billion, or 1.3% of the gross domestic product (GDP). It is expected to reach $179.6 billion this year and projected to grow to about 4% of GDP by 2081. Meanwhile, total Medicare program expenditures increased by 21.4% per year to reach $408.3 billion in 2006 as compared with $336.4 billion in 2005.

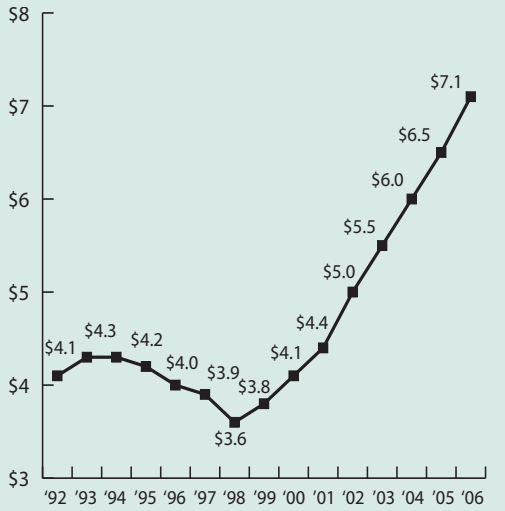
The Medicare program covered a total of 43.2 million enrollees in 2006. Underlying healthcare costs per enrollee are projected to rise faster than the wages per worker do. As a result, while Medicare's annual costs were 3.1% of GDP in 2006, or about 72% of Social Security's, they are projected to surpass Social Security expenditures in 2028 and exceed 11% of GDP in 2081. Over the past seven years, annual part B lab spending per enrollee has increased by 8.2% per year to reach $165. Assuming an average billable test of $15 equates to average utilization of 11 tests per year per Medicare recipient ($165/$15=11 tests/year).

Part B Lab Spending in 2006 by Provider



Source: *2007 Medicare Trustees Report*

Part B Spending on Clinical Lab Services, 1992-2006 ($ billions)



Note: Includes all Part B spending on lab services, including independent lab, hospital outpatient/outreach, and physician office labs Source: *2007 Medicare Trustees Report*

Intermediary labs (i.e., hospital labs) provided $3.39 billion of Part B lab services in 2006, accounting for 48% of the total $7.13 billion. Carrier labs (i.e., independent labs and physician office labs) accounted for $3.73 billion, or 52% of the total. After gaining throughout the 1990s, hospital labs' share of Part B lab spending has been stable for the past five years, and in 2006 gained 3% of the share relative to carrier labs.

Although the report projects an average annual growth rate of 6.6% in Part B costs over the next 10 years, it notes that this rate is unrealistically constrained due to multiple years of physician fee reductions that would occur under current law. If Congress continues to override these reductions, as they have from 2003 through 2007, the Part B growth rate would instead average approximately 8% to 9%. Meanwhile, the U.S economy is projected to grow by 4.8% on average during this period, significantly more slowly than Part B.

Laboratory Renovations: Looking For A Soft Space To Land

Robert A. Hartig

Anyone who has overseen or participated in the renovation of a laboratory facility—even a small renovation—will appreciate what a headache the process can be. Robert A. Hartig, director of facilities and plant operations at Medical Associates Clinic & Health Plans (Dubuque, IA), has been involved in the hospital environment as a designer or architect since 1983. In the last year alone, he has been involved in two major laboratory renovations. A licensed architect and member of the American Institute of Architects (AIA), Hartig took time to talk with *LIR* about renovating laboratories.

Of the two recent projects, the most challenging was a hospital-based lab. "We had to go through some changes that hadn't been upgraded in many, many years, and they had no soft space to move into from their current space, so we had to very carefully plan that project," says Hartig. "We even took a great deal of time to plan the steps to accomplish the work. The implementation plan was nearly as much work as the design part of it."

By "soft space," Hartig refers to a temporary location to move a laboratory's operations to while the renovation and/or construction is performed. He acknowledges that it's not always possible. In this particular project, he notes that "we had between 20 and 25 separate phases of work because they remained on-site, and that's the biggest challenge for any laboratory customer."

So, what is Hartig's number-one piece of advice for renovating a laboratory? "My advice would be, if you can find any temporary space at all, that would be the best route. It's very challenging to renovate a space while it's occupied because you have a lot of environmental controls—dust, etc. If you're hospital-based, lobby as much as you can for some soft space."

The other recent renovation project Hartig was involved with did just that. "We picked up the whole lab and moved it. It doesn't have to be anything pretty. It just has to be clean and functional with heating and cooling and utilities. We were able to accomplish our project a month-and-a-half earlier than we would have otherwise. Do it if you can—it's not a luxury everybody has."

Hartig's second piece of advice is to think it through completely. "I try to make sure they spend a great of time, effort, and thought on the planning process," he says. "That's our most valuable input into that process, to really communicate the nuts and bolts of their needs to the design professional. That is to say, 'When I work on this space I need this amount of space on the left; for this space I need staging space for these specimens.'" According to Hartig, the better prepared and engaged the client is in the upfront planning process, the more successful the outcome will be. "They really need to step in and be part of that process. And more importantly, it's a lot easier to change things on paper than it is after it's built."

Hartig also highlights the importance of having the right people involved in the design and functional analysis of the plans. Not everybody, he notes, is good at visualizing space. "If the person in a leadership position in the lab isn't good at

"One of the trends we've been involved in and had success with is to use casework materials that are easy to modify."

visualizing spaces, make sure they communicate that to their design professional. The designer can then say, 'Okay, here's a room over here that's about the size we're talking about' so they can get a better understanding of the project. Or they might have a co-worker who's better at that and needs to get involved."

Current trends for lab spaces, says Hartig, involve open and flexible layouts. "The labs I've worked on are more like larger rooms with casework groups for the various departments. One of the trends we've been involved in and had success with is to use casework materials that are easy to modify—something you can replicate easily without getting stuck with long lead times for special custom-sized cabinets. Most of the projects I've done recently have used plastic laminate casework. It's forgiving if you need to modify something, and most good carpenters can help you with that."

Hartig also recommends that when budgeting for a renovation to allow an extra 10% to 15% to cover contingencies. "Renovation especially is a different animal because you run into unknowns. If I was doing a lab project, I would make sure that once they had a number down, they would put in at least a 10% contingency. And that's not for all the extras you forgot to tell the designer about, it's in case you run into any challenges."

What about the designer? What's the most important thing for him or her to keep in mind? Hartig says, "The most important thing is the designer has to engage the staff and make sure you understand and listen to their needs. Not every lab is the same. They're not a cookie cutter. One lab can be very different from another, but still have similarities, so a designer really needs to listen to the requirements of each site."

Lenetix Medical Screening Laboratory Plans To Expand Into California

Lenetix Medical Screening Laboratory (Mineola, NY) has been granted a clinical laboratory permit by the state of California. The licensure is required to operate a clinical laboratory in California and allows Lenetix to receive clinical samples from clients who live in the state. "As we grow our core business in the western United States, we plan on opening operations on-site in California as the clinical demand supports a stand-alone operation there," Lenetix President and Chief Scientific Officer Leonard Kellner tells *LIR.*

Founded in 2001, Lenetix specializes in prenatal diagnostics and risk assessment for genetic disease, including molecular, biochemical, cytogenetic, and paternity testing. The laboratory has 25 patient service centers through a network of affiliated hospitals (11), draw stations (8), and laboratories (6).

Lenetix is also the first clinical licensee of genetic analysis company Sequenom (San Diego, CA). Best known for its MassARRAY DNA analysis platform, Sequenom is developing a portfolio of noninvasive prenatal diagnostics. Later this year, Lenetix is scheduled to launch Sequenom's analyte-specific reagent-based application for noninvasive prenatal testing for Rhesus (Rh) D blood group incompatibility, a condition that occurs in over 10% of pregnancies in the United States.

Laboratory Demographics In Four States: A Slice Of The U.S. Lab Industry

The population of the United States reached 300 million in late 2006. According to the U.S. Census Bureau, there were 78.2 million baby boomers living in the United States as of July 2005, accounting for 26.8% of the population. In 2006 the first baby boomers turned 60. What does this mean for the laboratory industry? By examining state census records and lab industry demographics, it's possible to get a sense of where market growth may be focused in the near future. *LIR* looked at four states—Massachusetts, New York, Illinois, and Washington—to get a sense of what's going on in those states' lab industry. They aren't the largest state—that would be California, and none of them have had the greatest change in population—that would be Arizona. But they do give us a representative sense of the industry in different regions of the country.

ILLINOIS—Key Statistics

Total population, 2005	12,763,371
❑ Net change, 1995-2005 years	933,371
❑ Annual growth rate, 1995-2005	0.8%
Persons age 65 and older, 2005	
❑ Number	1,531,604
❑ Percent	12.0%
Total non-federal active physicians, 2006	41,116
Total non-federal acute care hospitals, 2005	191
CLIA-licensed facilities, 2006	
❑ Total hospital laboratories	343
❑ Total commercial laboratories	184
Total HMO enrollment, (2006)	1,860,261
HMO penetration	14.6%

Source: Washington G-2 Reports from the U.S. Census Bureau, the American Hospital Association, the Henry J. Kaiser Family Foundation, StateMaster.com, and CLIA Provider Application Files/2006.

Commercial Laboratory Facilities In Illinois

There are 184 CLIA-licensed commercial laboratories in the state of Illinois. The top 12 laboratories perform a total of 33.7 million tests annually. **Quest Diagnostics**, in their Wood Dale facility (about 20 miles outside of Chicago), was the largest-volume lab in the state, performing 12 million tests annually. The second-largest lab in Illinois by test volume is **VHS Genesis Laboratory** in Berwyn, performing 5.5 million tests per year. Vanguard Health Systems (Nashville, TN), a privately held hospital management company, purchased Genesis Clinical Laboratory in 1999.

Doctor's Data Inc. (DDI) performs 3.8 million tests annually. Located in Urbana, the laboratory specializes in essential and toxic elemental testing of multiple human tissues. **Carle Clinic Laboratory** (Urbana) performs 3.6 million tests a year, serving the Carle Clinic Foundation, one of the largest private physician groups in the country. **NICL Laboratories**, located in Northbrook, performs 3.1 million tests annually. They also run 10 patient service centers and offer STAT testing in several locations. **Metropolitan Medical Laboratory** has eight labs in the Illinois and Iowa Quad Cities, four of them in regional hospitals. They perform 3 million tests annually, with hospital, physician, clinic, and nursing home clients.

Top 12 Commercial Laboratory Facilities in Illinois

Name	*City*	*Test Volume*
Quest Diagnostics	Wood Dale	12,046,130
VHS Genesis Laboratory	Berwyn	5,542,139
Doctor's Data Inc	Saint Charles	3,820,054
Carle Clinic Laboratory	Urbana	3,596,552
NICL Laboratories	Northbrook	3,130,169
Metropolitan Medical Lab., PLC	Moline	3,038,271
Medstar Laboratory Inc.	River Forest	1,626,408
Quest Diagnostics LLC (IL)	Schaumburg	1,359,019
A2CL Illinois Central Laboratory	Rosemont	1,300,917
Lifescan Laboratory Inc	Skokie	1,195,866
Medical Diagnostic Laboratory Inc	Belleville	1,000,000
Sterling-Rock Falls Clinic	Sterling	999,999

Source: Washington G-2 Reports from CLIA Provider Application Files/2006 and the Illinois Department of Public Health.

Hospital Laboratory Facilities In Illinois

Illinois has 343 CLIA-licensed hospital laboratories. The top 12 laboratories perform a total of 54.1 million tests annually. Illinois's largest-volume hospital lab is the **John H. Stroger, Jr. Hospital** of Cook County in Chicago. It performs 6.7 million-tests annually. Formerly named the Cook County

Top 12 Hospital Laboratory Facilities in Illinois

Name	City	Available Inpatient Beds	Inpatient Days	Test Volume
John H. Stroger, Jr. Hospital of Cook County	Chicago	460	131,225	6,726,856
Univ. of Chicago Hospital Lab	Chicago	603	172,309	6,263,850
OSF St. Francis Medical Center	Peoria	551	151,382	5,027,442
Northwestern Memorial Hospital/Main Labs	Chicago	725	240,914	4,740,198
Loyola University Medical Center	Maywood	498	137,822	4,738,965
Evanston Hospital	Evanston	653	180,439	4,630,168
Advocate Christ Medical Center	Oak Lawn	644	211,928	4,311,225
Alexian Brothers Medical Center	Elk Grove Village	387	102,617	4,110,459
Memorial Medical Center	Springfield	443	116,657	3,652,998
Lutheran General Hospital Laboratory	Park Ridge	578	158,241	3,383,395
Northwest Community Hospital	Arlington Heights	412	109,615	3,268,233
Mt. Sinai Hospital Medical Center Lab	Chicago	292	80,823	3,233,131

Source: Washington G-2 Reports from the American Hospital Association, the CLIA Provider Application Files/2006, the American Hospital Directory and the Illinois Department of Public Health.

Hospital, Stroger Hospital is part of the Cook County Bureau of Health Services, the largest component of public healthcare in Chicago and suburban Cook County. **The University of Chicago Hospital** (Chicago) is part of the University of Chicago Hospitals and Health System. The main lab performs 6.3 million tests annually.

OSF Saint Francis Medical Center, located in downtown Peoria, performs 5 million tests annually. A 551-bed hospital, it also operates the Children's Hospital of Illinois. **Northwestern Memorial Hospital** (Chicago) is part of Northwestern Memorial HealthCare. Its main lab performs 4.7 million tests annually. It is the primary teaching hospital for Northwestern University's Feinberg School of Medicine. **Loyola University Medical Center** in Maywood, a suburb of Chicago, performs 4.7 million tests annually. It is a private, academic healthcare institution. Located north of Chicago, **Evanston Hospital** (Evanston) is the hub of Evanston Northwestern Healthcare affiliated with Northwestern University and the Feinberg School of Medicine. It performs 4.6 million lab tests annually.

MASSACHUSETTS—Key Statistics

Total population, 2005	6,398,743
❑ Net change, 1995-2005 years	324,743
❑ Annual growth rate, 1995-2005	0.5%
Persons age 65 and older, 2005	
❑ Number	851,032
❑ Percent	13.3%
Total non-federal active physicians, 2006	32,785
Total non-federal acute care hospitals, 2005	80
CLIA-licensed facilities, 2006	
❑ Total hospital laboratories	221
❑ Total commercial laboratories	109
Total HMO enrollment, (2006)	2,362,864
HMO penetration	36.9%

Source: Washington G-2 Reports from the U.S. Census Bureau, the American Hospital Association, the Henry J. Kaiser Family Foundation, StateMaster.com, and CLIA Provider Application Files/2006.

Commercial Laboratory Facilities In Massachusetts

There are 109 CLIA-licensed commercial laboratory facilities in Massachusetts. The top 12 laboratories in the state perform a combined annual test volume of over 41 million tests. **Quest Diagnostics** is a dominant player in the state, performing 25.1 million tests annually, compared to the closest competitor, **Life Laboratories** (Springfield) with 3.3 million. Their volumes are exceeded by one laboratory in the state, a hospital laboratory, **Baystate Medical Center** (Springfield), which performs 38.7 million tests annually. Otherwise no lab facility even comes close in terms of test volumes.

Life Laboratories (Springfield) conducts 3.3 million tests annually. It is a full-service medical lab offering services to three hospitals, group practices, mental health facili-

Top 12 Commercial Laboratory Facilities in Massachusetts

Name	City	Test Volume
Quest Diagnostics	Cambridge	25,123,590
Life Laboratories	Springfield	3,310,200
LabCorp	Worcester	2,226,113
Calloway Laboratories, Inc.	Woburn	2,126,000
U.S. Laboratory and Radiology Corp.	Brockton	1,853,133
Caritas Excell Clinical Laboratories	Boston	1,423,455
Diagnostic Laboratory Medicine	Bedford	1,332,378
Clinical Science Laboratory Inc.	Mansfield	1,247,000
Riverbend Medical Group	Chicopee	692,741
Secon of New England LLC	Worcester	683,000
Physician Diagnostics Laboratory	South Weymouth	675,097
Pentucket Medical Associates, LLC	Haverhill	628,306

Source: Washington G-2 Reports from CLIA Provider Application Files/2006 and the Massachusetts Division of Health Care Quality Clinical Laboratory Program.

ties, as well as long-term care facilities and private physicians. **LabCorp** ranks third in Massachusetts with 2.2 million tests performed annually at their Worcester facility. **Calloway Laboratories** (Woburn) conducts 2.1 million tests per year. Calloway's focus is clinical toxicology.

U.S. Laboratory and Radiology is a full-service provider of mobile laboratory and radiology services located in Brockton, about 15 miles south of Boston. The laboratory component performs 1.9 million tests annually throughout Massachusetts, Rhode Island, and southern New Hampshire. **Caritas Excell Clinical Laboratories** performs 1.4 million tests annually. Located in Boston, it is a for-profit lab company owned by St. Elizabeth's Medical Center (Boston), part of the six-hospital Caritas Christi Health Care System. St. Elizabeth's is also the teaching hospital for the Tufts University School of Medicine.

Hospital Laboratory Facilities In Massachusetts

Massachusetts has 221 CLIA-licensed hospital laboratory facilities operating in the state. The top 12 hospital labs perform a whopping 92.1 million lab tests annually, more than double that of the top 12 independent laboratory facilities. **Baystate Medical Center** (BMC; Springfield) performs 38.7 million tests annually. The largest hospital in the Baystate Health System, the BMC includes Baystate Children's Hospital as well as 11 other specialty centers and programs. It also serves as the western campus of Tufts University School of Medicine. **Massachusetts General Hospital**'s (MGH, Boston) Department of Pathology performs 10.9 million tests annually. MGH is the oldest and largest (902 beds) hospital in Massachusetts.

Brigham and Women's Hospital (Boston) performs 8.6 million tests annually. A teaching affiliate of Harvard Medical School (as is MGH), they are both founding members of Partners HealthCare System, which also includes Salem Hospital (Salem), whose laboratory performs 4 million tests annually. **Lahey Clinic Medical Center** (Burlington) performs 5.1 million

Top 12 Hospital Laboratory Facilities in Massachusetts

Name	City	Available Inpatient Beds	Inpatient Days	Test Volume
Baystate Medical Center	Springfield	632	174,022	38,671,495
MGH Department of Pathology	Boston	902	279,638	10,862,914
Brigham and Women's Hospital	Boston	720	249,249	8,559,197
Lahey Clinic Medical Center	Burlington	278	92,603	5,125,511
Beth Israel Deacon Medical Center/East	Boston	555	188,422	4,138,967
Salem Hospital Lab	Salem	260	78,067	4,035,764
Charlton Memorial Hospital Lab	Fall River	849	214,546	4,026,659
UMass Memorial Medical Center*	Worcester	679	212,679	3,710,908
Newton Wellesley Hospital	Newton	239	67,705	3,687,396
Winchester Hospital	Winchester	182	51,221	3,243,500
Berkshire Medical Center Laboratory	Pittsfield	281	68,929	3,170,677
St. Luke's Hospital Laboratory	New Bedford	393	NA	2,992,455

Source: Washington G-2 Reports from the American Hospital Association, the CLIA Provider Application Files/2006, the American Hospital Directory and the Massachusetts Division of Health Care Quality Clinical Laboratory Program.

tests annually. Lahey is a 278 bed hospital with an ambulatory care center handling approximately 3,000 patients daily. It is also a teaching hospital for Tufts University School of Medicine. **Beth Israel Deaconess Medical Center** (BIDMC; Boston) performs 4.1 million lab tests per year. BIDMC is the teaching hospital for the Harvard Medical School.

NEW YORK—Key Statistics

Total population, 2005	19,254,630
❑ Net change, 1995-2005 years	1,118,630
❑ Annual growth rate, 1995-2005	0.6%
Persons age 65 and older, 2005	
❑ Number	2,522,356
❑ Percent	13.1%
Total non-federal active physicians, 2006	86,618
Total non-federal acute care hospitals, 2005	203
CLIA-licensed facilities, 2006	
❑ Total hospital laboratories	308
❑ Total commercial laboratories	203
Total HMO enrollment, (2006)	5,213,576
HMO penetration	27.1%

Source: Washington G-2 Reports from the U.S. Census Bureau, the American Hospital Association, the Henry J. Kaiser Family Foundation, StateMaster.com, and CLIA Provider Application Files/2006.

Commercial Laboratory Facilities In New York

There are 203 CLIA-licensed commercial laboratory facilities in New York state. The top 12 of those perform almost 75 million tests per year. The top producer is **LabCorp** (Uniondale), performing slightly less than 27 million tests annually. The second largest producer of tests in the state of New York is **OMH Clinical Laboratories-Nathan** in Orangeburg, with 11.3 million tests annually. The OMH Clinical Laboratory is affiliated with the Nathan S. Kline Institute for Psychiatric Research and is a full-service laboratory that performs much of the routine laboratory work for the New York Office of Mental Health (OMH).

Top 12 Commercial Laboratory Facilities in New York

Name	*City*	*Test Volume*
LabCorp	Uniondale	26,963,056
OMH Clinical Laboratories-Nathan	Orangeburg	11,325,904
Quest Diagnostics	Syosset	7,655,330
Quest Diagnostics of Pennsylvania	W. Amherst	6,665,978
Centralized Lab Services, Inc.	Long Island City	6,394,438
Bendiner & Schlesinger Inc.	Brooklyn	3,758,378
Enzo Clinical Labs Inc.	Farmingdale	3,742,219
Shiel Medical Lab Inc.-Brooklyn	Brooklyn	2,722,157
Medilabs Inc.	Valley Cottage	2,301,614
A C M Medical Laboratory Inc.	Rochester	1,641,326
IBR Specialty Clinical Laboratories	Staten Island	1,600,078
Quentin Medical Lab Inc.	Brooklyn	1,402,015

Source: Washington G-2 Reports from the CLIA Provider Applications Files/2006.

Quest Diagnostics runs two major labs in New York, one in Syosset, on Long Island, which performs 7.7 million tests annually, and one in West Amherst, near Syracuse, which performs 6.7 million tests annually. This market has been hotly contested in 2006 and 2007, ignited when Quest Diagnostics lost their contracts for UnitedHealth to LabCorp in January 2007. The frontlines for this battle were in New York state and the New York City metropolitan area.

Centralized Lab Services (Long Island City) performs 6.4 million tests a year. It is a division of HIP Health Plan of New York (New York City), which provides services to approximately 1.4 million individuals in New York, Connecticut, and Massachusetts. **Bendiner & Schlesinger** (Brooklyn) performs 3.8 million tests annually. It is privately held. Its main office is in Brooklyn, and it has an additional three facilities in Manhattan and a fourth in Yonkers.

Hospital Laboratory Facilities In New York

There are 308 CLIA-licensed hospital laboratories in New York state. The top 12 performers account for an annual total of 77.8 million tests. **New York-Presbyterian Hospital/Weill Cornell Medical Center** (New York City, in uptown Manhattan) performs 12.2 million tests annually. **John**

Top 12 Hospital Laboratory Facilities in New York

Name	City	Available Inpatient Beds	Inpatient Days	Test Volume
New York-Presbyterian Hospital/Weill Cornell Medical Center	New York	2207	724,418	12,159,439
John T. Mather Memorial Hospital Lab	Port Jefferson	248	77,428	8,593,476
Mount Sinai Hospital	New York	1160	377,170	7,669,828
New York Hospital Laboratories	New York	NA	NA	7,042,766
Bellevue Hospital Center	New York	912	257,527	6,500,765
Long Island Jewish Medical Center	New Hyde Park	809	300,637	6,123,742
Westchester Medical Center	Valhalla	956	260,183	5,928,504
St. Luke's-Roosevelt Hospital Center/ St. Luke's Hospital	New York	854	258,339	5,604,385
Long Island College Hospital	Brooklyn	409	120,161	5,203,698
Lincoln Medical & Mental Health Center	Bronx	347	100,472	4,460,339
Beth Israel Medical Center Labs	New York	994	276,872	4,389,205
NYU Medical Center Clinical Labs	New York	724	236,870	4,176,558

Source: Washington G-2 Reports from the American Hospital Association, the CLIA Provider Application Files/2006 and the American Hospital Directory.

T. Mather Memorial Hospital (Port Jefferson) performs 8.6 million annually. The hospital is part of the Long Island Health Network (LIHN), a joint venture among 10 hospitals in the Long Island area.

Mount Sinai Hospital (New York City) performs 7.7 million tests annually. They include the Mount Sinai Hospital, the Mount Sinai Medical Center, and the Mount Sinai School of Medicine. **Bellevue Hospital Center** labs (New York City) perform 6.5 million tests annually. Affiliated with the New York University School of Medicine, it is the oldest public hospital in the United States.

WASHINGTON—Key Statistics

Total population, 2005	6,287,759
❑ Net change, 1995-2005 years	856,759
❑ Annual growth rate, 1995-2005	1.5%
Persons age 65 and older, 2005	
❑ Number	723,092
❑ Percent	11.5%
Total non-federal active physicians, 2006	19,894
Total non-federal acute care hospitals, 2005	86
CLIA-licensed facilities, 2006	
❑ Total hospital laboratories	116
❑ Total commercial laboratories	118
Total HMO enrollment, (2006)	842,057
HMO penetration	13.4%

Source: Washington G-2 Reports from the U.S. Census Bureau, the American Hospital Association, the Henry J. Kaiser Family Foundation, StateMaster.com, and CLIA Provider Application Files/2006.

Commercial Laboratory Facilities In Washington

The state of Washington has a total of 118 CLIA-licensed commercial laboratory facilities. The top 12 commercial laboratories alone perform more than 35 million tests annually. **LabCorp** (Seattle) performs 8.8 million tests per year. This is a somewhat understated number than is actually the case, because LabCorp has large interests in DynaCare laboratories. **DynaCare** labs also operate as commercial facilities throughout Washington, and as hospital contracted laboratories, most notably Dynacare Northwest, Inc., which performs 11.5 million tests annually, primarily for the Swedish Medical Hospital System.

Pathology Associates Medical Laboratories (Spokane) ranks second for commercial lab facilities with 8 million tests performed yearly. It is a for-profit subsidiary of Sacred Heart Medical Center, and provides laboratory testing and management services to hospital laboratory networks in Seattle, Spokane, and throughout parts of Idaho. **Quest Diagnostics** (Seattle) performs 4.5 million tests annually. **U.S. Biotek Laboratories** (Seattle) performs 2.6 million tests annually. Dynacare rounds out the top six with Dynacare at Swedish First Hill (Seattle) performing 2.6 million tests annually

Top 12 Commercial Laboratory Facilities in Washington

Name	*City*	*Test Volume*
LabCorp	Seattle	8,819,510
Pathology Associates Medical Laboratories	Spokane	8,031,363
Quest Diagnostics	Seattle	4,455,323
U.S. Biotek Laboratories	Seattle	2,900,688
Dynacare at Swedish First Hill	Seattle	2,616,214
Dynacare/Skagit Laboratories-Main campus	Vernon	1,777,667
TCL-Grandridge	Kennewick	1,645,750
Meridian Valley Laboratories, Inc.	Renton	1,231,714
Sterling Reference Laboratories	Tacoma	1,000,000
Dynacare/Kitsap-Bremerton	Bremerton	966,754
Medical Diagnostic Laboratory, Inc.	Vernon	952,800
Diagnos-Techs Inc.	Kent	893,390

Source: Washington G-2 Reports from CLIA Provider Application Files and the Washington Office of Laboratory Quality Assurance.

and Dynacare/Skagit Laboratories-Main campus (Vernon) performing 1.8 million annually.

Hospital Laboratory Facilities In Washington

There are 116 CLIA-licensed hospital laboratories operating in Washington. The top 12 hospital laboratories alone perform a total of over 49 million laboratory tests per year. **Dynacare Northwest**, a subsidiary of LabCorp, is contracted until 2015 to provide laboratory services for the entire Swedish Medical Hospital System, which includes three hospitals in the Seattle area. They perform 11.5 million tests annually. **Sacred Heart Medical Center** (Spokane) performs 5.2 million tests annually.

The University of Washington Medical Center (Seattle) performs 4.8 million tests. It is a teaching hospital for the University of Washington. **Virginia Mason Medical Center** is a private, for-profit medical center. Its laboratory performs 4.7 million tests annually. **Multicare Medical Center Laboratories NW** (MMCLNW; Tacoma) is a referral center for the Multicare Health System. With a main lab at the Tacoma General Hospital, MMCLNW also has nine satellite laboratories. It performs 4.6 million tests annually. **Harborview Medical Center** (Seattle) performs 4 million tests annually. The Medical Center is owned by King County and is managed by the University of Washington.

Top 12 Hospital Laboratory Facilities in Washington

Name	*City*	*Available Inpatient Beds*	*Inpatient Days*	*Test Volume*
Dynacare Northwest, Inc.*	Seattle	1300	173,244	11,499,072
Sacred Heart Medical Center	Spokane	617	140,642	5,233,347
University of Washington Medical Center	Seattle	356	109,495	4,793,903
Virginia Mason Medical Center	Seattle	307	84,719	4,690,100
Multicare Medical Center Laboratories NW**	Tacoma	339	84,311	4,573,245
Harborview Medical Center	Seattle	368	126,398	4,013,954
Southwest Washington Medical Center	Vancouver	345	101,598	3,452,879
St. Joseph Medical Center	Tacoma	290	95,805	2,326,094
Overlake Hospital Medical Center Lab	Bellevue	232	69,094	2,186,730
Stevens Hospital Laboratory	Edmonds	150	35,609	2,136,825
Providence Everett Medical Center	Everett	310	89,682	2,100,135
Providence St. Peter's Hospital Laboratory	Olympia	251	70,937	2,097,021

*A subsidiary of Laboratory Corporation of America. Dynacare Northwest is contracted until 2015 to handle laboratory services for the entire Swedish Medical Hospital System in the Seattle area.

**A referral center for the MultiCare Health System, located at Tacoma General Hospital with nine satellite laboratories

Source: Washington G-2 Reports from the American Hospital Association, the CLIA Provider Application Files/2006, the American Hospital Directory, and the Washington Office of Laboratory Quality Assurance.

Lab Stocks Fall 3%; Monogram And Orchid Tumble

The G-2 Laboratory Stock Index fell 3% in the five weeks ended May 18, with seven stocks down in price and four up. Year to date, the G-2 Index is up 20%, while the S&P 500 is up 7% and the Nasdaq is up 6%.

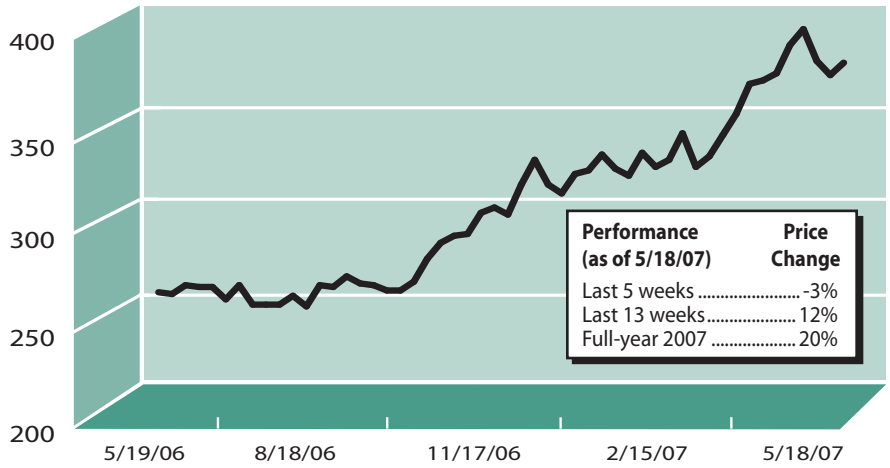
Monogram Biosciences (South San Francisco, CA) dropped 31% to $1.60 per share for a market cap of $213 million. The company recently announced disappointing first-quarter results. Revenue fell 29% to $9.42 million from $13.2 million in the first quarter of 2006, and the company's loss widened to $9.76 million, or seven cents a share, compared with last year's loss of $3.35 million. Monogram blamed the results on decreased revenues from Pfizer, who has partnered with the company on its pipeline HIV drug maraviroc. Now that the drug's Phase III trial has been completed, Monogram's revenue from HIV testing products fell to $9.1 million from $12.2 million in the first quarter of 2006.

DNA testing laboratory **Orchid Cellmark** (Princeton, NJ) fell 16% to $5.57 per share for a market cap of $168 million. Although the company reported a significantly narrowed loss for the first quarter relative to last year (-$1.7 million versus -$6.6 million in 2006), earnings did not impress investors.

Orchid's first-quarter revenues totaled $14 million compared to $12.6 million for the first quarter of 2006. The company attributed the $1.4 million jump to increased forensic casework in both the United States and the United Kingdom, which was partially offset by decreased revenue from its testing services that involve DNA profile uploads into the Federal Bureau of Investigation's Combined DNA Index System (CODIS) and individual state databases. The company has also seen decreased revenues from paternity testing.

At the two biggest lab companies: **LabCorp** (Burlington, NC) rose 6% to $78.43 per share for a market cap of $9.28 billion, while **Quest Diagnostics** (Lyndhurst, NJ) fell 3% to $48.53 per share for a market cap of $9.35 billion.

G-2 Laboratory Stock Index



Source: The G-2 Laboratory Stock Index is tabulated weekly by *Laboratory Industry Report* from the average percentage change in the price of 11 laboratory testing service stocks.

% price change 4 weeks ended 5/18/07

UP	Price	% Chg
LabCorp	$78.43	6%
Medtox	26.94	34
Myriad	38.01	6
Psychemedics	18.57	4
DOWN		
Bio-Reference	25.21	-6
Clarient	2.25	-5
Enzo Biochem	15.58	-9
Genomic Health	15.23	-10
Quest	48.53	-3
Monogram	1.60	-31
Orchid	5.57	-16

INDUSTRY buzz

LabCorp Expands Presence in Southeast U.S. With Walmart-based PSCs . . . LabCorp (Burlington, NC) partnered with New York drugstore chain Duane Reade to rapidly build infrastructure in the wake of the UnitedHealthcare contract announcement last fall, and now the nation's second largest laboratory has announced an agreement with CheckUps (New York, NY). The chain of Wal-Mart-based clinics will now perform blood draws for LabCorp. Financial terms of the deal were not disclosed.

CheckUps, formerly known as Quick Quality Care, has 23 clinics that operate in Wal-Mart stores in Florida, Alabama, Mississippi, and Louisiana. The clinics diagnose and treat common ailments such as strep throat, ear and sinus infections, and provide routine pediatric care, blood screenings, and immunizations. Staffed by certified nurse practitioners, CheckUps clinics can also provide patients with prescriptions. Visits typically take under 15 minutes, and no appointments are necessary. The clinics feature state-of-the-art technology, private exam rooms, and diagnostic equipment.

Among the diagnostic services offered at CheckUps clinics are tests for lipid levels ($25), VAP cholesterol ($110), hemoglobin A1c ($20), and hepatitis B and C ($150).

References in this issue

ACLA 202-637-9466

CheckUps 212-760-0050

CMS 877-267-2323

LabCorp 336-584-5171

Lenetix 516-248-0036

Medical Associates Clinic & Health Plans 563-584-3000

Monogram Biosciences 650-635-1100

Orchid Cellmark 609-750-2200

Quest Diagnostics 800-222-0446

Sequenom 858-202-9000

Laboratory Industry Report (ISSN 1060-5118) is published by Washington G-2 Reports, 3 Park Avenue, 30th Floor, New York, NY 10016-5902. Tel: 212-244-0360. Fax: 212-564-0465. Order line: 212-629-3679. Web site: www.g2reports.com.

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