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LABORATORY INDUSTRY REPORT®

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HIGHLIGHTS

Medicare Bill Delivers 4.5% Lab Fee Update in 2009, Repeals Competitive Bidding Demo

The laboratory industry has multiple reasons to celebrate the passage of the recent Medicare bill, which was pushed through by an overwhelming Congressional override of President Bush's veto, notably the repeal of the competitive bidding demonstration project for lab testing services, the reversal of the 10.6 percent reduction in the physician fee schedule, as well as extension of the technical component (TC) grandfather clause for anatomic pathology services for 18 months.

But what may be the most astonishing development is the boost the bill gives to the lab fee schedule, over 4 percent for 2009, explained Alan Mertz, president of the American Clinical Laboratory Association (ACLA) at a July 23 LabLine audioconference. *Cont., p. 2*

Global M&A Market Totals Over $300 Million Through First Half of 2008

Sonic Healthcare and LabCorp are leading the global lab merger and acquisition (M&A) market, which is totaling $311.8 million with an average price/revenue multiple of 4.8x so far in 2008 (see table, p. 2).

Sonic recently snapped up Clinical Laboratories of Hawaii (Honolulu) for $121 million with a revenue multiple of 1.1x. Earlier in June, the Sydney, Australia-based laboratory testing company also purchased Labor 28 Group in Berlin, for U.S.$100 million with a revenue multiple of 8x and GLP Medical Group in Hamburg for U.S.$47.6 million with a revenue multiple of 8.8x.

LabCorp's recent acquisitions include IDX Pathology (Boise, Idaho), which has an estimated annual revenue of $10 million. The acquisition price was not disclosed. The Burlington, N.C.-based testing provider, which currently has approximately 8 percent market share of the U.S. lab testing market, is also rumored to be close to acquiring two hospital outreach labs—Stanford Hospital Outreach Laboratory in Palo Alto, California, and Carilion Labs in Roanoke, Virginia. Stanford Hospital's outreach testing program has an estimated annual revenue of $30 million, and Carilion Labs is expected to bring in $114 million in revenue this year.

But LabCorp executives might be reluctant to pay the *Cont., p. 3*

MEDICARE BILL, *from page 1*

Throughout their negotiating of the Medicare bill with lawmakers on Capitol Hill, ACLA and other industry leaders agreed to take a half of one percent reduction in the lab fee schedule over five years—which would save the Centers for Medicare & Medicaid Services (CMS) $600 million—as long as the competitive bidding demonstration project was repealed in the Medicare bill. During the negotiations, it was predicted that the lab fee update would be about 2 percent. With the .5 percent reduction proposed by industry leaders, this would net a 1.5 percent lab fee schedule increase in 2009.

"We thought this might give us some level of protection against further cuts in our update—we could say that we've already taken a little cut every year," said Mertz. "This turned out to be a great strategy because the day after competitive bidding was repealed, the Department of Labor put out the inflation statistics, on which they are going to base the update for labs in January, and it's not 2 percent, but it's now 5 percent. So we are going to get about a 4.5 percent update in January 2009."

Challenges Ahead

When Congress initially mandated CMS to conduct a competitive bidding demonstration project for laboratory services, it included a provision known as "conforming language" that gave the agency the authority to rebase the entire fee schedule on bids submitted in the demo, according to Mertz.

Lab Industry Gains From 2008 Medicare Bill

- ❑ Total repeal of the competitive bidding demonstration project
- ❑ Lab fee schedule updated by 4.5 percent in 2009
- ❑ Reversal of 10.6 percent reduction in physician fee schedule
- ❑ Extension of TC grandfather clause for 18 months

While this conforming language was repealed in this recent legislation, ACLA is concerned that those bids might be used by CMS in future initiatives, explained the group's chief counsel, Peter Kazon, on the audioconference. "One of the key issues that everyone is concerned about is that the government not be able to use the bids that were submitted as part of the preliminary bid process," he said adding that attorneys working with labs in San Diego—the first demonstration site—are discussing with the government how to protect this bid information. "We expect there will be some determination of that in early August if not before," Kazon added.

Another issue is the physician payments, which averted an over 10 percent cut but will continue to be a target, according to another audioconference speaker, Denise Bell, director of federal affairs for the College of American Pathologists. "There have been predictions that over the next 10 years, physicians could see a cumulative cut of about 40 percent in their payment rates, while practice expenses are expected to go up about 20 percent during that same time period," she said.

GLOBAL M&A MARKET, *from page 1*

current prices for labs, according to a report of CEO Dave King's presentation at the 29th Annual Goldman Sachs Healthcare Conference held in Laguna Niguel, California, in June. "There appears to be no shortage of acquisition and consolidation opportunities across a variety of markets . . . though multiples remain high," noted Goldman Sachs analysts Matthew Borsch and Shelley Gnall in a conference summary provided to *LIR* after the conference. "If pricing does not come down, management will consider alternative uses of cash for 2008."

Noticeably absent from the current 2008 M&A scorecard is Quest Diagnostics (Madison, N.J.), the current testing leader with about 15 percent market share. The company appears to be busy integrating the AmeriPath business, which was acquired last year for $2 billion. And Quest is also focused on their recently launched operations in India, noted Earl Buck, vice president of the consulting company Chi Solutions. "Historically, Quest has done fewer acquisitions than LabCorp, but with a larger dollar volume involved, so they are obviously going after the bigger acquisitions," he explained. "They are going international, versus just the United States, and we've heard that they have an interest in somehow getting into the imaging market as well."

Buck also believes that Sonic's acquisition approach is strategic, and the Australian company is not looking to compete with LabCorp and Quest for market share in the United States. "I think they are going to look strategically for those organizations in the U.S. and internationally that fit the model of a pathologist-physician driven organization," he explained. "Not all the programs in the U.S. necessarily fit that mold."

In terms of valuations, Jeff Ellis of Crosstree Capital Partners (Tampa, Fla.) believes that there is still strength in these numbers, especially since there is still a lot of demand out there, while the supply is diminishing. "I wouldn't go so far as to say that next year we will see higher valuations, but we don't see demand waning, so we anticipate that valuations will hold strong for the foreseeable future," he explained.

Global Lab Acquisitions Total 17 So Far in 2008

Month	Buyer	Target	Purchase Price	Target Revenue	Price/Revenue Multiple
January-08	Caris Diagnostics	Molecular Profiling Institute	40 M	n/a	n/a
January-08	Sonic Healthcare	American Clinical Services	n/a	13 M	n/a
January-08	Sonic Healthcare	Woodbury Clinical Laboratory	n/a	4 M	n/a
January-08	Carilion Labs	Innovative Pathology Services	n/a	n/a	n/a
January-08	LabCorp	Tandem Labs (CRO)	n/a	n/a	n/a
January-08	LabCorp	Gamma-Dynacare	n/a	n/a	n/a
March-08	LabCorp	Acadiana Medical Labs	n/a	10 M	n/a
March-08	Aurora Diagnostics	Twin Cities Dermatopathology	n/a	n/a	n/a
April-08	LabCorp	Albany Cytopath Labs	n/a	n/a	n/a
May-08	Manhattan Physicians Labs	Genatom Inc.	n/a	n/a	n/a
May-08	LabCorp	IDX Pathology	n/a	10 M	n/a
June-08	Rosetta Genomics	Parkway Clinical Labs	3.2 M	2.7 M	1.2x
June-08	Sonic Healthcare	Labor 28 Group (Berlin)	100 M	12.5 M	8x
June-08	Sonic Healthcare	GLP Medical Group (Hamburg)	47.6 M	5.4 M	8.8x
June-08	Sonic Healthcare	Clinical Laboratories of Hawaii	121 M	110 M	1.1x
Pending/Rumored	LabCorp	Stanford Hospital Outreach Laboratory	n/a	30 M	n/a
Pending/Rumored	LabCorp	Carilion Labs	n/a	114 M	n/a
Total		17 Transactions	$311.8 M	Avg. Price Multiple	4.8x

GE Healthcare Dives Into $2-$4 Billion Digital Pathology Market

Gene Cartwright, CEO, Omnyx, LLC

Omnyx, LLC—the recently announced joint venture between GE Healthcare and the University of Pittsburgh Medical Center (UPMC)—plans to officially enter the digital pathology market when they introduce a benchtop system in 2010.

By the time this initial product is available, Omnyx estimates that the global digital pathology market will be approximately $2 billion, according to company CEO Gene Cartwright, whose background includes over 20 years at Abbott Laboratories. Washington G-2 Reports's editor Mark Terry predicts the digital pathology market could reach upward of $4 billion in the coming years, according to a white paper entitled "Digital Pathology Systems Gear Up for Prime Time," currently posted on www.g2reports.com.

Omnyx's product, which is currently being designed by UPMC pathologists, will look like a benchtop scanner that will automatically load slides and convert them into digital images, he explained. The target customers for the product will be larger hospital laboratories and independent reference facilities. Omnyx is also looking at selling opportunistically to the research market.

In spite of this market potential, many in the industry are skeptical of how this technology will become part of the everyday workings of labs and pathology practices. Two key technical challenges have long plagued the digitizing of microscopic slide images: the resolution is not competitive with microscope slide images and a massive amount of storage space is needed to store these images. Pricing is also a question. Even if the quality and storage issues are resolved, many worry that these digital pathology systems will be too expensive, especially when the value proposition is unknown. To get some answers, *LIR* recently spoke with Cartwright about these and other questions surrounding this emerging technology.

LIR: Why is this a good time for digital pathology to move into the lab and pathology market?
CARTWRIGHT: Digitizing an image has been possible for quite a while, but the challenge lies in creating an image of high enough quality to make a diagnosis from a digital image. We also need a product that fits in to the work flow of the lab that people would want to buy. These are the challenges we are addressing and that really have not been addressed yet. The first is to create a digital product that has an image that one can make a diagnosis from, but that can also be done within the work flow of the laboratory. We think that has to be done on the order of 30 seconds. We've spent the last three years building the technology to enable that very fast scan at a high quality.

LIR: How is Omnyx approaching the work flow issue?
CARTWRIGHT: The vast majority of a pathologist's time is spent reporting out cases and arranging their work flow, or what they call case management—organizing lots of slides for a lot of cases. In fact, 80 percent of a pathologist's time can be spent on case management. All of that work flow *Cont., p. 9*

John Muir's Strategies for Outreach Growth Leads to $35 Million New Lab

Since Scott Liff arrived at John Muir Health in 1999, the system's net sales in the outreach laboratory have grown from $13 million to over $50 million a year. Based in Walnut Creek, California, John Muir just opened a new 56,000-square foot core laboratory—called MuirLab—in April. An estimated 3,300 patients per day are serviced by MuirLab, explained Liff, who is the vice president of laboratory services and imaging, at the recent Lab Outreach 2008, held June 18-20, in Las Vegas.

This year, John Muir's testing volumes are expected to grow 10 percent to 11 million, with 8 million of that total coming from the outreach business. It's numbers like these that have helped to secure senior-level support, which Liff believes is one of the foundations of this outreach success story. It's evident that the hospital system recognizes the financial value of the testing program, leading them to invest the $35 million necessary to build MuirLab.

Getting this support is key for outreach labs to grow and prosper, and this support is gained through proving the value of the testing services, while explaining why additional capital is needed to improve and expand the program. "If you can't explain to a senior individual what you need and why you need it, your program is going to stall, especially when trying to procure capital," Liff explained.

But securing this high-level support is only one of Liff's critical factors for hospital outreach success. Commitment to great service, convenient access, pathologist involvement, knowing current market share, and keeping an eye out for acquisition targets are also important factors for winning in the outreach arena. Below are more details from Liff on each of these factors.

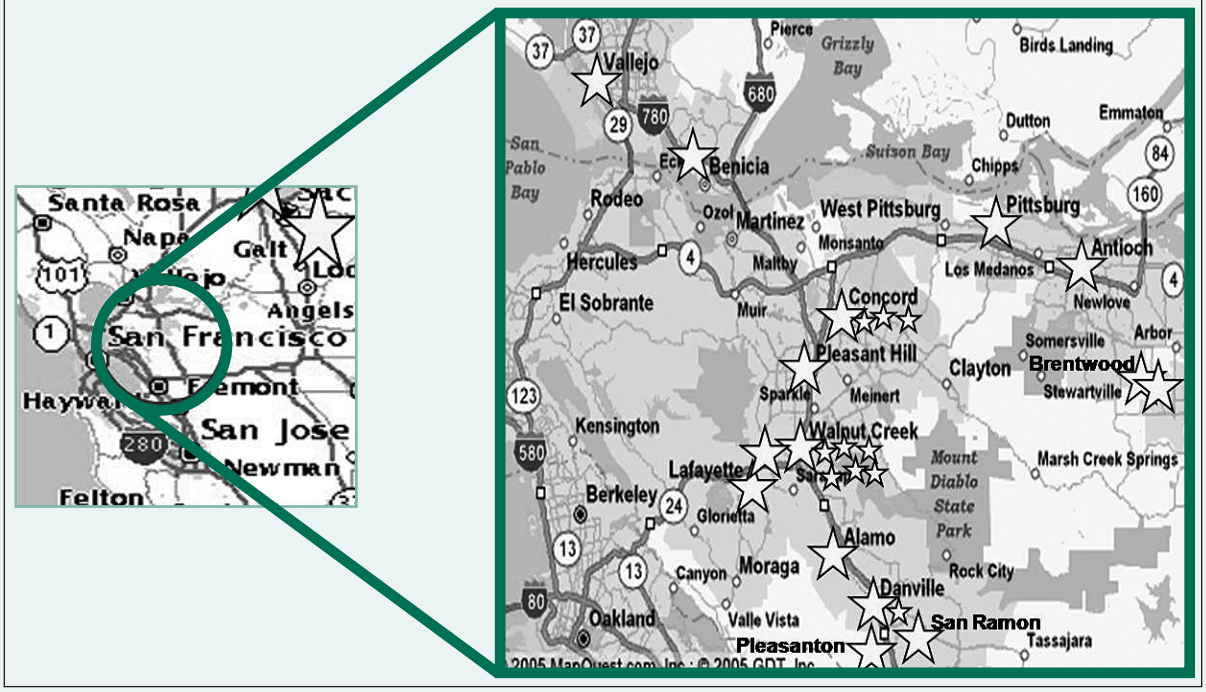
Commitment to great service. "If you are not committed to over-serving your physicians, you are not going to survive in this environment," said Liff. "When competing against Quest and LabCorp, our ability to compete as hospital-based outreach programs really depends on the service level and being able to provide better service than the national labs in the local market." To ensure high service levels, MuirLab regularly conducts surveys among the system's 120 primary care and 400 specialty physicians and then makes changes based on the feedback.

This also includes a separate client services department to handle phone call inquiries. "We've trained our client service people on how to answer those phone calls correctly, get the information to those physicians and clients as appropriately as we can, then make the outgoing calls in terms of stats and critical values, and follow up for additional information and signatures," said Liff. Timely interaction is vital—Liff and his team set goals for answering and responding to calls in as little time as possible and for monitoring missed calls.

Convenient patient access. MuirLab currently has 30 PSCs, as well phlebotomists serving 330 skilled nursing facilities in 14 counties. Liff said that patient services centers (PSCs) and draw sites must be located in convenient locations. In some areas, this is in the physician offices, while in others, it's in areas more frequented by patients. "We did a survey a few years ago and found that not many of the patients come directly from the physician office to the draw site, most of them were coming from home," said Liff. "So it made sense to put a draw site in the facility or a couple miles down the road from where the residential community was located."

At each one of the draw sites, phlebotomists must have access to the basic specimen processing tools to get the patient and specimen information into the system at the point of contact. Phlebotomists must also be continuously trained on testing menu offerings, turn around times, as well as collection methodologies, so they can convey this information to clients.

MuirLab has 30 PSCs and phlebotomists serving 330 skilled nursing facilities in 14 counties.



Pathologist involvement. Liff advised that support from pathologists from the beginning of an outreach program is just as important as backing from senior-level administrators. "Do not underestimate their ability to help you, but also hinder your program if you do not bring them on board from the beginning," he said. They are also an important resource when problems arise with physician clients. "If we have an issue with a physician in our market and one of our pathologists knows them well, it helps when that pathologist makes a phone call to tell them what we are doing to resolve the issue," he added.

Knowing current market share and potential. Analyzing this informa-

tion is another way to pick up on data that is important to convey to senior-level administrators, as well as to realize future growth opportunities. For example, it's important to know what tests your staff physicians are bringing in and ordering from other reference labs. There might be esoteric niches worth exploring, if the volume potential is there, according to Liff.

> ***"If you are not committed to over-serving your physicians, you are not going to survive in this environment. When competing against Quest and LabCorp, our ability to compete as hospital-based outreach programs really depends on the service level and being able to provide better service than the national labs in the local market."***
>
> ***—Scott Liff***

Watching for acquisition targets. If you have the financial resources, buying another lab in your market is one obvious way to grow your lab. "If there are small labs out there that are looking to sell or get out of business, take a look at them," said Liff. "Evaluate all of the opportunities and understand that if you are going to bring one of these labs on, what benefit are you getting? Is it a new line of business that is going to require a lot of new resources or is it a current line of business that you can integrate pretty well?"

While it's important to understand these critical elements to growing a successful outreach lab, Liff also dolled out some words of caution. Growing too fast or at an unmanageable pace can lead to failure. "Many programs bring on a huge amount of volume very quickly, and it overwhelms them—especially the hospital lab environment," he explained. "It takes time to develop an excellent service environment. Don't try to do it too quickly, because . . . you run the risk of imploding."

TrendWatch: Bringing Imaging Into Outreach

Now that the John Muir Health system has opened the new $35 million, 56,000 square foot MuirLab, officials are looking at adding imaging to their outreach testing offerings, explained Scott Liff, vice president of laboratory services and imaging, at the recent Lab Outreach 2008. This is becoming a common trend that labs need to pay attention to, said Kathleen Murphy, Ph.D., president of the consulting company Chi Solutions, adding that she has been seeing more outreach labs developing broader programs and positioning themselves as diagnostic centers.

In fact, Chi Solutions' *7th National Laboratory Outreach Survey* found that 20.9 percent of outreach labs surveyed market other diagnostic services along with lab testing, with 79.2 percent of these respondents marketing imaging along with testing. "This is important because most hospital executives think of labs as a high-volume, low-margin business," said Murphy. "It's more powerful if you combine it with something like imaging, which is maybe lower volume, but very high margin."

Lakewood Pathology Enters $1 Billion GI Testing Market, Renamed PLUS Diagnostics

Doug Berg, CEO, PLUS Diagnostics

Only two years after receiving $50 million in equity financing from Water Street Healthcare Partners in May 2006, Lakewood Pathology Associates has refined its platform business—genitourinary (GU) pathology—and is now entering the gastrointestinal (GI) pathology market, currently valued at between $1 billion and $1.5 billion in the United States. The company is also undergoing a rebranding—as of August 4, the Lakewood, New Jersey-based pathology group will be renamed PLUS Diagnostics.

As a result of stepping into the lucrative GI market, company CEO Doug Berg expects PLUS Diagnostics to double in revenue and profitability in 2008. While declining to share specific revenue and volume projections, he said that in 2009, PLUS expects to grow the GI service two to three times the estimated annual market growth rate of 10 percent, while increasing revenue by $15 million to $20 million.

Over the past year, the company's leaders have been carefully analyzing the GI market in preparation for the May launch of the GI business line. "We had been opportunistic in GI, but we didn't have a value proposition," said Berg. "We spent the last year studying what is the value proposition in GI that will allow us to come to market in a compelling way right from the start."

In preparing for the GI launch, PLUS Diagnostics also talked to various pod labs, which were effectively made financially irrelevant by CMS's Anti-Markup Rule implemented this past January. Berg estimates there are about 50 of these pods in the United States, representing about $100 million in annual revenue. Due to the current CMS rule, these labs are now forced to revamp their business models. But PLUS Diagnostics has approached these pod labs with their business model that means they can customize the billing system based on their needs, which Berg believes will give PLUS Diagnostics a competitive edge. "While it's too early to know where the dust is going to settle everywhere, early indications are that we'll get more than our fair share of some of this business," he added.

PLUS Diagnostics (Formerly Lakewood Pathology Associates) at a Glance

- Base: Lakewood, New Jersey
- Executive team: CEO, Doug Berg; president and COO, Dave Pauluzzi (formerly with Quest); executive vice president, CFO, laboratory general manager, Tim Kennedy
- 100 FTEs: 20 sales representatives, 15 pathologists
- Specialties: Include genitourinary and gastrointestinal pathology, dermatopathology, cytopathology, and hematopathology
- Growth: Expects to double in revenue and profitability in 2008 over 2007, 20 percent to 30 percent growth between 2008 and 2009

Selling the Value Proposition

One foundation of PLUS's value proposition had to be rapid turn around times, according to Berg. "In the GI market, this was critically important because at some of these larger endoscopy centers, the close-out procedure is often held up because they are waiting for a pathology report—sometimes four, five, or even seven days," he explained. "When we give 24-hour turn-around, this helps with their DSO [days sales outstanding] and cash flow, which is critically important at these larger centers." Another important strategic

element was establishing the proper connectivity for electronic medical reporting (EMR) and procedure writing software. Today, PLUS Diagnostics is fully launched in a wide variety of EMR and procedure writing options.

Looking ahead, PLUS Diagnostics plans on moving into hematology and oncology, modeling the move after the launch of the GI business line. In addition, Berg and his team are currently looking at where to build new laboratories to expand their geographic reach beyond their northeast base. Most likely, these new labs would be in the southeastern and western areas of the United States. "When we look at expanding GU, GI, as well as hematology and oncology nationally, we believe it's important to have additional labs that are close to the customer, so I think it's fair to say that we'll make investments in lab space in strategic areas of the country in the future," he added.

GE HEALTHCARE, *from page 4*

management is something GE knows a lot about because we have addressed those same issues in radiology. There are a lot of benefits that are going to come through dramatically streamlining the work flow of pathologists, through our system's software.

LIR: How will you address challenges related to storage, as well as ensure that storage and the other IT components of this technology are not disruptive to laboratory information systems (LIS) ?
CARTWRIGHT: We are very aware that we will have to work extremely closely with major LIS companies, and we are currently meeting with LIS vendors. We believe that the pathologist will prefer to use our cockpit interface, meaning that they will sit in front of two screens—one that provides the image and the other that provides the patient demographic information, etc. We hope the LIS will see this, and there are plenty of things that LIS companies do that we have no intention of doing, but we would like to plug in to our interface. I think that we can all work together, and so far, our meetings with LIS vendors indicate that is true.

In terms of storage, we plan on providing it, but not being the sole provider. We plan on working with major storage companies—whether it's HP, IBM, etc.—and we're going to offer a complete solution to the customer, but we are going to be using products from other vendors. The cost of storage has been dropping 30 percent to 40 percent every year, which is great for labs.

LIR: What is Omnyx's vision and strategy? How are you differentiating yourselves from other digital pathology start-ups like Aperio (Vista, Calif.) and BioImagene (Cupertino, Calif.)?
CARTWRIGHT: There are really three major differences. The speed of our image acquisition stands apart, and none of those other companies are really addressing the software and work flow issues. GE Healthcare IT has done the same sort of development for the radiology and cardiology areas. The third thing is that we are going to be selling this product through the worldwide GE sales force.

LIR: How fast do you estimate the market will adopt this technology?
CARTWRIGHT: We are assuming the market is going to adopt this technology

at the rate that digital radiology has been adopted—so it will certainly take several years to get to a point where the market is at $2 billion.

LIR: What price points are you planning for your system? What should labs and pathology practices who are interested in this technology expect to invest?
CARTWRIGHT: We are not answering that question right now; we are just not at the point where we want to divulge the pricing. But we know that we are not going to be able to sell our product unless we can prove that we are not costing these places more money. We're also looking at possibly charging based on a per-use basis, where we would provide the hardware and the software for the customer. We're investigating this, and we'd like to talk to a lot more customers about it.

Calif. Cease-and-Desist Letters Spark Fear in DTC Testing Industry

The California Department of Public Health's (CDPH) efforts to crack down on direct-to-consumer (DTC) genetic testing in the state is prompting concern among many companies, even those who didn't receive one of the 13 cease-and-desist letters that the agency sent out in June. Companies that received the letters include personal genomic startups 23andMe (Mountain View, Calif.) and Navigenics (Redwood Shores, Calif.). California appears to be following New York's lead. Since last November, the New York State Department of Health has sent similar letters to 31 companies, notifying them that they needed to be licensed by the state in order to solicit DNA samples from New York residents.

Based on these letters as well as the agency's quarterly teleconferences, Karen Nickel, head of CDPH's Laboratory Field Services division, has indicated that the state will no longer tolerate DTC genetic testing, explained Trish Brown, vice president of clinical affairs for DNA Direct (San Francisco), a Web-based DTC testing company that did not receive a cease-and-desist letter. "It appears as if they are focused on ensuring that a California-licensed physician is appropriately authorizing the test and that the samples on the individuals who are being tested are going to a laboratory with a California license that is also CLIA certified and has appropriately validated the testing that it is doing," she explained. This is somewhat confusing, however, because much of the testing solicited by the notified companies is actually contracted to be performed at CLIA-certified labs. For example, Navigenics contracts its testing to Affymetrix's (Santa Clara, Calif.) clinical laboratory, which has been CLIA-certified in California since last April.

G-2 Reports estimates that the DTC lab testing market is less than $100 million in annual revenue compared to the overall $51.7 billion U.S. laboratory testing market.

From Brown's perspective, it appears that the CDPH is targeting the companies performing genome-wide testing. Unfortunately, she feels that this is putting the validity of the entire genetic testing industry under scrutiny. "Up until the genome-wide arrays appeared on the scene, genetic testing was a thriving industry based on validated medical science that was helping many individuals," said Brown. "Now I'm concerned that some people who may have gotten, for example, a factor V leiden test and have been making medical decisions based on that result, will receive this conflicting information about the validity of genetic testing."

Lab Stocks Continue to Show Strength; Index up 13% Over 13 Weeks

Now for some good news about the economy: the 14 publicly traded testing companies tracked by the G-2 Laboratory Stock Index continue to inch upward, with the index up 4 percent over the past five weeks and 13 percent over the past 13 weeks for the week ended July 18, 2008. The Nasdaq and S&P 500 continue to fall, however. Both are down over 14 percent compared to a year ago for the week ended July 18.

The lab posting the top gains in late June and early July was the molecular diagnostic testing provider **Myriad Genetics** (Salt Lake City), which was up 20 percent to $60.18 per share for a market cap of $2.76 billion for the week ended July 18. **Genzyme** (Cambridge, Mass.) also posted significant gains. The biotech company—which has an oncology, prenatal, and reproductive testing business—was up 14 percent to $78.23 per share for a market cap of $21.4 billion. Another gainer was **Enzo Biochem** (New York City), which has been moving upward in recent months. Enzo was up 13 percent to $13.26 a share for a market cap of $488.1 million.

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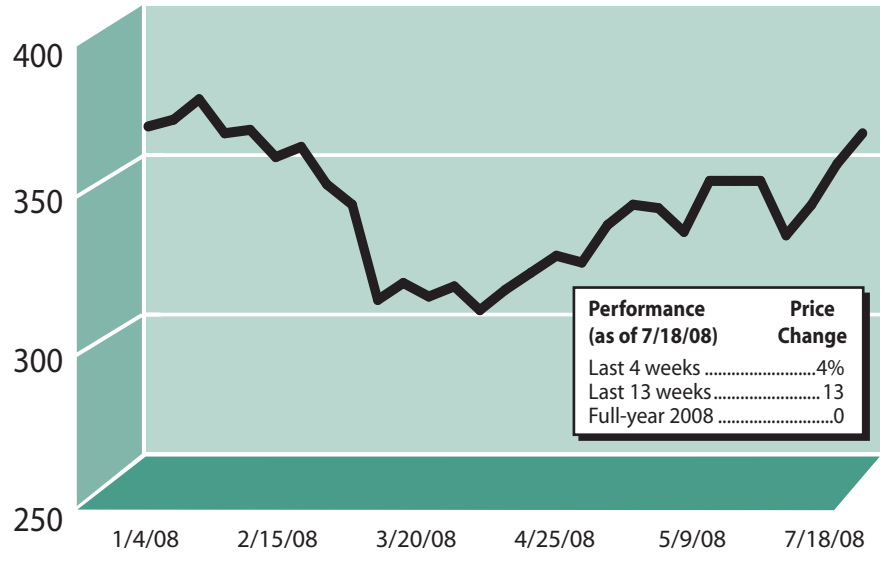
In terms of labs posting losses over this time period, **Neogenomics**—a Ft. Myers, Florida-based company specializing in molecular diagnostics for cancer—took a tumble after posting significant gains in May. The company was down 17 percent to $1.04 a share for a market cap of $33 million for the week ended July 18. Also experiencing a drop after recent gains is **Genoptix** (San Diego). The specialty lab testing provider, which went public last fall, is down 12 percent to $28.06 a share for a market cap of $457.2 million. In addition, the anatomic pathology and molecular testing company **Clarient, Inc.** (Aliso Viejo, Calif.) was down 8 percent to $1.99 per share for a market cap of $144.6 million for the week ended July 18.

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 14 laboratory testing service stocks.

Percent price change, week ended 7/18/08

	% Chg	Price
UP		
Myriad Genetics	20%	$60.18
Genzyme	14	78.23
Enzo Biochem	13	13.26
UNCHANGED		
Lab Corp	0	70.03
DOWN		
Neogenomics	17	1.04
Genoptix	12	28.06
Clarient	8	1.99

INDUSTRY buzz

Nearly Half of Labs Struggle to Fill Med Tech Positions

Almost half of all laboratories in the United States—44 percent—are currently struggling to fill medical technology positions, according to market analysis by Slone Partners (Miami), a recruitment firm specializing in the diagnostic industry that recently launched a med tech search division. Cytogenetic technologists are especially in demand, with many labs surveyed reporting between one and 20 vacancies in their cytogenetic laboratories, according to this analysis. Certified cytogenetic technologists are especially in demand, although some employers will hire recent med tech graduates and offer incentives to achieve certification.

The aging med tech workforce has long been a concern in the lab industry, and Slone found that the Northeast, south central Atlantic, and far western areas of the United States are likely to be hardest hit by the retirement boom. For example, in California, the projected growth of medical technology jobs up to 2010 is 26.4 percent, with anticipated openings expected to reach over 3,000.

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GE Healthcare 732-457-8000
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John Muir Health/MuirLab 925-932-4509
LabCorp 800-334-5161
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Neogenomics 239-768-0600
PLUS Diagnostics (formerly Lakewood Pathology Associates)
Quest Diagnostics 800-222-0446
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