

LABORATORY

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M&A Activity Surges at End of 2009 as LabCorp, Sonic Make Lab Deals

As 2009 drew to a close, two of the U.S. lab industry's primary players—LabCorp (Burlington, N.C.) and Sonic Healthcare (Sydney, Australia)—acquired labs in the northeastern region of the country. With LabCorp's purchase of the Centrex Clinical Laboratory Network in the New York region for an undisclosed amount, and Sonic acquiring Providence, R.I.'s East Side Clinical Laboratory for anywhere between \$18 million and \$27 million (or even more, according to some reports), the 2009 reported transaction total stands at 17.

This 2009 total is down from 2008's reported transaction total of 22, which is not surprising, given the tight capital market due to the recession. But there are definitely hot areas in the merger and acquisition (M&A) market, particularly the outreach market, which Washington G-2 Reports estimates could climb to almost \$33 billion in 2009. For more analysis on the 2009 M&A market, please turn to p. 8. 🏠

Industry Braces for 1.9% Cut in Lab Fees; Physician Fees Are Frozen

As of press time, Medicare payments for Part B clinical laboratory services are set to be cut 1.9 percent under the statutory formula used to calculate the annual update: the consumer price index (CPI-U) minus 0.5 percent. This marks the first time in the lab fee schedule's 25-year history that the update would drop into negative territory.

With significant unresolved differences between the House and the Senate on changes to the update formula, the scheduled cut is expected to take effect Jan. 1. With the focus on finding money to pay for health care reform, Congress has shown no interest in granting a lab fee increase.

The House-passed health care reform bill and the Senate version now being debated on the floor (as *LIR* was going to print) take different approaches to getting Medicare savings by changing the lab fee update formula:

- ❑ *Productivity Adjustment:* The Senate bill would let the 1.9 percent cut go forward in 2010 and in 2011, replace the 0.5 percent reduction with a productivity adjustment (PA) and a guarantee that the PA would never reduce the update below zero. *Continued on page 2*



■ **INDUSTRY BRACES FOR 1.9% CUT IN LAB FEES**, *from page 1*

The House bill would apply the PA in 2010, with no protection against the update falling below zero. In 2010, the formula change would translate to a cut of 2.7 percent.

- *Additional Cuts:* The Senate bill would make an additional cut of 1.75 percent in the update for years 2011 to 2015. This is projected to reduce the update below zero in each of those years. The House bill has no similar provision.

Fallout on Clinical Labs

In an analysis of the House and Senate provisions, the American Clinical Laboratory Association notes that the House, in applying the PA in January 2010, would reduce lab fees by approximately \$7.35 billion over 10 years, or 6 percent of total Medicare spending on lab services.

The Senate bill, which applies the PA a year later, saves an estimated \$5 billion, plus an additional \$5 billion reduction, for a total savings of \$10 billion, or 9 percent of total Medicare spending on lab services.

While laboratories by law are to receive an update each January based on the CPI-U, "this has rarely occurred and has, in fact, been cut because Congress froze the update in 10 of the past 12 years and cut the update by 0.5 percent for years 2009-2013," said the ACLA analysis.

Complex Molecular Diagnostic Tests

The Senate bill also includes a provision allowing hospital-based and independent clinical labs to bill Medicare directly for certain complex molecular diagnostic tests performed within 14 days of a beneficiary's discharge, under a two-year demonstration project beginning July 1, 2011.

The U.S. Department of Health and Human Services secretary is to set the payment rates for these tests. The cost of the project is not to exceed \$100 million, to be drawn from the Medicare budget. The original Finance Committee version paid for the project by tapping the lab fee update.

Under current Medicare rules, if a lab performs testing on blood or tissue samples collected by a hospital for inpatients and outpatients within the 14-day period, it must be paid by

the hospital through its inpatient diagnosis-related group payment, rather than a direct payment from Part B.

Physician Fees Frozen for Two Months, Averting Steep Cut Due Jan. 1

In order to delay the 21.2 percent cut in Medicare payments for physician services that was scheduled to take effect on Jan. 1, 2010, under the Sustainable Growth Rate (SGR) factor, Congress is proposing to freeze the physician fees for two months. The SGR is used to update the physician fee schedule each year.

The freeze is contained in the Defense Department spending bill (H.R. 3326) that the president is expected to sign. For pathologists and other physicians, from Jan. 1 through Feb. 28, their Part B services will be payable at current levels.

In anticipation of the 21.2 percent cut in Part B reimbursement on Jan. 1, about 115 medical groups Dec. 15 asked Congress for a month-to-six-weeks postponement while health reform legislation continues to be debated. The American Medical Association, one of signatories, said that the letter was sent to all members of Congress. The signers included specialty societies and state medical groups.



In the Senate health care reform bill, the 21.2 percent cut would be blocked and physicians would get a 0.5 percent increase in 2010 at an estimated cost of \$10.9 billion. A House-passed bill would cancel the cut and overhaul the update formula as follows:

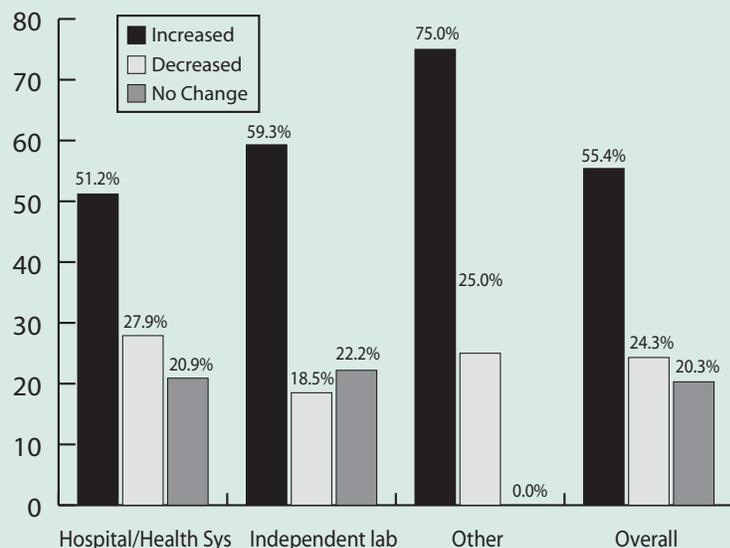
- ❑ The 2010 update, based on the Medicare Economic Index, would increase physician payments by 1.2 percent, according to Congressional Budget Office (CBO) estimates.
- ❑ In subsequent years, the update would allow physician service spending to grow at the rate of the gross domestic product (GDP) plus 1 percent per year (for primary care and preventive services, 2 percent per year).

The bill faces an uphill battle in the Senate because its cost of nearly \$210 billion is not paid for; the Senate has already rejected a similar bid to repeal the SGR system for the same reason. 🏛️

Survey Finds Test Volume Growth Robust in 2009; Labs Report 50% Increase in Q2 and Q3

As the U.S. economy struggled to climb out of the recession during the second and third quarters of 2009, 55.4 percent of overall labs surveyed by Washington G-2 Reports indicated that their test volumes increased—a 9.7 percent change compared to the third quarter of 2008 (see Figure 1). These results were the latest findings in G-2's ongoing Lab Test Volume and Revenue Survey 2009, which is focused on assessing the impact of the economy on the lab industry over the past two years.

Figure 1
For the second and third quarters (April - August) of 2009, did your test volume



Source: Washington G-2 Reports Lab Test Volume and Revenue Survey 2009.
 Note: "Other" includes pathology groups and public health laboratories, among other labs.

For the full year, a majority of the overall labs surveyed—62.2 percent—are forecasting an increase in testing volumes and an estimated 8.9 percent change compared to the full year 2008. In contrast, 23 percent are expecting a decrease (8.6 percent change) and 14.9 percent are predicting no change in test volumes. When analyzed by lab type, 53.5 percent of hospital/health system labs, 74.1 percent of independent labs, and 75 percent of other labs are forecasting a volume increase for full year 2009. The respondents' average overall total test volume for 2008 was 4.9 million; the median was 1 million.

Analyzing Revenue Growth

Not surprisingly, revenue growth trended similarly to volume growth—with approximately 53 percent of overall respondents indi-



cating that their revenue grew at least 5 percent over the past year. Thirty-eight percent said that revenue increased by 5 percent to 10 percent and well over 15 percent responded that their revenue increased by more than 15 percent. Over 30 percent said that their revenue was steady, while 15.5 percent indicated revenue had dropped by 5 percent or more.

As the economy improves, more respondents said they are starting to ease up on cutbacks made over the past two years. When asked about what actions the lab is taking in response to the ending of the recession and beginning of the recovery, 42.9 percent said they had increased (or taken off the hold on) equipment, reagent, and supplies purchases; 25.4 percent said they had increased staffing head counts; 22.2 percent said that holds on salary increases had been released; and 22.2 percent said that they had changed the test mix. Other answers included changed pricing (15.9 percent) and taken restrictions off of travel, training, and other human resources costs (12.7 percent).

But “other” responses (20.6 percent) to this question indicate that belt-tightening measures are still in place for some labs. Some noted that things are still tight, cost-containment measures remain in place, and that reduction efforts would continue on throughout next year. “We are not seeing any recovery as far as increased volumes,” wrote one respondent. “I have done an across-the-board staffing hours reduction of 30 minutes per workday.”

Positive Outlook for 2010

Looking ahead to volume growth by testing category this year, the overall responses seem to indicate that anatomic pathology (AP) and “other” testing—including molecular testing and clinical pathology—will be the areas where labs

will experience the most volume growth. Respondents said that overall they expect they are forecasting 11.6 percent volume growth in other testing, 8.3 percent in AP

testing, and 6.9 percent growth in esoteric testing. However, some might view AP volume growth as being soft. The respondents who are forecasting a drop in AP volumes indicated that this decrease would be 7.5 percent.

When asked about what new avenues of growth labs would be focusing on in 2010, 61.2 percent chose expansion into new geographic areas, 59.7 percent said they would introduce more high-end tests, 31.3 percent said enter into joint venture arrangements, and 4.5 percent said acquire other labs. But, some are unconvinced that the economy is in the improvement phases. “I just don’t agree the recession is over or that the recovery is beginning,” noted one respondent to this question. 🏠

Table 1

What is your forecast for test volume by category for 2010?

	Hospital/Health System lab		Independent lab		Other		Overall	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Routine testing	4.6%	4.2%	10.5%	2.0%	1.3%	n/a	6.1%	3.9%
Esoteric testing	4.7	3.0	12.1	n/a	1.0	n/a	6.9	3.0
Anatomic pathology	8.5	7.5	9.0	n/a	2.0	n/a	8.3	7.5
Drugs of abuse	4.4	1.5	9.2	6.0	1.5	n/a	5.3	2.6
Other testing	10.5	n/a	15.7	n/a	4.0	n/a	11.6	n/a

Other testing includes molecular testing, outsourced histology, newborn screening, clinical pathology

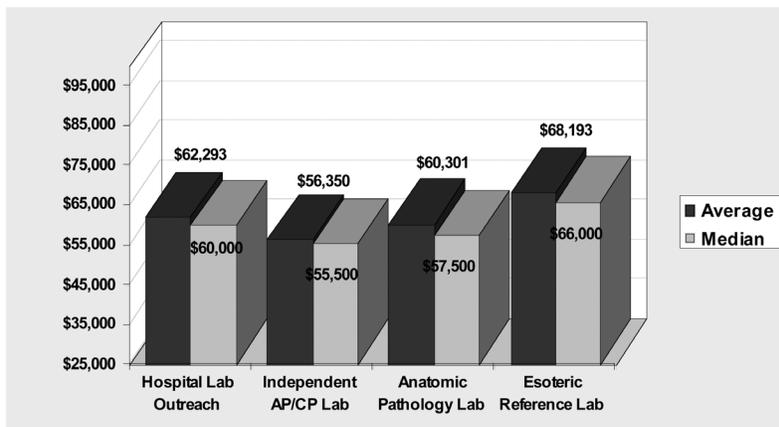
Survey Reveals Median Sales Rep Salaries Range from \$55K to \$66K; Highest Pay at Esoteric Labs

The current median salaries for industry sales representatives range from \$55,500 at independent labs to \$66,000 at esoteric reference labs, according to data recently collected through interviews and surveys from over 100 respondents across the country (independent category includes labs that perform routine, as well as clinical and anatomic pathology testing). The data were collected, analyzed, and presented by Chi Solutions co-founder and

senior consultant James Root at a preconference workshop held in conjunction with the Washington G-2 Reports' 2009 Lab Compete Sales & Marketing Conference Dec. 7-9 in Chandler, Ariz.

In addition to data on sales reps, Root also presented median and average annual salaries for field service reps, based on his analysis. He found that reps at hospital outreach labs were paid the most at \$53,040, followed by field reps at esoteric labs at

Annual Salary, Sales Representative, by Lab Type



Source: Chi Solutions, 2009, www.chisolutionsinc.com

\$52,000. Reps at anatomic pathology-only labs followed at a median annual salary of \$50,000, and reps at independent/ AP/clinical pathology (CP) labs rounded out the group at \$48,150.

Root also looked at differences in incentive distribution—bonus vs. commission—between outreach and independent/ AP/CP labs. For the outreach respondents, 53.7 percent gave commissions, compared to 46.3 percent who had a bonus system. Slightly more independent labs gave commissions—65.4 percent. For these labs, 34.6 percent had a bonus system.

In addition to incentives, Root also questioned outreach and independent respondents if they were more sales-centered or customer-focused. In general, independent sales reps are typically more sales-centered, as they are often under more pressure to meet sales quotas. However, a majority of independent/ AP/CP respondents—57.6 percent—said that they were more customer-focused, while 42.3 percent indicated that they were sales-centered. "This really surprised me, because it indicates that independent labs are becoming more focused on customers and their needs," said Root. Hospital outreach respondents were evenly split (50 percent) on the question.

Updated G-2 Sales Compensation Data Released

December's meeting also featured the release of updated data based on

results from the 2008-2009 Washington G-2 Reports' Lab Sales and Marketing Compensation Survey. The results are based on data collected over the past 18 months, beginning in late 2008 and throughout 2009.

The survey results revealed that median base salaries for some high-level sales positions range from \$75,000 for a sales and marketing manager to \$200,000 for a senior vice president of sales position (see Table 1). However, it's important to take into account commission percentage to get a more complete compensation picture. For instance, the sales and marketing manager position might be on the low range of the base salary, but as indicated in the table, it has the highest median commission of 38 percent. Conversely, while the vice president of sales position's base salary comes in on the high end of the range at \$170,000, it has the lowest median commission at 10 percent.

Table 1

Result Analysis Compensation of Sales Professionals, Overall (median)

	<i>Base Salary</i>	<i>Commission</i>	<i>(%) Years of work experience</i>
Senior VP, Sales & Marketing.....	\$161,567.....	22.6.....	19.4
VP, Sales & Marketing.....	\$149,652.....	34.7.....	18.3
Director, Sales & Marketing.....	\$103,526.....	27.5.....	17.0
Manager, Sales & Marketing.....	\$75,589.....	38.0.....	18.3
Senior VP, Sales.....	\$200,000.....	27.0.....	15.0
VP, Sales.....	\$170,000.....	10.0.....	19.0
Director, Sales.....	\$95,657.....	21.9.....	13.3

Source: 2008-2009 Washington G-2 Reports' Lab Sales and Marketing Compensation Survey

The survey also polled respondents on perks or tools provided to their sales reps—another important part of the total compensation package (Table 2; note that “other” labs include primarily physician-owned labs, physician-office labs, and pathology labs). Based on these results, it appears that independent and commercial labs, as well as these other labs, appear to provide more perks compared to hospital/health system labs.

Table 2

Perks for Sales Position, by Lab Type

	<i>Car</i>	<i>Mileage and/or expenses</i>	<i>Purchasing card</i>	<i>Other</i>
Hospital/Health System Lab.....	16.0%.....	72.0%.....	13.3%.....	12.0%
Indep/Comm. Lab.....	29.0.....	74.2.....	35.5.....	21.0
Other Labs.....	37.5.....	68.8.....	31.3.....	12.5
Overall.....	23.5.....	72.5.....	24.2.....	15.7

Source: 2008-2009 Washington G-2 Reports' Lab Sales and Marketing Compensation Survey



For example, 29 percent of independent and almost 38 percent of other labs provide a car compared to 16 percent of hospital/health system labs.

In addition, about 30 percent of each of these labs provide their sales team with a purchasing card to take clients out to lunch and for related expenses, compared to 13 percent of hospital/health system labs. This means that while some hospital labs might be offering base salaries that are competitive with the independent and physician labs, at least among those surveyed, they might not be making these additional tools available to their personnel—such as a car or purchasing card.

Table 3

Estimated Period to Generate Revenue for New Sales Reps, by Lab Type

	<i>Average (months)</i>	<i>Median (months)</i>
Hospital/Health System	6.4	6.0
Independent/Commercial Lab	6.0	6.0
Other	4.0	4.0
Overall	6.1	6.0

Source: 2008-2009 Washington G-2 Reports' Lab Sales and Marketing Compensation Survey

The G-2 survey also asked respondents about a key benchmark tracked by financial analysts, which is the estimated months it takes for new sales reps to generate revenue. As detailed in Table 3, these results were closely aligned for independent/commercial labs and hospital/health system labs at an average of between six and 6.4 months. The primary difference came in results for the “other” labs—the pathology and physician-affiliated labs. The expectations for quicker delivery to the bottom line are greater for these labs, which estimate their new reps to start generating revenue within four months. 🏛️

OIG Has Unbundling in Its Crosshairs

Once again, the U.S. Department of Health and Services' Office of the Inspector General (OIG) will be investigating clinical laboratories that may be inappropriately unbundling laboratory tests to maximize Medicare payments, warned Hope Foster, an attorney with Mintz Levin Cohn Ferris Glovsky & Popeo in Washington, D.C., at the 2010 Washington G-2 Reports' Lab Compete meeting. According to the OIG's 2010 work plan, the agency will determine whether labs have unbundled tests by submitting claims for multiple dates of service or by drawing specimens on sequential days, as well as determine the controls that Medicare carriers have in place to detect and prevent inappropriate payments for laboratory tests. “The OIG really believes that labs have gotten complacent about bundling, and they are ready to investigate,” said Foster.



LabCorp, Sonic End-Year Acquisitions Close Out 2009

Two of the biggest international lab testing providers—LabCorp (Burlington, N.C.) and Sonic Healthcare (Sydney, Australia) both made late-year acquisitions, bringing the total of reported mergers and acquisitions (M&A) to 17 for 2009 (see table). This is a drop from 2008's total reported M&A transactions of 22, but with the major players making late-year purchases—and Quest rumored to be on the hunt for an acquisition—it does appear that M&A activity for the lab sector is on an uptick, particularly in the hospital outreach market.

In late November came news that LabCorp had reportedly purchased Centrex Clinical Laboratories for an undisclosed amount. Centrex is a network of four regional laboratories located in central New York state and owned by Faxton-St. Luke's Healthcare system. Centrex (New Hartford, N.Y.) reportedly has approximately 365 employees and an annual volume of 3 million tests. Its annual revenues in 2008 totaled \$43 million. This outreach/regional acquisition is a change from LabCorp's most recent purchase of molecular diagnostic specialty testing provider Monogram Biosciences in July of this year. With a reported acquisition price of \$155 million, Monogram's annual revenues are estimated to be between \$60 million to \$70 million.

In addition to LabCorp, the other two major lab powers—U.S. market share dominator Quest Diagnostics (Madison, N.J.) and Sonic—acquired hospital/health system-owned or affiliated outreach lab businesses during the second half of 2009. This indicates that the outreach lab sector continues to be ripe with M&A potential. In August, Sonic acquired Winchester, Va.-based Piedmont Medical Laboratory, which was formerly owned by the Valley Health, a hospital network serving Virginia, West Virginia, and Maryland. The same month, Quest purchased the Boston-area Caritas Medical Laboratories, a for-profit reference lab formerly owned and operated by Caritas Christi Health Care, the largest community-based health care system in New England.

Indeed, data collected by Washington G-2 Reports supports this robust growth pattern of the outreach sector. G-2 valued this market segment overall at \$30.4 billion for 2008, at an annual growth rate of 7 percent, according to the Lab Industry Strategic Outlook: Market Trends & Analysis 2009. If this growth rate persists, the outreach market could grow to almost \$33 billion in 2009.

East Side Lab in Line With Sonic's Strategy

Following LabCorp's recent purchase, Sonic announced its third U.S. acquisition of 2009—the physician-owned regional laboratory East Side Clinical Laboratory in Providence, R.I. Some analysts estimate the acquisition price to be between \$18 million and \$27 million, while other analysts estimate the acquisition price to be around \$45 million. With current annual revenues of \$30 million at East Side, Sonic is likely to have paid an estimated .6x to .9x current revenue or 5x-6x EBITDA for the lab.

If these .6x to .9x revenue multiples are accurate, Sonic paid significantly less for East Side than its previous combined acquisition of Piedmont and Tampa,



2009 M&A Lab Deals

Month	Buyer	Target	Purchase Price	Target Revenue	Price/Revenue Multiple
January '09	American Pathology Partners	UniPath			
January '09	Gamma-Dynacare (Ontario)	Central Medical Labs (Manitoba)			
February '09	Ssurepath (Ashburn, VA)	Annapath (Annapolis, MD)			
March '09	Navigenics	Affymetrix (Clinical Lab)			
March '09	American Pathology Partners	Eastern Carolina Pathology (Wilson, NC)			
June '09	Adeona Pharmaceuticals	Hartlab	.28M		
July '09	LabCorp	Monogram Biosciences	155M	60M-70M	2.2x-2.6x
July '09	Sonic Healthcare	Lademannbogen Laboratory	15.5M	28.2M	.5x
June '09	Quest Diagnostics	OralDNA Labs			
August '09	Sonic Healthcare	Piedmont Medical Laboratory; Axiom Laboratories	22.5M	16M	1.4x
August '09	Quest Diagnostics	Caritas Medical Labs			
November '09	Bostwick Labs	AlBioTech FIL			
November '09	LabCorp	Centrex Clinical Laboratories		43M	
December '09	Sonic Healthcare	East Side Clinical Laboratory	18M - 27M	30M	.6x-.9x
December '09	Welsh, Carson, Anderson & Stowe	Spectrum Laboratory Network	230M	200M	1.1x
Total **	17 Transactions	\$441.28M-\$450.28M***	Avg. price/revenue multiple: 1.1x-1.3x		
Total for 2008***	22 Transactions	\$356.8M-\$364.3M***	Avg. price/revenue multiple: 1.0x-1.5x		

**All prices in U.S. dollars

***Totals for transaction purchases includes only those transactions where figures have been reported

Source: Washington G-2 Reports

Fla.-based Axiom Laboratories in August 2009. The combined purchase price for both these labs was an up-front cash payment of \$20 million, in addition to a performance-based earn-out of up to \$2.5 million payable over two years. With a combined annual revenue of \$16 million—Piedmont with \$11 million and Axiom with \$5 million—the revenue multiple is 1.4x.

East Side performs primarily clinical work and only a small component of anatomical pathology testing, explained John Hester, an analyst with Linwar Securities in Sydney who covers Sonic. The facility is approximately three hours' drive from Sonic's Sunrise lab in New York.

Currently, East Side does not have a marketing team and relies on reputation to win referrals. As part of the Sonic network, they will gain leverage from the

Welsh, Carson Buys N.C.-based Spectrum Laboratory Network from Apax Partners for \$230 Million

In other end-of-year M&A news, the private equity firm Apax Partners (New York City) sold its 80 percent stake in Greensboro, N.C.-based Spectrum Laboratory Network to another New York-based private equity firm, Welsh, Carson, Anderson & Stowe for \$230 million. The remaining interest, 20 percent, is owned by Moses Cone Health System (Greensboro). Estimated revenues for Spectrum could have reached as high as \$200 million in 2009, meaning that the revenue multiple for the acquisition could approach 1.1x.

Spectrum was acquired by funds advised by Apax in 2005 and has over 1,700 employees and 92 patient service centers.

Sunrise marketing team in the northeast region, explained Hester. "Sonic will keep the East Side lab open and are likely to expand the scope of testing performed to include an increased volume of anatomical work, particularly in the area of women's health," said Hester. "The Sunrise lab has a large gynaecological practice, and they are likely to gain leverage from this for the Rhode Island market and surrounding regions. This expansion of specialist work is consistent with Sonic's growth plan for the U.S. market." 🏠



PLUS Diagnostics Launches West Coast-Based Hem/Onc Testing Division

Union, N.J.-multispecialty pathology testing provider PLUS Diagnostics is now offering hematology and oncology (also known as “hem/ onc”) analysis services through its new West Coast 15,000-square-foot laboratory, which first opened in August. This new division currently has a staff of five sales representatives, one sales manager, and five pathologists located at the facility in Orange County, Calif. A rapid sales ramp-up is planned, according to company CEO Doug Berg, who told LIR that by the second quarter of 2010, the sales staff is slated to expand to 20 reps and two managers.

PLUS’s CEO Doug Berg estimates that the hematology and oncology (also known as “hem/ onc”) testing market is currently valued at \$3 billion per year—double the size of the genitourinary (GU) testing and gastrointestinal (GI) testing markets.

One of the key ways that PLUS differentiates its hem/ onc testing services from those of competitors like San Diego-based Genoptix is through its DNA matching system. “When clinicians take a sample, they will also take a swab from the patient’s mouth and send both to PLUS,” explained Berg. “If there is a positive lab result, as part of that confirmation process, we will do a DNA match off of the swab and a DNA match off of the slide to ensure that they are the same person, so it eliminates any sample switching errors.” PLUS also bar-codes the samples and has a Web-based “chain of custody” tracking system so providers can monitor the processing flow.

PLUS’s 2009 revenue was slated to grow to \$55 million in 2009, approaching \$100 million for 2010. In terms of revenue mix in 2010, hem/ onc testing is expected to comprise 10 percent of revenue, with 60 percent coming from genitourinary (GU) testing, and 25 percent coming from gastrointestinal (GI) testing. 🏠

New Payers Sign On to McKesson’s InterQual Molecular Dx Criteria Analysis System

UnitedHealthcare and Aetna have recently indicated they would be requiring prior authorization for some of these diagnostics, including Myriad Genetics’ BRCA test.

New York-based MVP Health Care and Blue Cross of Idaho are the two latest payers now using the InterQual Molecular Diagnostics Criteria system, from McKesson’s Advanced Diagnostics Management Division (ADM), which uses reviews of evidence-based medicine to assess appropriateness and utilization patterns in making coverage decisions. This news comes as payers are taking a harder look at unnecessary molecular and genetic testing, and are likely to demand more utilization and evidence data from labs before reimbursing for these tests.

Since the introduction of this decision tree-based system in March, payers in New England, California, and the Midwest have adopted the system, said Matthew Zubiller, vice president of San Diego-based McKesson’s ADM division.

“The goal of these systems is to make it easy for the provider to know if they are ordering an appropriate test and allow the lab to ensure that their evidence is in line, which can be communicated to a payer who is making a coverage decision,” said Zubiller. “We also want to work closely with the labs to understand what their evidence needs are so that they are incorporated into the system in an effective way and make sure we are getting the best data to the payers.” 🏠



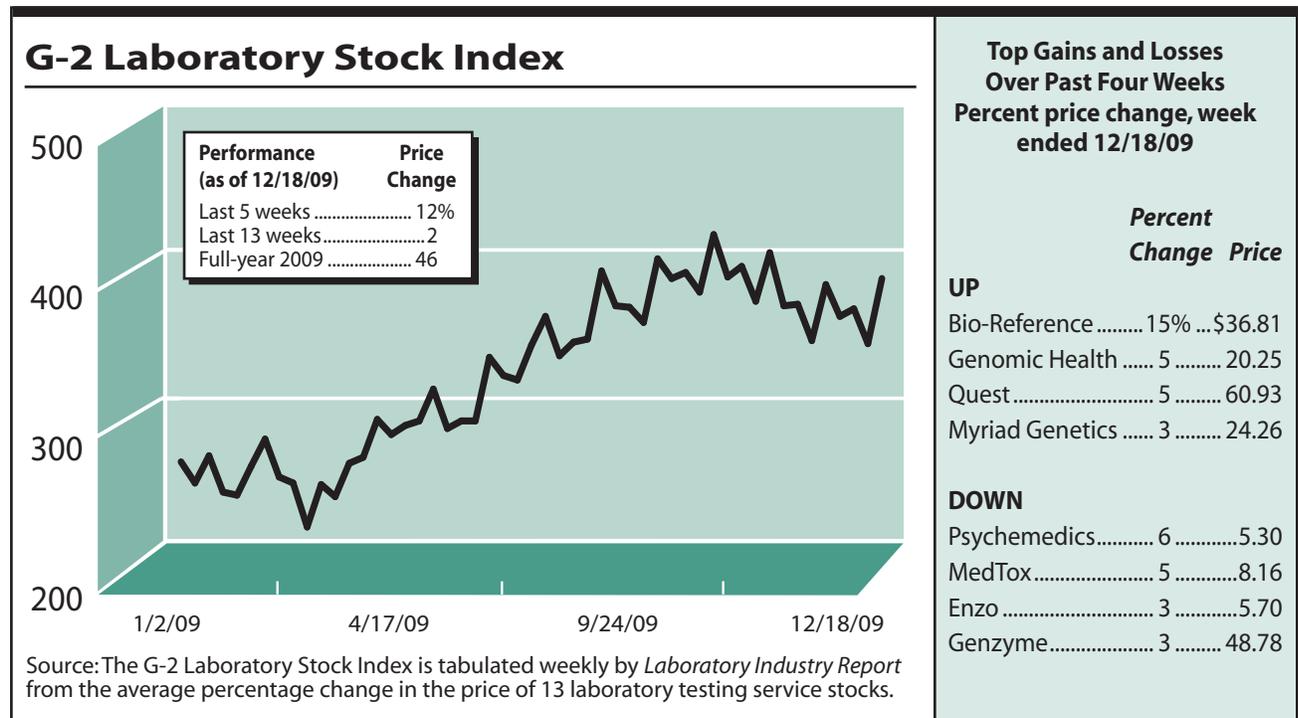
Lab Index Ends 2009 in Strong Fashion; Up 46% Full-Year 2009

The 13 publicly traded labs tracked by G-2 Reports' Laboratory Stock Index had a strong finish for 2009, despite some downturn towards the end of the year. For the full year, the index was up 46 percent, up 2 percent over the past 13 weeks, and up 12 percent over the past five weeks for the week ended Dec. 18, 2009. As in previous months, the Nasdaq and S&P 500 continue to gain strength. For 2009, the Nasdaq is up over 35 percent, while the S&P 500 is up over 18 percent so far this year.

Leading the gainers over the past four weeks for the week ended Dec. 18 is **Bio-Reference Laboratories** (Elmwood Park, N.J.), up 15 percent to \$36.81 per share for a market cap of \$509.01 million. Following is a tie between **Quest Diagnostics** (Madison, N.J.) and **Genomic Health** (Redwood City, Calif.), both up 5 percent. Quest was up to \$60.93 per share for a market cap of \$11.27 billion, while Genomic Health was up to \$20.25 per share for a market cap of \$579.35 million. Rounding out this group was **Myriad Genetics** (Salt Lake City), up 3 percent to \$24.26 per share for a market cap of \$2.33 billion.

The top labs posting the losses over the past four weeks for the week ended Dec. 18 is lead by **Psychemedics** (Acton, Mass.), which is down 6 percent to \$5.30 per share for a market cap of \$27.54 million. Following is **MedTox Scientific** (St. Paul, Minn.), which is down 5 percent to \$8.16 per share for a market cap of \$69.82 million. Two labs round out this group and are tied with their drop. **Genzyme** (Cambridge, Mass.) is down 3 percent to \$48.78 per share for a market cap of \$12.95 billion, and **Enzo Biochem** (New York City) is also down 3 percent to \$5.70 per share for a market cap of \$215.77 million. 🏢

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





Industry Newsmakers

- Jack G. Spitz has been appointed vice president of laboratory operations at NeoGenomics (Fort Myers, Fla.). Spitz was previously senior executive director of operations for Dermaph Diagnostics (Palm Beach Gardens, Fla.), a division of Quest Diagnostics that was formerly part of Ameripath. Prior to joining Ameripath in 2006, Spitz served as director of operations for Genova Diagnostics (Asheville, N.C.).
- Gary Palmer, M.D., has been appointed chief medical officer of On-Q-ity (Waltham, Mass.), the cancer diagnostics company formed earlier this year via the merger of the DNA Repair Company and CELlective Diagnostics. On-Q-ity is headed up by President and CEO Mara Aspinall, the former president of Genzyme Genetics (Cambridge, Mass.).

On-Q-ity also recently announced that it had received a \$5 million investment from Atlas Ventures, a venture capital firm that is also based in Waltham. This brings the total in Series A funding raised to \$26 million. In November, the company closed the \$21 million in Series A funding, which was led by MDV-Mohr Davidow Ventures. Bessemer Venture Partners, Physic Ventures, and Northgate Capital also participated in the financing. 🏠

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- American Clinical Laboratory Association 202-637-9466
- American Pathology Partners 615-916-3200
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