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LABORATORY INDUSTRY REPORT®

Kimberly Scott, Managing Editor, kscott@G2Intelligence.com

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HIGHLIGHTS

Quest Looking for New CEO to Replace Mohapatra

As G2 Intelligence speculated a few months ago, Quest Diagnostics Inc. has begun looking for a new CEO. The company said Oct. 25 that the board of directors has begun the process of identifying a successor to Surya Mohapatra, Ph.D., the current president, chairman, and CEO.

Mohapatra has agreed to continue to serve in his current role for up to six months to ensure a smooth transition. Mohapatra joined the company as chief operating officer in February 1999 and became president later that year. He was appointed CEO in May 2004 and was named chairman of the board in December 2004.

Revenues at Quest have grown fivefold to $7.5 billion and earnings have grown at a compound annual rate of 21 percent during Mohapatra's tenure.

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Japanese Company to Buy Caris AP Business for $725 Million

In what may be a sign that more foreign companies are looking to invest in American diagnostics, Japanese drug maker Miraca Holdings said in October that it would buy the anatomic pathology business of Caris Life Sciences (CLS, Dallas) for $725 million. The transaction does not include CLS's Caris Target Now molecular profiling service or Carisome circulating microvesicle technology, currently under development.

Caris specializes in gastrointestinal pathology, dermatopathology, hematopathology, and urologic pathology services. The company provides nationwide lab testing services out of three labs in Irving, Texas; Newton, Mass.; and Phoenix. Caris Diagnostics booked about $34 million in operating profit on $207 million in revenues in 2010 and has grown revenue by a 40 percent cumulative annual growth rate over the past six years.

Miraca, created through a merger of two firms in 2005, generates the bulk of its revenues through its clinical laboratory testing business, which tests specimens collected from hospitals, medical clinics, and other clients. Miraca Holdings President Hiromasa Suzuki said the

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■ **Quest Looking for New CEO**, *from page 1*

Daniel Stanzione, Ph.D., lead independent director at Quest, praised Mohapatra. "Under Surya's leadership, Quest Diagnostics has established itself as a patient-focused health care company. It has built an engine for growth in esoteric and gene-based testing, focused on the critically important areas of cancer, cardiovascular disease, infectious disease, and neurological disorders. The company has a solid foundation for the future and will continue to focus on delivering strong operating performance and increased shareholder value while we progress through this transition."

In recent years, however, Quest's stock price and earnings have trailed those of its chief competitor, LabCorp, which fueled speculation in the industry that Quest's board would seek to replace Mohapatra.

Quest's underperformance relative to LabCorp was highlighted once again this week with third-quarter reports from both companies. Quest reported revenues of $1.9 billion, up 2.2 percent compared with the same period last year. LabCorp, meantime, reported revenues of $1.4 billion, an increase of 10 percent over the third quarter of 2010. Year to date, Quest's revenues have increased 1.6 percent from 2010 while LabCorp's have increased 12.6 percent.

A number of equity research firms have modified their stock ratings and price targets on Quest in recent weeks. Maxim Group downgraded Quest from a "buy" rating to a "hold" rating, analysts at Raymond James downgraded the company from "outperform" to "market perform," RBC Capital lowered its price target on Quest from $61 to $50, and analysts at Piper Jaffray cut EPS estimates, lowered the rating to "neutral," and have set a $55 price target.

Industry analysts reacted favorably to news that Quest was searching for a new CEO. "Although the company has not identified a replacement CEO, we believe the reaction to the CEO change should be positive given the troubles the company has had over the past few quarters," says Amanda Murphy, an analyst with equity research firm William Blair & Co. (Chicago) in a research note. G2

Quest, LabCorp Report Third-Quarter Results; Volume Growth Below Expectations

The poor economic environment resulted in weak volume growth for both Quest Diagnostics (Madison, N.J.) and LabCorp (Burlington, N.C.) in the third quarter, ended Sept. 30, 2011. Quest reported that organic volumes declined by 1.2 percent, excluding a benefit from acquisitions, while LabCorp's volume growth of 2.1 percent was below expectations.

Continued deterioration in utilization is not surprising given the weakening macro environment, says Amanda Murphy, an analyst with equity research firm William Blair & Co. (Chicago). Hurricane Irene may also have had an impact on volume trends in the quarter, she adds.

Quest Revenues Up Slightly

For the quarter, Quest reported that revenues increased 2.2 percent to $1.9 billion. The acquisitions of Athena and Celera contributed 3 percent to revenue growth.

Clinical testing revenues increased about 1 percent with revenue per requisition up 2.1 percent and volume, measured by the number of requisitions, down 1.2 percent.

Adjusted income from continuing operations was $189 million, or $1.18 per diluted share, while reported income from continuing operations was $198 million, or $1.13 per diluted share. For the quarter, adjusted operating income was $349 million, or 18.3 percent of revenues, compared with $337 million or 18.1 percent of revenues, for the third quarter of 2010. Including the impact of restructuring and integration costs, reported operating income was $322 million, or 16.9 percent of revenues. During the third quarter, the company repurchased $50 million of its common shares.

Quest and LabCorp at a Glance
($ millions except earnings per share)

	Three Months Ended Sept. 30, 2011	
	Quest	LabCorp
Revenue	$1,906.4	$1,404.5
Net income	$171.8	$134.3
Earnings per share	$1.08	$1.31

Source: Quest, LabCorp

"During the third quarter, revenues grew 2.2 percent, adjusted earnings per share increased 4 percent, and we generated strong cash flow," said Surya Mohapatra, Ph.D., chairman and CEO. "While there are signs of progress in a number of areas, there is still much work to be done. We remain focused on increasing shareholder value and improving returns on capital. We are taking a series of actions to improve our performance by driving organic growth and significantly reducing our cost structure."

Mohapatra added that with key strategic capabilities now in place as a result of recent acquisitions, Quest plans to return the majority of future cash flow to shareholders. The company has announced a 70 percent increase in its quarterly dividend, from 10 cents to 17 cents per share, which he says demonstrates confidence in Quest's continued ability to generate strong cash flow.

For the first nine months of 2011, revenues increased 1.6 percent to $5.6 billion when compared to the same period in 2011. Adjusted income from continuing operations was $532 million, or $3.30 per diluted share, compared with adjusted income from continuing operations of $575 million, or $3.20 per diluted share, in 2010.

The company reaffirmed its top-line guidance of 1.5 percent growth for the year and raised the low end of guidance to $4.30 to $4.35 in 2011 (up from $4.25 to $4.35).

LabCorp Raises Earnings Outlook

For the third quarter, LabCorp reported revenues of $1.4 billion, an increase of 10 percent over the third quarter of 2010. Testing volume, measured by requisitions, increased 2.1 percent and revenue per requisition increased 7.8 percent.

Net earnings were $134.3 million, and earnings per diluted share (EPS) were $1.31 in the third quarter of 2011. Operating income for the third quarter was $239.4 million, while operating cash flow was $176.8 million. Operating cash flow was reduced by $49.5 million as a result of the previously announced Hunter Labs settlement.

The balance of cash at the end of the quarter was $85.8 million, and there were no borrowings outstanding under the company's $500 million revolving credit facility. During the quarter, the company repurchased approximately $152 million of stock, representing approximately 1.8 million shares. As of Sept. 30, 2011, about $256.5 million of repurchase authorization remained under the company's approved share repurchase plan.

LabCorp recorded restructuring and other special charges of $24.1 million during the third quarter of 2011. These charges include $7.9 million in net severance and other personnel costs, along with $16.2 million in net facility-related costs primarily associated with the ongoing integration of Genzyme Genetics, Westcliff, and Clearstone.

For the first nine months of 2011, net earnings were $384.3 million and earnings per diluted share were $3.76. Adjusted EPS excluding amortization in the first nine months of 2011 and 2010 were $4.80 and $4.54, respectively.

Operating income was $700.9 million in the first nine months of 2011, and adjusted operating income was $806.8 million, compared to $764.1 million for the same period in 2011. Revenues were almost $4.2 billion, an increase of 12.6 percent compared to the same period in 2010. Compared to the first nine months of 2010, testing volume, measured by accessions, increased 4.3 percent, and revenue per accession increased 8 percent.

The company is updating its guidance for the remainder of the year, raising the low end and narrowing top-line growth guidance to 10.5 percent to 11 percent for the year (versus prior guidance of 9.5 percent to 11 percent). Adjusted EPS guidance is now $6.28 to $6.33 (up from $6.17 to $6.32).

PAML's Tom Tiffany Receives Lab Public Service Award

Tom Tiffany, Ph.D.

Tom Tiffany, Ph.D., chief executive officer of Pathology Associates Medical Laboratories (PAML; Spokane, Wash.) was awarded the 2011 Laboratory Public Service National Leadership Award at G2 Intelligence's 29th annual Lab Institute, held Oct. 19-21 in Arlington, Va.

Tiffany, who will be retiring at the end of this year, has had a highly distinguished 40-year career in the biomedical industry. For the past 23 years he has served as CEO of PAML, which has grown from 125 employees when he first joined in 1987 as general manager to become today one of the 10 largest reference laboratories in the United States, with more than 1,600 employees across seven partnerships.

A true business visionary who developed and successfully implemented an innovative joint venture partnership model with health systems in multiple states that provides laboratory services to more than 100 hospitals nationwide, Tiffany is also an accomplished scientist who received his doctorate in biochemistry-biophysics from Oregon State University and holds 15 U.S. patents.

The award, which comes with a $1,000 honorarium, is presented by G2 Intelligence and sponsored by Kellison & Co.

Inside The Lab Industry

Medco Becoming Major Player in Personalized Medicine, Sees Unique Opportunity to Influence Testing, Outcomes

With its 2010 acquisition of genetic testing company DNA Direct, Medco Health Solutions has established its place as a powerful genetic benefit manager offering payers complete services regarding molecular testing—utilization management, patient counseling, physician education, and contracts with clinical laboratories.

Like fellow pharmacy benefit manager (PBM) CVS Caremark, Medco is expanding its services to include everything from consumer education to clinical decision support. According to Melinda Thiel, vice president, Medco Personalized Medicine, the collaboration between lab and pharmacy makes perfect sense when you consider that lab services account for 2 percent to 3 percent of health care costs and drive 80 percent of health care decisions, and pharmacy represents 10 percent to 12 percent of health care costs and represents 80 percent of treatments. Thiel discussed Medco's role in managing utilization of molecular testing during G2 Intelligence's 29th annual Lab Institute conference, held Oct. 19-21 in Arlington, Va.

"The way we at Medco think about personalized medicine is really around the intersection of this laboratory and pharmacy data."

– Melinda Thiel, Medco

As a PBM, Medco administers about 700 million prescriptions per year. As a mail-order pharmacy, Medco dispenses about 110 million prescriptions annually. "It's a lot of data. We have a lot of information about pharmacy utilization," says Thiel. "Our goals are to improve health care outcomes as well as to reduce costs for the clients who pay us to manage this benefit." Medco's personalized medicine and pharmacogenomic services fit very nicely with this objective, she adds.

"The way we at Medco think about personalized medicine is really around the intersection of this laboratory and pharmacy data," she said. "The intersection allows us to do some really unique things. It allows us to identify gaps in care, new ways that we can influence clinical care. It also allows us to create teachable moments for patients and for physicians."

Thiel says an example of this teachable moment is pharmacogenomic drug utilization review (DUR). Medco offers a 2C19 laboratory testing program for patients on Plavix and uses that information when a drug is dispensed. "So if a patient on Plavix were now to get Selexa, which is metabolized through the same pathway as Plavix, we would use the metabolizing status of that individual for the Selexa and Plavix dispensing event."

Medco has viewed itself as a leader in the personalized medicine space since 2007 when the PBM joined with the Mayo Clinic on research studies on warfarin and tamoxifen, notes Thiel. In July 2008, Medco began offering testing for warfarin and tamoxifen. "We didn't plan to launch the program that early, but what we found was that when we closed enrollment for the study, we had so many PBM clients who were still so interested in participating and

we felt the clinical relevance was there."

In 2009, Medco launched the pharmacogenomic (PGx) DUR progam, began an outcomes study on clopidogrel/prasugrel, and began offering home testing for A1C and lipid profiles. In February 2010, Medco acquired DNA Direct, which allowed the company to expand its previous suite of services around laboratory testing. "To date, we have over 300 clients who participate in one or more of our personalized medicine programs at Medco," explains Thiel. "Those clients represent 12 million covered lives."

So what types of services does Medco provide? One is laboratory testing to help optimize therapy. Medco identifies patients who are on medications where there is a molecular diagnostic that can inform the safety and efficacy of that drug for that individual.

Medco also offers policy support to health plans, including access to information on 800 genetic tests, which represent about 80 percent of utilization.

"We get consent to do the testing and then we follow up with the patient to help them understand the test results and whether there is a therapy optimization opportunity associated with those results," says Thiel. "Those services have really resonated with employers but haven't necessarily gotten a lot of traction with the health plans since, as you are well aware, they don't cover a lot of the genetic testing that we are offering, which is why employers in our PBM model have elected to carve it out and let Medco conduct it as part of our pharmacy services."

Medco also offers policy support to health plans, including access to information on 800 genetic tests, which represent about 80 percent of utilization. The company also advises payers on coverage policies for their membership and can assist with appeals for coverage. "Once they have coverage policies in place, we offer Web-enabled, accredited coverage management services to enforce those policies and make sure patients are getting the tests they should be getting," Thiel says.

"This combination of products and services is really designed to facilitate access to testing, making sure the right people get tested and that they get the right test, making sure that people are not getting a test that's not appropriate for them, obviously improving outcomes and reducing overall spend," she adds.

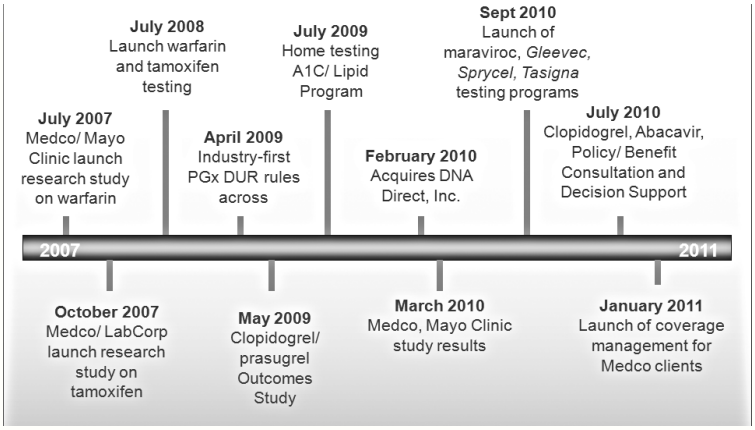
Thiel cited an example of a 64-year-old woman who came to Medco pharmacy with a tamoxifen prescription in 2009. Medco got consent from the patient and her doctor for 2D6 testing and facilitated the testing. The results that Medo received from this individual was that she was a poor 2D6 metabolizer and would probably not respond well to tamoxifen. In this case, the physician changed the medication to Aromasin, which does not go through the 2D6 pathway.

"The cost of a breast cancer recurrence is $96,000, so by getting this patient switched to a medication that is more likely to work for her, we are helping to avoid the potential recurrence of a breast-cancer event and the cost associated with that, not to mention the quality of life for this particular individual," says Thiel.

Research in Action

Thiel gave several other examples of how genetic testing of patients has been able to improve outcomes and save money. The Medco-Mayo study on warfarin, for example, found that hospitalization rates for heart patients taking warfarin dropped by approximately 30 percent when genetic information was available to doctors prescribing the drug. Warfarin is the leading cause of drug-related emergency room visits among the elderly. While the genetic test costs a few hundred dollars, it saved about $13,500 for each patient who had to be hospitalized with a bad reaction.

Medco as a PBM Leader in the Personalized Medicine Space



Source: Medco

Medco's home biometric testing program for diabetes has also helped improve outcomes, says Thiel. When the company first started the program, 41 percent of patients were not at their target A1C levels. But when the company provided patients with education and home access to A1C testing, that figure rose to almost 50 percent when they were retested six months later.

Medco also found that of the initial 41 percent who were not at their A1C target, 50 percent were noncompliant with their medication. "This really created for us a unique opportunity to change the conversation with the physician so they understood it wasn't that the medication wasn't working but that the patients weren't taking the medications as they should," explains Thiel.

Medco believes there are several critical success criteria for a successful personalized medicine strategy:

- ❏ Surveillance of drug pipelines, diagnostics, and genetic tests.
- ❏ Research and development.
- ❏ Identification and access to testing, management, and support services.
- ❏ Publications to help foster knowledge.

The future of personalized medicine is dependent upon the evolving technology, says Thiel. "We know that single gene tests are fast becoming obsolete so we're thinking about getting ahead of this technology and offering a pharmacogenomic panel to our customers that will allow us to get a wealth of information about an individual that we can use for pharmacogenomic DUR purposes, as well as for other educational opportunities."

■ **Japanese Company to Buy Caris AP Business**, *from page 1*
acquisition would provide a key platform for it to expand outside the mature Japanese market, which it currently relies on for about 90 percent of its total sales.

Suzuki said the strength of the yen, which is trading near a record high against the dollar, helped with the deal, which is equal to about one-third of company sales in the past business year, or 165.7 billion yen ($2.15 billion).

Japanese firms have so far this year struck $50 billion worth of deals overseas, up 72 percent from the same period last year and on pace to match the full-year record of $67.6 billion in outbound acquisitions, according to Thompson Reuters.

The acquisition is indicative of a new trend. Faced with saturated demand at home and fueled by a strong yen, Japanese companies in a variety of sizes and sectors are striving to gain market share overseas and are willing to pay out relatively large sums to do so, according to the *Wall Street Journal*.

Japanese firms are not the only international companies moving into the U.S. diagnostic space. Earlier this year Swiss pharmaceutical giant Novartis paid $470 million to acquire pathology testing company Genoptix, and Swiss food giant Nestle acquired Prometheus Laboratories for an estimated $567 million.

Total mergers and acquisitions in the clinical laboratory, diagnostic, and anatomic pathology markets is approaching $3 billion for 2011, well above the estimated $2.3 billion in 2010 and the $450 million in 2009.

OIG Nixes Pathology Lab Management Proposal; Insourcing Continues to Escalate

In an advisory opinion long-awaited by many in the laboratory industry, the Health and Human Services Office of Inspector General (OIG) in October concluded that a proposed arrangement that would have allowed physicians to profit from their own referrals for anatomic pathology services would "pose more than a minimal risk of fraud and abuse."

The American Clinical Laboratory Association (ACLA) and other industry organizations have been outspoken in their opposition to such business arrangements for years.

In an advisory opinion posted Oct. 11, the OIG said the arrangement could potentially generate prohibited remuneration under the anti-kickback statute and the OIG could potentially impose administrative sanctions, including civil monetary penalties and exclusion from federal health care programs.

The opinion was issued in response to a request from a physician-owned limited liability company to contract with another company (the path lab) that either operates a licensed, Medicare-certified clinical anatomic pathology lab or would form one for the purpose of doing business with the physician-owned company.

The Proposed Arrangement

The path lab would enter into a management services contract with the physician-owned company for at least three years. The company would furnish the path lab with "the complete array of clinical laboratory pathology services for a

fixed minimum number of hours each year as well as utilities, furniture, fixtures, exclusive use of lab space and equipment, marketing and billing services, and essential nonphysician staff." The lab's income could include payments from Medicare and other federal health care programs for lab services.

In turn, the path lab would pay the physician-owned company a usage fee that would be calculated on a percentage of the lab's income, fixed in advance for 12 months, that generally would correspond to the volume of the lab's use of the company's services, personnel, and equipment.

Other physicians, such as urologists, gastroenterologists, and dermatologists, who can make referrals, would be able to join the company as investors. Their investment interests in the company are expected to exceed 40 percent, and more than 40 percent of the company's health care services would be derived from income generated by physician investors through referrals to the path lab.

The OIG's Analysis

The OIG found that the proposed arrangement did not qualify for any of the safe harbors under the anti-kickback statute, noting that "among other reasons, the aggregate usage fee paid to the company by the lab would be calculated based on a percentage of the lab's income."

With no applicable safe harbors, the OIG determined that the proposed arrangement presented more than a minimal risk of fraud and abuse because the usage fee paid to the company by the lab would take into account the business generated by new physician investor referrals.

"This fee structure would effectively link the new physician investors' profit distributions to the laboratory business they send the Path Lab, posing considerable risks of overutilization of laboratory services, distorted medical decision-making, and increased costs to the federal health care program," the OIG said.

The proposed arrangement "appears to have no business purpose other than to permit the physician investors to profit from the business they generate for the Path Lab in the form of their laboratory specimen referrals," the OIG concluded. The advisory opinion is posted at *www.oig.hhs.gov.*

AP Insourcing Escalating

The proposed arrangement is similar to insourcing of anatomic pathology (AP) services by physicians, which has long been a concern of the lab industry. However, while the Stark law prohibits physicians from referring health care services to providers and facilities in which they have a financial interest, the in-office ancillary services exception allows physicians to offer services in their own offices. Many in the lab and pathology industries have lobbied Congress to outlaw the in-office ancillary services exception.

A recent survey conducted by equity research firm William Blair & Co. (Chicago) and the Dark Report (Spicewood, Texas) found that AP insourcing has escalated with the weak economy as physicians seek to drive more revenue to their practices. Insourcing has been especially prevalent in gastroenterology, urology, and dermatology. A dermatology practice that produces 5,000 slides per year could potentially generate more than $300,000 in revenue at a 50 percent profit margin.

The shift in AP test volumes to physician offices has weighed on independent lab volumes, particularly at Quest and LabCorp. In 2010, Quest reported a 9 percent decline in AP lab sales while LabCorp reported a 2 percent decline.

Based on the survey results, insourcing of gastroenterology, urology, and dermatology testing by physicians is increasing, not moderating. The overwhelming majority of respondents expect insourcing of AP testing by office-based physicians to increase over the next two years, and more than 30 percent of respondents point to physician insourcing as the biggest risk to their business over the next three years.

Bostwick Laboratories Completes Growth Recapitalization

New York-based private equity firm Metalmark Capital has acquired a majority stake in Bostwick Laboratories, based in Glen Allen, Va. Financial terms of the deal were not disclosed.

Bostwick is a major provider of urologic anatomic pathology services. The Metalmark investment will help the company with growth efforts and to expand development of its pathology laboratory services, which specialize in the monitoring and diagnosis of cancer. David Bostwick, M.D., will continue to be a major shareholder in the company.

"This investment will provide the capital we need to pursue our growth strategy and expand our leadership in the fast-growing laboratory services market," said Bostwick. "Metalmark's knowledge of the sector, deep expertise in health care services, and professional investment expertise made them the ideal partner to take Bostwick Laboratories to the next phase of growth."

Founded in 1999, Bostwick laboratories is one of the largest, full-service, privately owned anatomic pathology labs in the United States, serving more than 8,000 physicians across all 50 states. Metalmark Capital is an investment center of Citi Capital Advisors with a particular focus in health care, energy, and natural resources.

Scottia Miller Wins G2 Intelligence Scholarship Award

Scottia Miller

Scottia Miller, a freshman in the University of Kentucky's clinical laboratory sciences program, was awarded a $5,000 scholarship during the 29th annual Lab Institute conference, held Oct. 19-21 in Arlington, Va. The Dennis Weissman Scholarship Award for Excellence in Clinical Laboratory Sciences is co-sponsored by G2 Intelligence and McKesson Inc.

Miller came to the United States three years ago and after looking at a number of different medical fields, selected to pursue clinical laboratory science. While maintaining a 3.5 grade point average, Miller has worked in a number of university-related laboratory positions to help finance her education. Recently she served as an assistant in the Department of Molecular and Cellular Biochemistry, and her work in gene isolation related to aging and iron deficiency is soon to be published in conjunction with a senior researcher.

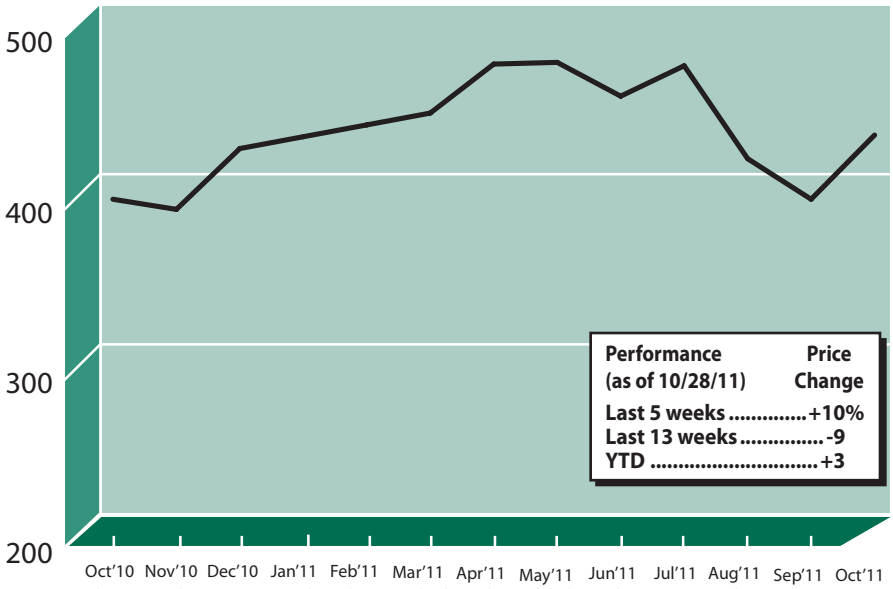
Lab Index Rises 10% on Late-Month Market Recovery

The G2 Intelligence Laboratory Stock Index rose an unweighted average of 10 percent in the five weeks ended Oct. 28, 2011, with all 10 stocks in the index gaining in value. Despite being known as the stock market's jinx month, this October turned out to be one of the best months on record with the S&P 500 gaining 12 percent for the month and the Dow Jones up almost 11 percent for the month. Since the beginning of the year, the lab index is up 3 percent. In comparison, the Nasdaq is up about 3 percent while the S&P 500 is up about 2 percent.

Shares of **Enzo Biochem** (New York) soared 22 percent to $2.89 following a report of record revenues of $102 million for fiscal 2011. Revenues for the year increased by 5 percent over 2010 levels and include a 19 percent increase in clinical labs revenues. For the further quarter, total revenues increased almost 12 percent when compared to the same period last year, with clinical lab revenues increasing 22 percent. As a result of both increased overall revenue and improved cost structure, gross profit improved to $12 million, an increase of almost 18 percent over the same quarter last year.

Neogenomics (Fort Myers, Fla.) shares rose 20 percent to $1.32 after the company reported that revenue for the third quarter of 2011 was $11.3 million, an increase of 30 percent over the same period in 2010. Test volume increased by approximately 38 percent. Average revenue per test of $567 declined about 6 percent from last year's level but was in line with the level reported in the second quarter of 2011. Net loss for the quarter was $143,000 versus a net loss of $1.2 million in the same period last year.

G2 Laboratory Stock Index



Source: The G2 Laboratory Stock Index is tabulated weekly by Laboratory Industry Report *from the average percentage change of 10 laboratory testing service stocks.*

Percent Price Change, Five weeks ended 10/28/2011

	Price	*Percent Change*
UP		
Bio-Reference	$20.44	15%
Enzo Biochem	2.89	22
Genomic Health	22.76	14
LabCorp	86.87	9
Medtox	14.86	18
Myriad Genetics.	21.69	17
Neogenomics	1.32	20
Orchid Cellmark	2.70	2
Psychemedics	8.95	13
Quest Diagnostics	57.61	20

INDUSTRY BUZZ

LabCorp CEO Calls on Labs to Demonstrate Value

Dave King and Dennis Weissman

Clinical laboratories need to do a much better job of demonstrating their value to the health care system if they expect to stave off potential payment cuts, advises Dave King, chairman and CEO of Laboratory Corporation of America and chairman of the American Clinical Laboratory Association (ACLA). "We as an industry have turn data into information," said King in a conversation with Dennis Weissman, executive editor of G2 Intelligence, during the 29th annual Lab Institute, held in Arlington, Va., Oct. 19-21. "We have lots of data but we don't make good use of it. None of us has really harnessed the power of the data."

King suggested that the lab industry design longitudinal studies that track patients over time so that labs can provide feedback to physicians regarding patient care. This type of data would also be useful to managed care companies, which are concerned about unit costs and trends and are especially worried about paying for new molecular diagnostic tests that can cost thousands of dollars. King noted that as tests become more complex and more information is needed to make sense of the results, labs will play an integral role in accountable care organizations and quality care models, which are focused on reducing costs and improving quality. Labs must do more than just provide test results if they truly are to be valued as key component of patient care, he said.

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Bostwick Laboratories 877-865-3262

Caris Diagnostics 800-979-8292

Enzo Biochem 800-522-5052

LabCorp 336-436-5274

Mayo Clinic 507-284-2511

Medco 800-211-1456

Metalmark Capital 212-823-1930

Miraca Holdings +81 3 5909 3335

Neogenomics 239-768-0600

Pathology Associates Medical Laboratories 800-541-7891

Quest Diagnostics 800-222-0446

William Blair & Co. 312-236-1600

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