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LABORATORY INDUSTRY REPORT®

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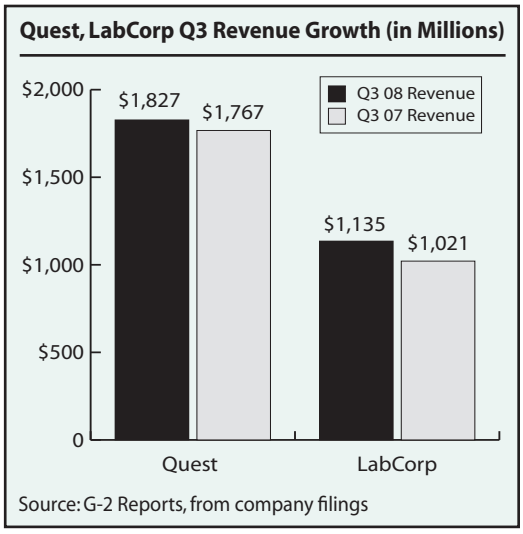
HIGHLIGHTS

Esoteric Testing Fuels LabCorp's Q3 11% Revenue Growth, Outpacing Quest's 3% Growth

For the third quarter of 2008, LabCorp (Burlington, N.C.) outpaced Quest Diagnostics (Madison, N.J.) in revenue and volume growth. LabCorp, the nation's second largest testing provider, saw revenues grow 11.2 percent to $1.1 billion, and volumes increase 10.6 percent. The lab testing leader—Quest—saw smaller gains, with revenue growth of 3.4 percent to $1.8 billion and volumes up with volume up .7 percent.

Both labs blamed the current economy and hurricane activity for slower than expected volume and revenue growth. Nevertheless, Wall Street analysts are pleased with how the lab industry is staying strong during this downturn in the economy and are especially optimistic on pricing next year, with the 4.5 percent boost in the Clinical Laboratory Fee Schedule and numerous price escalators in managed care contracts set to take effect in 2009.



For more analysis on Q3 results, please read this month's "Inside the Lab Industry," on pp. 5-8.

Days Before Historic Election, Pathologists Get 1.1% Medicare Fee Increase for 2009

Only days before the recent presidential election, the Centers for Medicare & Medicaid Services (CMS) announced that pathologists and other providers paid under the Medicare Part B physician fee schedule would get on average a 1.1 percent increase in payments for federal services, according to a final rule released on October 30. This fee was authorized by Congress through 2009. Without this move, physicians were slated for a 15.1 percent cut under the statutory update formula.

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PATHOLOGISTS GET 1.1% MEDICARE FEE INCREASE FOR 2009, *from page 1*

In addition to this recent physician payment increase, the lab community should expect more reform initiatives by Congress, as well as by the incoming Obama administration, explained health care policy insiders during a recent audioconference, "The 2008 Election: What Will The Election Outcome Mean For Laboratories?." The audioconference was sponsored by the American Clinical Laboratory Association (ACLA).

While the economy is clearly the top priority for President-Elect Barack Obama, health care reform will also take center stage, particularly as it relates to reauthorizing the State Children's Health Insurance Program (SCHIP), predicted speaker Alex Vogel of the lobbying firm Mehlman Vogel Castagnetti (Washington, D.C.) and former general counsel for the National Republican Senatorial Committee. "The early years of a new majority are fraught with peril, and to some degree, the experience from the early years of the Clinton White House . . . are really going to shape what happens as it relates to health care," he explained. "My guess is that [Chief of Staff] Rahm Emanuel and the Obama administration will view themselves as much better served if they can slice up a few strategic and definitive victories in the first six months or year and push off the broader debate for the longer term."

Many Industry Supporters Still in Congress, But Change Is Expected

While this election resulted in significant changes on the Hill, many lab industry proponents remain in Congress, said Jason DuBois, ACLA's vice president for government affairs. Nevertheless, there were some election upsets that impact pending laboratory legislation.

For example, Sen. Gordon Smith (R-Ore.), who co-sponsored the Laboratory Test Improvement Act (S. 736) with Sen. Ted Kennedy (D-Mass.), lost his election, meaning Kennedy will need to find a new Republican sponsor. Also leaving Congress due to a lost election is Rep. Phil English (R.-Pa.), who co-sponsored legislation, H.R. 1501, to increase the specimen collection fee. The Democratic co-sponsor of the bill, Rep. Gene Green (Texas) did win his re-election, but will need to find a new Republican co-sponsor for the bill to go anywhere, said DuBois.

Finally, of course, the Genomics and Personalized Medicine Act (S. 976), might need to find another Democratic co-sponsor. The bill's initial Democratic co-sponsor, Sen. Obama, is headed to the White House. The co-sponsors of the bill are Sens. Richard Burr (R-N.C.) and Robert Menendez (D-N.J.)

Another change developing in the House is leadership of the Committee on Energy and Commerce, which could impact the FDA's jurisdiction and specifically, the oversight of laboratory-developed tests, explained another speaker, Stacy Rampy, a principal at Mehlman, Vogel and Castagnetti, who was the former legislative director for Congresswoman Anna Eshoo (D-Calif.). The second most ranking Democrat on the committee, Rep. Henry Waxman (Calif.) is challenging the current chair Rep. John Dingell (D-Mich.). Rampy believes that Waxman will prevail and become the new committee chair.

"This committee oversees many of the issues we care about, not the least of which would be anything having to do with laboratory-developed tests," she explained. "We'll have to do a lot of work in terms of educating Mr. Waxman about the issues we care about, but it's going to be a challenge on an issue like laboratory-developed tests, given Waxman's proclivity for expanding the FDA's jurisdiction."

In terms of laboratory-developed tests, specifically genetic tests, a lot depends on who assumes leadership of the FDA under the Obama administration. In addition, changes are likely to occur when Steven Gutman, Ph.D., the current head of the FDA's Office of In Vitro Diagnostic Device Safety and Evaluation, which oversees laboratory testing, retires at the end of this year. He is slated to be replaced by Alberto Gutierrez, Ph.D., the office's current deputy director of new product evaluation.

Rampy also said that she expects to see changes to the Medicare Advantage program since Democrats have repeatedly voiced concerns about overpayment in the past and will likely use the additional payment funds to pay for health care reform initiatives. She suspects that it might be "zeroed out," meaning that reimbursement will be the same as other Medicare plans, with no additional payment.

"I think we can expect that program will be cut fairly deeply," she added. "I wouldn't count it out, but proponents are certainly are going to have their hands full in justifying the extra payments that they receive."

ICD-10-CM Expansion to 68,000 Codes Could Cost Labs and Providers Millions

One national laboratory estimates that the up-front cost of implementing the new coding set for diagnoses—ICD-10-CM—could top $40 million, according to a recent report by Nashimson Advisors, LLC. The conversion could cost physician practices between $83,000 to $2.7 million, according to the report, "The Impact of Implementing ICD-10 on Physician Practices and Clinical Laboratories."

While it's not clear in the Nachimson report which of the large national labs provided the $40 million cost estimate, the analysis did provide total cost impact estimates for physician practices, based on size. The following estimates are based on costs related to staff education and training; health plan contracts, coverage determination, and documentation; billing changes; IT system changes; increased documentation; and cash flow disruption.

- Small practice of three physicians and two administrative staff: $83,290
- Medium practice of 10 providers, one full-time coder, and six administrative staff: $285,195
- Large practice of 100 providers, 64 coding staff (10 full-time coders), and 54 medical records staff: $2.7 million.

The Centers for Medicare & Medicaid Services (CMS) proposed the rule in August to modify the current coding set, known as ICD-9. The agency has pro-

posed a 2011 compliance goal (see below), although several groups, including the College of American Pathologists (CAP) have taken issue with this timeline. In a letter to HHS Secretary Michael O. Leavitt, CAP and other medical associations, including the American Medical Association, called for the timeline to be determined after the adoption and implementation of changes to electronic transactions related to HIPAA.

CMS's Costs Said to Be Underestimated

ICD-10-CM consists of more than 68,000 codes—an over five-fold increase from the current ICD-9-CM codes. Reported estimates on the total cost of implementation vary greatly. HHS estimates that costs will total $1.64 billion, which includes $356 million related to training costs, $572 million in lost productivity costs, and system change costs of $713 million. But the American Clinical Laboratory Association (ACLA) argues that these estimates fail to include the costs that will be imposed on laboratories. Specifically, CMS has underestimated the number of coders necessary to be trained to use the ICD-10-CM codes. "According to ACLA members, there are approximately 150,000 certified professional coders that will require training and HHS has only accounted for approximately one-third of this number," wrote ACLA's counsel, Peter Kazon, an attorney with Alston & Bird (Washington, D.C.), in a letter to HHS. "The cost to train the remaining two-thirds of coders significantly increases the resources that laboratories and others will be forced to spend to transition to ICD-10-CM."

CMS's Proposed Timeline for ICD-10 Implementation

August 2008: Publish proposed rule

December 2008: CMS and medical service providers begin ongoing education and outreach

June 2009: Medical service providers begin designing documentation

December 2009: Providers build and internally test system changes

July 2010-October 2011: CMS conducts external testing

October 2011: Compliance deadline

Source: CMS, http://edocket.access.gpo.gov/2008/pdf/E8-19298.pdf.

Quest's India Lab Accredited by CAP and NABL

Quest Diagnostics India Pvt. Ltd (Gurgaon) has received certificates of accreditation from the College of American Pathologists (CAP) as well as the National Accreditation Board for Testing and Calibration (NABL). NABL is India's only government authorized laboratory accreditation body.

CAP and NABL accredited the lab approximately two months after performing separate site visits in September. According to Quest, more than 100,000 diagnostic laboratories operate in India, but only about a dozen are NABL and CAP accredited.

Quest's facility is also one of five laboratories in India to have received National Glycohemoglobin Standardization Program (NGSP) Level I Laboratory certification, which indicates that a facility's testing fulfills NGSP's worldwide standards for providing accurate hemoglobin A1c (HbA1c) testing for diabetes. Based outside of Delhi in the city of Gurgaon, Quest's 65,000-square-foot laboratory opened in March of this year. Its services include esoteric testing, clinical trials central lab and support services, and risk-assessment services to life insurance companies.

Economy, Hurricanes Hamper Volume Growth in Q3; Wall Street Optimistic on Pricing, Reimbursement

The current economic crisis continued to impact volume and revenue growth during this recent quarter at the nation's leading labs, with only LabCorp meeting the industry standard organic volume growth rate range of 2 percent to 3 percent. But cost savings and a favorable pricing and reimbursement environment in 2009 are giving Wall Street confidence in the industry's strong fundamentals.

For the third quarter of 2008, the country's lab testing leader, Quest Diagnostics (Madison, N.J.), reported revenue growth of 3.4 percent to $1.8 billion, with volume up .7 percent. Organic volume growth, which excludes the impact of hurricane activity and the extra day of revenue in February, was up .2 percent. In comparison, LabCorp (Burlington, N.C.) was ahead in growth, with revenue up 11.2 percent to $1.1 billion, volume up 10.6 percent, and organic volume up 2.2 percent. This organic volume measure excludes a 7.5 percent benefit from the company's joint venture operation in Ontario, a 1.6 percent benefit from the extra day of revenue, and a negative impact of .7 percent from hurricanes.

The analysts noted that pricing and reimbursement are in the lab industry's favor right now and boosting Wall Street's confidence. "Although the worsening economy may have reduced some of the upside potential (e.g. increased cost inflation as well as ongoing issues with collecting from patients), we still believe LabCorp is well-positioned into 2009 (i.e., for up to 15 percent earnings growth)," wrote WB&C's Murphy and Kreger. "In our view, the reimbursement environment appears to be much stronger than we have seen in some time (both on the private payer and governmental side)."

On the government side, labs will receive a 4.5 percent Medicare rate increase next year under the Clinical Laboratory Fee Schedule, as well as a 1.1 percent increase under the recently announced Physician Fee Schedule. Quest expects these increases to translate into $40 million extra revenue in 2009, according to Barclay Capital (formerly Lehman Brothers; New York City) analyst Adam Feinstein.

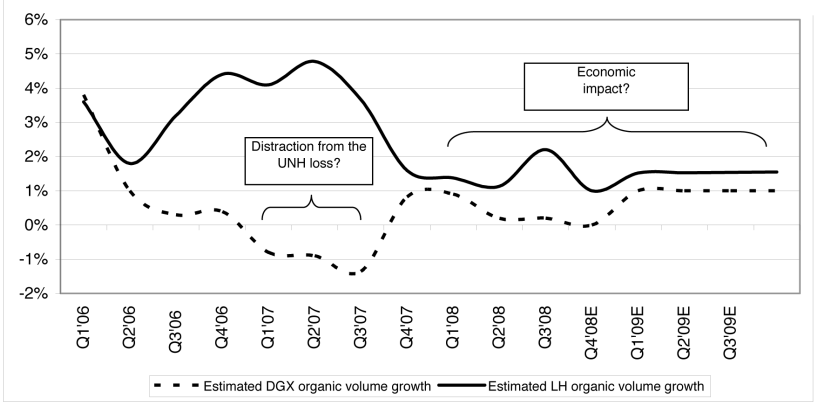
On the private payor side, LabCorp saw a growth of .5 percent this quarter in its managed care fee for service, as compared to a decline of 3.1 and 1.5 percent in the first and second quarter respectively. This growth was in large part due to the beginning of pricing escalators in managed care contracts renegotiated in 2007, according to WB&C's Murphy and Kreger. These include an increase in the UnitedHealthcare contract that took effect October 1, as well as an increase that began in September in the WellPoint contract in certain markets. There are other private payor contracts that are set for a price increase at the beginning of 2009, reported the analysts.

Quest Confronting Weak Growth

Wall Street analysts noted Quest's weaker volume and revenue growth, but also admired the company's cost-savings initiatives. "We were discouraged

by Quest's volume growth this quarter, given it continues to be well below what we would consider to be "normal" for the industry (i.e., growth in the 2 percent to 3 percent range) and essentially flat sequentially," wrote William Blair & Company (WB&C; Chicago) analysts Amanda Murphy and John Kreger in a research note. "While revenue growth continues to be weak, we do believe this is largely related to the economy and as such is a short-term phenomenon that should turn around once we see signs of an economic recovery," they also wrote. "In addition, as was confirmed this quarter, cost-savings initiatives and the ability to scale back investments provide Quest, as well as other labs, an avenue for continued earnings growth, even in these tough economic times."

Estimated Organic Volume Growth for the Two National Labs



Growth excludes the estimated impact of extra revenue days as well as the estimated impact from the Aetna and UnitedHealthcare contract changes post Q107

Source: William Blair & Company, L.L.C., 2008

Quest Diagnostics, LH: LabCorp

One drag on Quest's bottom line, however, continues to be Nichols Institute Diagnostics , the company's former test-kit manufacturing subsidiary currently under investigation by federal officials. During this recent earnings call, Quest's senior vice president and chief financial officer Robert Hagemann announced that the company had reached a settlement agreement with the government, which includes entering a guilty plea to a single count of felony misbranding. He added that a recorded pretax charge of $73 million was made during this quarter and added to the reserve fund, now totaling $314 million, which will go toward settling this suit and related issues.

Esoteric Fueling LabCorp's Growth

The difference in growth rates between the two labs is largely due to LabCorp's strategy of driving utilization within specialty physician offices, according to WB&C's Murphy and Kreger. "Esoteric utilization was up 8.4 percent for the quarter (versus core testing, which was up 1.5 percent in the United States)," they wrote. "In our view, this provides further support for our belief that LabCorp has the stronger esoteric franchise of the two national labs, as Quest continues to have difficulty driving synergies out of its AmeriPath acquisition." At both labs, increased demand for vitamin D and HPV testing are driving esoteric testing business growth. At LabCorp, vitamin D testing grew an estimated 80 percent to 100 percent in the second quarter of this year (although this was off a very low base), and HPV testing is now growing an estimated 6 percent to 7 percent

above the company's 5 percent esoteric testing growth rate, according to Barclays Capital's Feinstein. But LabCorp is also grappling with regulatory challenges in its genomic and esoteric business. In October, the company voluntarily took its OvaSure cancer test off the market in response to a warning letter from the FDA questioning the test's clinical validity.

Looking ahead, Quest revised downward its revenue growth guidance from 9 percent to 8 percent. "The change is principally due to the impact of hurricanes in the third quarter, a delay obtaining approval for one of our point-of-care products, and not seeing the acceleration in volume we had anticipated in our clinical testing business," said Hagemann. LabCorp reaffirmed its revenue-growth guidance of 11 percent and issued preliminary guidance for next year, stating an expected revenue-growth rate of between 3.5 percent and 5.5 percent. Quest did not issue any preliminary guidance for 2009.

Bad Debt, DSO Hold Steady in Tough Economy

In recent quarters, bad debt and days sales outstanding (DSO) have been under more scrutiny than usual, as these are the fundamentals most vulnerable during a struggling economy. However, both national labs, as well as Bio-Reference (Elmwood Park, N.J.), have maintained relatively stable bad debt rates and DSOs (see table). In terms of DSO, the labs have shown improvement compared to quarters one and two of this year, and even greater improvement compared to the averages in 2006 and 2007. Specifically, Bio-Reference has shaved 12 days off of its DSO. Although still considered high by industry standards, the New York area testing provider recorded a DSO of 108, compared to 120 in the first quarter of this year. Quest's DSO was 45 this quarter, compared to 48 in the first quarter and 46 in the second quarter. In comparison, LabCorp's DSO is slightly higher, coming in at 53 for this quarter, but that's an improvement over 58 in the first quarter and 54 in the second quarter.

Current DSO

	2006 (avg)	*2007 (avg)*	*2008Q1*	*2008Q2*	*2008Q3*
Quest	48	48	48	46	45
LabCorp	54	56	58	54	53
Bio-Reference	117	115	120	109	108

Current Bad-Debt Expense (%)

	2006 (avg)	*2007 (avg)*	*2008Q1*	*2008Q2*	*2008Q3*
Quest	3.8%	4.5%	4.8%	4.4%	4.4%
LabCorp	4.8	4.8	5.03	5.28	5.3
Bio-Reference	13	13.9	13.8	13.2	13.2

Source: G-2 Reports, from company filings

Given the currently depressed economy, it's unlikely that bad debt and DSO for these labs will improve in the near future. This will make cost-savings initiatives more important. LabCorp initially expected cost-savings to total $35 million in 2009, but officials noted in this recent earnings call that it will likely be less, as the focus will be on maintaining the bed debt rate of 5.3 percent. Quest is on track to reduce its cost structure by $300 million by the end of this year, and another $200 million by the end of next year. Of course, patient collections must continue to be an area of focus. While both Quest and LabCorp officials claim this is a priority, LabCorp appears to be the only company providing details on making this happen through its plan to place kiosks in its patient service centers

(PSCs) and in physician offices with phlebotomists, which is expected to be fully rolled out by the beginning of next year. The PSC business represents 25 percent of total volume, and the physician office business represents another 15 percent of total volume. By the end of next year, officials expect that credit card information and insurance eligibility will be processed at these kiosks.

Time to Benchmark

Following the third-quarter earnings releases from the national labs, *LIR* recently analyzed revenue per full-time employee (FTE) and pretax income per FTE benchmarks for 10 labs tracked by the G-2 Laboratory Stock Index (see table below).

Leading in both benchmarks, San Diego-based specialty lab testing provider Genoptix was recently ranked number nine on this year's Technology Fast 500 by Deloitte (New York City), which ranks the 500 fastest-growing technology, media, telecommunications, and life sciences companies in North America based on the percentage of fiscal year revenue growth from 2003 to 2007. For the third quarter of 2008, Genoptix's revenue per FTE leads at $160,500, an increase of 84 percent over the same quarter in 2007. Following is Myriad Genetics at $74, 458, an increase of 51 percent over 2007's third quarter. The Salt Lake City-based biotech company announced in October that it is moving forward with plans to split its pharmaceutical development and molecular diagnostic testing businesses, with the molecular diagnostics business retaining the name Myriad Genetics and the pharma company to be called Myriad Pharmaceuticals. Myriad Genetics will have 800 FTEs, and Myriad Pharmaceuticals will have approximately 200 FTEs. Coming in third in this benchmark is Psychemedics (Acton, Mass.) at $65,957, a drop of 5 percent over the third quarter of 2007.

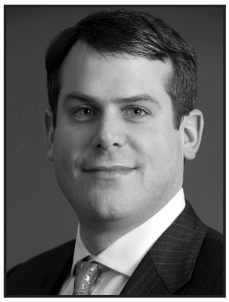
For pretax income per FTE, Genoptix is leading with $46,000, an increase of over 130 percent over the previous year's third quarter. Psychemedics follows at $14,894, down 30 percent, and coming in third is LabCorp at $6,922, a decrease of 4 percent over the previous year's third quarter.

Q3 2008 Financial Benchmarks

	Revenue (in millions)	Full-Time Employees	Revenue/ Employee	Comparison to Q3 07	Pre-Tax Income (millions)	Pre-Tax Income/ Employee	Comparison to Q3 07
Quest	$1,826.6	43,000	$42,479	3%	$260.3	$6,053	5%
LabCorp	1,135.1	27,000	42,041	7	186.9	6,922	-4
Bio-Reference	77.8	1700	45,765	18	7.9	4,647	20
Enzo Clinical Labs	10.3	300	34,333	-10	0.4	1,333	-71
Genzyme Genetics	78.5	1700	46,176	7	3.6	2,118	-70
MedTox Scientific*	22.4	468	47,863	8	2.6	5,556	-10
Myriad Genetics	61.8	830	74,458	51	(4.6)	(5,542)	22
Psychemedics	6.2	94	65,957	-5	1.4	14,894	-30
Orchid Cellmark	14.9	410	36,341	-7	(1.5)	(3,659)	-114
Genoptix	32.1	200	$160,500	84	9.2	46,000	131

Source: Washington G-2 Reports from company reports, 8-K, and 10-Q filings.

Paternity Testing Leader DNA Diagnostics Center Acquired by MTS Health Investors



Kenton Rosenberry, Managing Director, MTS Health Investors (New York City)

New York-based private equity firm MTS Health Investors has acquired DNA Diagnostics Center (DDC; Fairfield, Ohio), a leading genetic testing provider. Ellen Moscovitz, formerly head of LabCorp's DNA testing operations, has been tapped as CEO, and Michael Baird, M.D., will continue on as the laboratory director. Financial terms of the acquisition were not disclosed.

Approximately 70 percent of MTS's business involves biological family relationship testing—such as paternity testing—with the remaining 30 percent focused on forensics, veterinary, and veterinary genetics. DDC is the market leader in the U.S. private paternity testing market—performing three out of every four paternity tests, according to MTS Managing Director Kenton Rosenberry. The lab's turnaround time averages two to three days, compared to an industry average time of between seven and 12 days. Their top competitors in this testing are LabCorp (Burlington, N.C.) and Orchid Cellmark (Princeton, N.J.), although both these companies focus on contract work with entities such as child support enforcement agencies and crime labs.

Looking forward, MTS wants to move DDC beyond paternity testing. "Our growth plan is to continue to grow our core business, including paternity testing, and also expand in to other areas," said Rosenberry. Expansion plans include increasing the company's footprint in DNA testing for forensic, veterinary, immigration, and adoption services, as well as genetic testing for disease predisposition.

Much of DDC's current marketing and branding is derived from its involvement in high-profile cases that have garnered significant media attention. For example, DDC's analysis identified Larry Birkhead as the father of the late celebrity Anna Nicole Smith's daughter, and DDC is the official provider of DNA testing for the Maury Povich Show and has been featured on the Dr. Phil television show.

This media attention has helped to establish DDC as a recognizable, high-quality facility, but Rosenberry thinks the marketing and branding needs to go further and have a focus. "In general, we think the company has been undermarketed and hasn't done a great job branding itself," he said.

This acquisition marks MTS's entrance in to the clinical laboratory sector, but Rosenberry said that the firm might consider other clinical lab acquisitions, and like the rest of the private equity industry, it has an optimistic outlook on the potential of this area of health care. This is good for the lab industry, also, because there is currently $70 billion in private equity capital available in the United States. "The good thing about the clinical lab testing business is that it's one of the few businesses in health care that is very scalable," he explained. "You can operate these businesses out of a centralized lab, whereas health care in general tends to be a fragmented, local 'mom-and-pop' delivery business. The lab space is one in which you get real benefits of scale, and the cash flow characteristics are nice."

Genetic Testing Experts Say Future Promise in Multiplex and Array Analysis Lies in Reimbursement

Multiplex testing, genomic hybridization, and high throughput sequence analysis are leading the future of genetic testing, said leading experts from various areas of the genetic testing field at an October 28 panel discussion, "A Primer on Genetic Testing: What is It? How Does it Work? Why Does it Matter?" sponsored by the American Clinical Laboratory Association (ACLA) as part of their Results for Life educational campaign.

'Labs continue to get squeezed and squeezed. Reimbursement of this testing is critical.'
—Gail Vance, M.D.,
Indiana University's Department of Pathology and Laboratory Medicine

"Technology will continue to advance, and we will have more microarray technology and more multiplex testing," said panelist Gail Vance, M.D., a professor at the Indiana University School of Medicine's Department of Pathology and Laboratory Medicine, where she oversees the genetic testing labs and is the director of the cytogenetics division. She sees genetic testing focused on becoming "more and more sensitive" through genomic hybridization and analysis of SNPs—a single nucleotide polymorphism, which is a DNA sequence variation occurring when a single nucleotide differs between paired chromosomes.

There's also a push to develop more sophisticated high throughput sequencing, which will enable large-scale genetic analysis on a massive scale, said another panelist Sherri Bale, Ph.D., president and clinical director of GeneDx, a molecular diagnostic testing company focused on developing and providing molecular diagnostic tests for over 150 rare hereditary disorders. "There is a lot of effort going in this direction," she said. "This will greatly reduce the costs of genetic tests."

Global Genetic Testing Market to Exceed $6.6 Billion by 2015

The United States and Europe account for 83 percent of the worldwide genetic testing market, which is projected to grow at a healthy pace to exceed $6.6 billion by 2015, according to recent analysis by Global Industry Analysts Inc. (GIA, San Jose, Calif.) in *Genetic Testing: A Global Strategic Business Report*. In particular, the U.S. pharmacogenomic testing market is growing at a fast clip at a CAGR (compound annual growth rate) of 25 percent between 2000 to 2010. GIA also predicted that prenatal and newborn genetic testing would expand significantly beyond its 2008 estimated market value of $622 million.

But the drive for improved technology underscores the need for continued investment and higher reimbursement in the genetic testing field. "This highlights the importance of reimbursement and venture capital funding of genetic testing," said ACLA president Alan Mertz.

Indiana University's Vance agreed. "Labs continue to get squeezed and squeezed," she said, adding that there are currently only three CPT codes provided for microarray molecular tests. "Reimbursement of this testing is critical."

Lab Stocks Dip 6% in November; Down 33% for Year

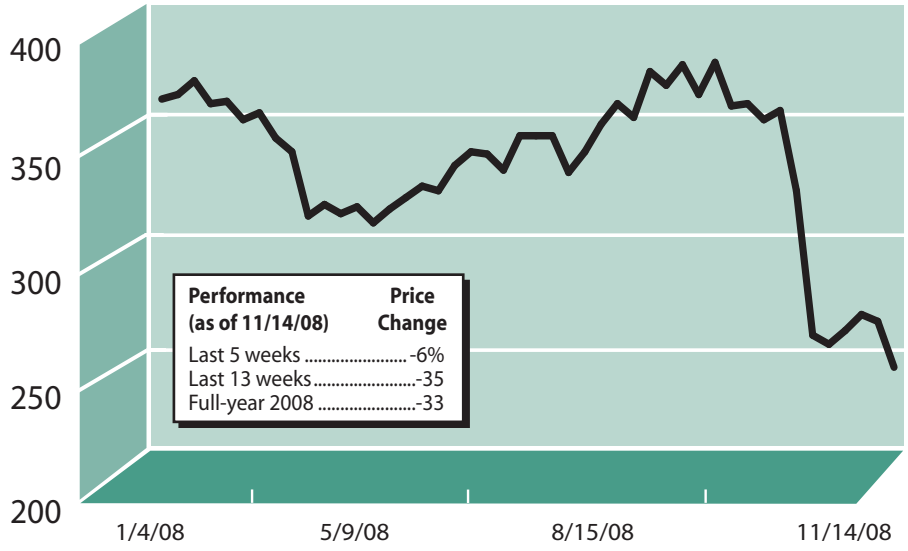
It continues to be a wild ride on the G-2 Reports Laboratory Stock Index. While the Index showed some rebound early in the month, by mid-November it was down 6 percent over five weeks for the week ended November 14, and down 33 percent in 2008. The Index was adjusted to reflect a six-to-one reverse split of Monogram Bioscience's (South San Francisco) common shares on November 4. The stock is currently trading under the temporary trading symbol "MGRMD" and will revert back to MGRM on December 2. Of course, the Nasdaq and S&P 500 continue to plunge. For the year, the Nasdaq is down over 43 percent, while the S&P is down about 41 percent.

There were some gainers in November, however, led by **Quest Diagnostics** (Madison, N.J.), which was up 19 percent to $47.99 per share for a market cap of $9.26 billion over the past four weeks for the week ended November 14. Next is **Myriad Genetics** (Salt Lake City), up 15 percent to $66.13 per share for a market cap of $3.11 billion. Still showing strength is the specialty lab **Genoptix** (San Diego), up 11 percent to $35.43 per share for a market cap of $520.52 million.

For up to the minute laboratory and diagnostic firm data, financial news and company podcasts—go to **www.g2reports.com**

Despite these gains, many lab stocks continue to be down. The lab posting the largest losses over the past four weeks is **Orchid Cellmark** (Princeton, N.J.), down 38 percent to $1.00 per share for a market cap of $31.13 million for the week ended November 14. Orchid has reportedly been dropped from the Nasdaq Biotechnology Index. Next is **Monogram Biosciences**. Following its reverse stock split, the company is down 23 percent to $2.50 per share for a market cap of $55.37 million. Rounding out the top three is **Clarient** (Aliso Viejo, Calif.), down 20 percent to $1.34 per share for a market cap of $97.59 million.

G-2 Laboratory Stock Index



Source: The G-2 Laboratory Stock Index is tabulated weekly by *Laboratory Industry Report* from the average percentage change in the price of 14 laboratory testing service stocks.

Top Gains and Losses over Past Four Weeks

Percent price change, week ended 11/14/08

UP	*Change*	*Price*
Quest Diagnostics	19%	$47.99
Myriad Genetics	15	66.13
Genoptix	11	35.43
DOWN		
Orchid Cellmark	38	1.00
Monogram Bioscience	23	2.50
Clarient	20	1.34

INDUSTRY buzz

LabCorp to Help Launch National Reference Lab in United Arab Emirates

In early November, LabCorp announced plans to establish the National Reference Laboratory (NRL) in Abu Dhabi, the capital of the United Arab Emirates (UAE), as part of an agreement with the health care division of the country's Mubadala Development Company.

NRL is scheduled for a 2009 completion and is designed to be a centralized lab in the UAE offering comprehensive services—including routine and esoteric testing—that are currently being sent to Europe and elsewhere outside the UAE. The lab will be fully automated and will be designed to ensure quick turnaround-time—as little as within two hours—on critical tests. The lab will also pursue international accreditation by the College of American Pathologists.

This laboratory company will join other international projects currently under development by Mubadala Healthcare. These include the Cleveland Clinic Abu Dhabi, a 360-bed hospital slated to open in early 2011, as well as the Tawam Molecular Imaging Centre, which is due to open next year as part of an operation agreement with Johns Hopkins Medical International.

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DNA Diagnostics Center 800-613-5768
Enzo Biochem 631-755-5500
Genoptix 800-755-1605
Global Industry Analysts Inc. 408-528-9966
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