

LABORATORY ECONOMICS

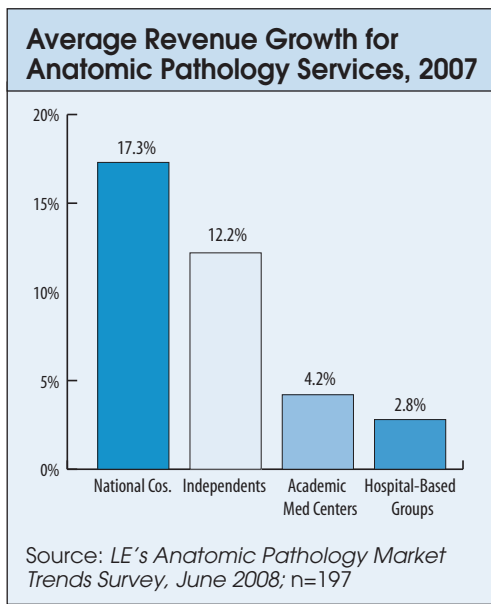
Competitive Market Analysis For Laboratory Management Decision Makers

SENATE PASSES BILL TO BLOCK PHYSICIAN FEE CUT AND REPEAL LAB COMPETITIVE BIDDING

On July 9, the Senate has passed a bill (HR 6331) by an overwhelming 69-30 veto-proof margin. The bill, which was earlier passed by the House (355-59), blocks a 10.6% cut to Medicare’s physician fee schedule that was to take effect July 1. It also repeals the competitive bidding demo for clinical lab services and extends the so called “TC Grandfather clause” for 18 months. Passage of the bill and its lab-friendly components follows an unprecedented amount of political donations (nearly \$1 million) made by lab and pathology trade groups in the current election cycle. *Full details on pages 2-4.*

ANATOMIC PATHOLOGY MARKET UP 6.3% IN 2007

The U.S. anatomic pathology market grew by 6.3% last year, according to an exclusive survey of 197 pathology groups and labs conducted by *Laboratory Economics* in late June. The fastest growing sector was national pathology testing companies, which grew their revenue an average of 17.3% in 2007. Local and regional pathology groups and independent labs reported average growth of 12.2%. The slowest growing sectors were academic medical center-based pathology groups (up 4.2%) and hospital-based pathology groups (up 2.8%). The survey points to a fundamental shift in volume away from hospital-based pathologists and academic medical centers toward national companies and independent pathology labs. For more survey results, *see pages 5-7.*



SONIC TO BUY HAWAII LAB FOR \$110 MILLION

Sonic Healthcare has agreed to purchase Clinical Laboratories of Hawaii LLP (Honolulu) and its associated pathology practice—Pan Pacific Pathologists Inc.—for \$121 million. The purchase price is equal to 1.1 times CLH’s annual revenue of \$110 million and 6.2 times its prospective earnings before interest, taxes, depreciation and amortisation (post synergies). Approximately \$3 million of the purchase price is subject to earn-out arrangements. Sonic expects the deal to close in September. *Continued on page 2.*

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