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LABORATORY ECONOMICS

Competitive Market Analysis For Laboratory Management Decision Makers

3-MONTH "DOC FIX" DELAYS 24% MPFS CUT

On December 26, 2013, President Obama signed into law the "Pathway for SGR Reform Act of 2013," which has prevented a scheduled across-the-board 24% pay cut to the 2014 Medicare Physician Fee Schedule (MPFS). The new law averts the cut and replaces it with a 0.5% increase for services provided from January 1 to March 31, 2014, resulting in a conversion factor of $35.8228 for calendar year (CY) 2014. The short-term fix will give lawmakers more time to try to permanently repeal Medicare's sustainable growth rate (SGR) formula which calls for automatic cuts to help the Medicare program stay solvent. *Continued on page 4.*

CMS USES COMPETITIVE PRICING INFO TO SLASH BRCA TEST PRICE BY HALF

Effective January 1, 2014, CMS has slashed the reimbursement rate for comprehensive BRCA testing by nearly half. Medicare contractors will now pay a maximum of $1,438.14 for CPT code 81211 (BRCA1, BRCA2 gene analysis). Under its mysterious gap-fill methodology, CMS had initially determined a national limit amount (NLA) for CPT 81211 of $2,795.09 and published this amount on September 30, 2013.

However, on November 29, 2013, CMS revised its NLA for CPT 81211 down to $1,438.14. This time CMS gave an explanation indicating that the new NLA was determined solely based on competing labs' pricing.

This turn of events does not bode well for the lab industry, particularly as CMS begins the process of repricing the entire Clinical Laboratory Fee Schedule. *Continued on page 3.*

IS AURORA SEEKING A RESTRUCTURING OR NOT?

A December 19 article in the *Wall Street Journal* said that Aurora Diagnostics (Palm Beach Gardens, FL) was in talks with restructuring lawyers at Kirkland & Ellis LLP which set off speculation that Aurora might be on the verge of bankruptcy or some other form of restructuring. But on January 20, the *PathologyBlawg* posted a letter from an Aurora spokesman that refuted the *WSJ* article and suggested that Aurora had the capital to make new acquisitions. So what is really happening at Aurora? *Continued on page 2.*

Contents

HEADLINE NEWS
Short-Term Fix Delays 24% Cut 1, 4
CMS Uses Competitive Pricing Info To Slash BRCA Test Price By Half 1, 3
Aurora Seeks Restructuring 1-2

MEDICARE
Summary of 2014 Reimbursement Changes 4

PATHOLOGY TRENDS SURVEY
Declining Rates Top Concern 5
How Will Labs Adapt? 6
Volume Growth Trends 6
MDx and Dermpath Fastest Growing 7
In-Office Lab Threat Subsides .....
Reference Lab Market Share 8
Survey Demographics 9

REIMBURSEMENT
ACLA Survey Suggests Medicare Is Not The Patsy 10-11

FINANCIAL
Lab stocks up 2% In 2013 12

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IS AURORA SEEKING A RESTRUCTURING? (*cont'd from page 1*)
"We are servicing our debt and fully in compliance with our loan covenants. We have no comment as to prospective activity as to our capital structure," Bruce Walton, Executive Vice President at Aurora, tells *Laboratory Economics*.

Here's *Laboratory Economics'* analysis of the situation:
Founded in 2006 by ex-AmeriPath executives, Aurora went deep into debt and raced to acquire 21 pathology groups and a clinical lab between 2006 and 2011. The company paid fantastic prices that allowed it to acquire some of the largest pathology groups in the nation. Its biggest deal was the purchase of Greensboro Pathology Associates (GPA) for $145 million in cash in November 2007. This transaction valued GPA at 4.1 times its annual revenue of $35 million.

Now Aurora is struggling under the weight of $332.5 million in debt that is generating more than $8 million of interest expense every three months. Moody's Investor Services rates Aurora's senior debt at the junk bond level (Caa3) with a negative outlook. As of early January, Aurora's senior debt (CUSIP: 051620AB8, 10.75%, maturity 1/15/2018) was selling at 70-75 cents on the dollar with a yield of 20%.

In the three months ended September 30, 2013, Aurora reported a net loss of $3.5 million; revenue declined 10.5% to $62.1 million. Aurora has now accumulated approximately $200 million in losses since being formed seven years ago.

Aurora's highly leveraged position limits the options that the company's current management has to deal with Medicare cuts to pathology's two most important CPT codes: 1) the technical component of CPT 88305 was cut 52% last year; and 2) a coding change has effectively cut CPT 88342 by approximately 33% this year. In addition, Medicare reimbursement to all providers was reduced across-the-board by 2% effective April 1, 2013, as a result of the sequestration provisions of the Budget Control Act of 2011. Aurora's average revenue per accession was $114 in the third quarter of 2013, down 10.9% from the same period a year earlier.

Over the past year, Aurora's new management team has been forced to cut back staffing levels and reduce employee bonuses to offset the pressure from falling reimbursement rates.

The difficult operating environment also means that some of Aurora's pathologists have received less contingent consideration than they expected when they initially sold their groups/labs to Aurora a few years ago. Contingent payouts are based on the operating earnings achieved by a pathology group/lab in the three years after the sale to Aurora. On a December 6 conference call for investors, Aurora management said its under-performing pathology groups will be subject to scrutiny, but it has no plans for divestitures.

Aurora Diagnostics ($ millions)

	3Q2013	3Q2012	Chg.
Revenue	$62.1	$69.4	-10.5%
Interest Expense	$8.4	$8.2	2.3%
Net Loss	-$3.5	-$111.4	NA
Rev. per Accession	$114.0	$128.0	-10.9%
Cash Holdings	$2.3	$5.7	-59.0%
Total Debt	$332.5	$320.8	3.7%
Contingent Consideration*	$14.6	$36.7	-60.1%

*The estimated fair value of contingent consideration owed to pathologists who sold their pathology groups/labs to Aurora
Source: Aurora Diagnostics 10Q for 9/30/2013

Laboratory Economics believes that while bankruptcy may not be imminent for Aurora, the company will need to find some way to renegotiate lower interest rate payments with its lenders and/or convert debt into equity. Aurora is currently majority owned by two investment firms, Summit Partners (53% stake) and KRG Investors (35% stake).

CMS USES COMPETITIVE PRICING INFO (*cont'd from page 1*)
In a December 27 bulletin, CMS explained that:

> *Prior to a Supreme Court decision earlier this year [June 2013], only one laboratory [Myriad Genetics] was providing tests for the BRCA gene. Following the Supreme Court decision, additional laboratories began providing the test. The MACs received data on the pricing by the laboratories offering the test. Based on the new information, the MACs submitted pricing information for CPT 81211 that resulted in an NLA of $1,438.14.*

The CMS bulletin went on to note that competing labs are now offering the CPT 81211 test for prices ranging from approximately $900 to $2900. This compares with Myriad Genetics' list price of $3,340 for its BRACAnalysis test, notes *Laboratory Economics*.

CMS is providing an additional opportunity to collect comments from both Medicare contractors and the public until January 27. If any revisions are made to the pricing of CPT 81211, the revisions will be effective prospectively from April 1, 2014.

The American Clinical Laboratory Assn. (ACLA) says that CMS's action on CPT 81211 is unprecedented and wholly unsupported by its own regulations. "This action is only the most recent example of the capriciousness and lack of transparency, which, in the industry's view, has characterized much of the gapfilling process throughout the year….there is no basis for CMS's decision to pay at the new reduced price beginning January 1. We therefore urge CMS to reinstate the final gapfill price of $2795.09 for CPT 81211, as was posted on September 30," according to an ACLA letter to Jonathan Blum, Principal Deputy Administrator at CMS, dated December 31.

CMS Test-by-Test Review of CLFS
Meanwhile, *Laboratory Economics* notes that the lab industry has for years lobbied against efforts by the Medicare program and state Medicaid plans to institute competitive bidding for lab tests. There were close calls in 2004 when CMS took the first steps toward a competitive bidding demonstration project as did the Florida Medicaid program. After protests by the lab industry, both competitive bidding plans were later withdrawn.

But the pricing of CPT 81211 represents a quasi form of competitive bidding that could be repeated as CMS begins the process of repricing the CLFS.

The Final Physician Fee Schedule Rule for 2014 gave CMS the authority to review pricing for all tests on the CLFS (other than new molecular tests). The Final Rule gave CMS broad authority to choose which test codes to review first and removed the initially proposed five-year timeline (meaning all test codes could theoretically be reviewed this year).

CMS rejected a proposal to create an advisory committee made up of representatives from the laboratory industry and organized by CMS that would select test codes for review and provide input on payment levels. Instead, CMS will proceed with the repricing through its annual rule making process. The first test codes up for review are expected to be announced this summer with proposed rates published in the fall. After a comment period, final rates will become effective January 1, 2015.

Most worrisome was the fact that CMS said it would consider data from all available sources to determine payment amounts, including data from private insurers, Medicaid plans and the Federal Employees Health Benefits Program. Thus CMS could potentially pick the lowest rates paid by various types of health plans as the new payment level for each test code it reviews. This would be a stealthy way for CMS to put a competitive-bidding-style program for lab test pricing in place, observes *Laboratory Economics*.

3-MONTH "DOC FIX" DELAYS 24% MPFS CUT (*cont'd from page 1*)

Medicare's SGR is used by CMS to control spending on physician services. Each year since 2002, the formula has mandated a reduction to the conversion factor (CF) used to calculate rates paid under Medicare's PFS. But each year except 2002, Congress has postponed scheduled cuts, causing the reductions to pile up. In fact, the conversion factor has actually been increased in most years, including 2014, causing the mandated CF reduction to pile up to the current draconian level of 24%.

Final National Medicare Rates for CPT 88305*

CPT Code	Work RVUs	RVUs	Malpractice RVUs	Total RVUs	2014 Payment Rate	2013 Payment Rate	Percent Change
88305-TC	0.00	0.89	0.01	0.90	$32.24	$33.34	-3.3%
88305-26	0.75	0.31	0.01	1.07	$38.33	$36.74	4.3%
88305-Global	0.75	1.20	0.02	1.97	$70.57	$70.09	0.7%

*Unadjusted for geography. In addition, the fees above do not reflect the sequestration reduction of 2% that became effective April 1, 2013.

Source: *Laboratory Economics* from CMS

Excluding the impact of the 2% sequestration cut, the national global rate for CPT 88305 is now $70.57 versus $70.09 in 2013. The technical component has been reduced by 3.3% to $32.24; the professional component has been increased 4.3% to $38.33.

Summary of Major Reimbursement Changes for 2014

Overall, the Medicare rate cuts for 2014 are the deepest and most comprehensive that labs and pathologists have ever had to endure. No one was left unscathed.

Several key anatomic pathology codes were severely reduced, including CPT 88305 (specifically for prostate biopsies), CPT 88112 and CPT 88342.

Medicare's Clinical Lab Fee Schedule was lowered by 0.75% and new molecular diagnostic test codes and reimbursement resulted in an estimated 20% reduction.

In addition, Medicare's hospital outpatient rate for CPT 88305 was lowered 4%. Furthermore, Medicare is no longer making a separate payment for most clinical lab tests provided to outpatients. Instead payment is now considered to be part of the facility payment for primary hospital outpatient visits.

Finally, the 2% sequestration cut that became effective on April 1, 2013 remains in effect for both PFS and CLFS services.

Summary of Major Reimbursement Changes for 2014*

CPT 88305-Global	+0.7%
CPT 88305-Global (for 12-core prostate biopsy)	-22%
CPT 88342-Global	~ -30%
CPT 88112-Global	-42%
Clinical Lab Fee Schedule	-0.75%
Molecular Diagnostic Tests	~ -20%
CPT 88305-OPPS Rate	-4%
Bundled payment for most outpatient clinical lab tests and add-on pathology codes	?????
Sequestration cut of 2% applies to PFS and CLFS	-2%

*All rates unadjusted for geography. In addition, the fees above do not reflect the sequestration reduction of 2% that applies to both the Medicare PFS and CLFS.

Source: CMS and estimates from *Laboratory Economics*

DECLINING REIMBURSEMENT TOP CONCERN FOR PATH GROUPS AND LABS

Declining reimbursement remains the biggest challenge that pathology groups and labs will face over the next five years, according to *LE's Anatomic Pathology Market Trends Survey for 2014*. Thirty-one percent of survey respondents cited "declining reimbursement" as their biggest concern in *LE's* latest poll, the same percentage as our previous poll in 2013.

This year's survey saw a big jump in concern over Obamacare. Eleven percent of survey participants cited "uncertainty about ACOs and bundled payments" as the biggest challenge they will face vs. only 3% in 2013.

"The main trend is toward declining reimbursement even though the labor and technology required for testing has essentially remained the same or grown," observed a pathologist from Georgia who responded to our survey

"We have had to become far more lean and go farther (geographically) to capture enough specimens to compensate for falling reimbursement," noted a pathologist from the Midwest.

"I predict: No reimbursement improvement, necessitating group consolidation (only 1 group per metro area), lots more Pathologists' Assistants (PAs), televideo of grossing by PAs in outlying areas, and genetic testing in a very few national labs. The days of the solo-pathologist are long gone. It's not much 'fun' anymore," according to a pathologist from Tennessee.

"The severe reimbursement cuts provide the large labs with an exaggerated economy-of-scale advantage over smaller independent pathology operations. Large commercial labs will be all that is left," said a pathologist from Texas.

"As reimbursements decline and managed care companies select providers based only upon price rather than quality of care for patients, we are going to see a serious decline in the accuracy of diagnoses for patients. This is a very dangerous trend, and as price becomes the only consideration for the managed care companies, the patients will lose," said a pathologist from Georgia.

"One of our biggest challenges is managing the income expectations of older pathologists with today's economic realities," stated a hospital lab administrator from Oregon.

What is the biggest challenge pathology groups will face over the next 5 years?

	2014	2013	2011	2010	2009	2008	2007
Declining reimbursement	31%	31%	26%	29%	25%	27%	23%
Competition from large commercial labs	12%	13%	16%	15%	15%	19%	20%
Uncertainty about ACOs and bundled payments	11%	3%	NA	NA	NA	NA	NA
Specialty physician groups insourcing pathology	11%	15%	19%	17%	18%	14%	15%
Exclusion from managed care contracts	10%	9%	9%	8%	10%	NA	NA
Increased expenses for information technology	7%	6%	8%	9%	10%	6%	NA
Weak economy	6%	6%	8%	8%	NA	NA	NA
Staffing shortages	6%	6%	7%	8%	13%	19%	15%
Technical staff shortages	4%	5%	5%	7%	12%	13%	NA
Pathologist shortages	2%	1%	2%	1%	1%	6%	NA
Difficulty/expense of adding new molecular tests	4%	6%	5%	5%	7%	9%	NA
Other	2%	1%	2%	1%	1%	2%	16%

Source: *LE's Anatomic Pathology Market Trends Surveys*, 2007-January 2014

In terms of responding to reimbursement pressure, it looks like reagent suppliers and other vendors will be under a lot of pressure this year. Fifty-three percent of survey respondents said they would "put pressure on reagent suppliers and other vendors to lower costs." In addition, 36% said they would "delay new instrument/equipment purchases."

Thirty-seven percent said they will "hold or reduce employee compensation."

Only 4% of survey respondents said they plan to "consolidate offices/labs." And only 3% indicated they would "sell their technical lab."

How is your pathology group/lab adapting to lower Medicare rates for 88305-TC and immunohistochemistry (CPT 88342)?

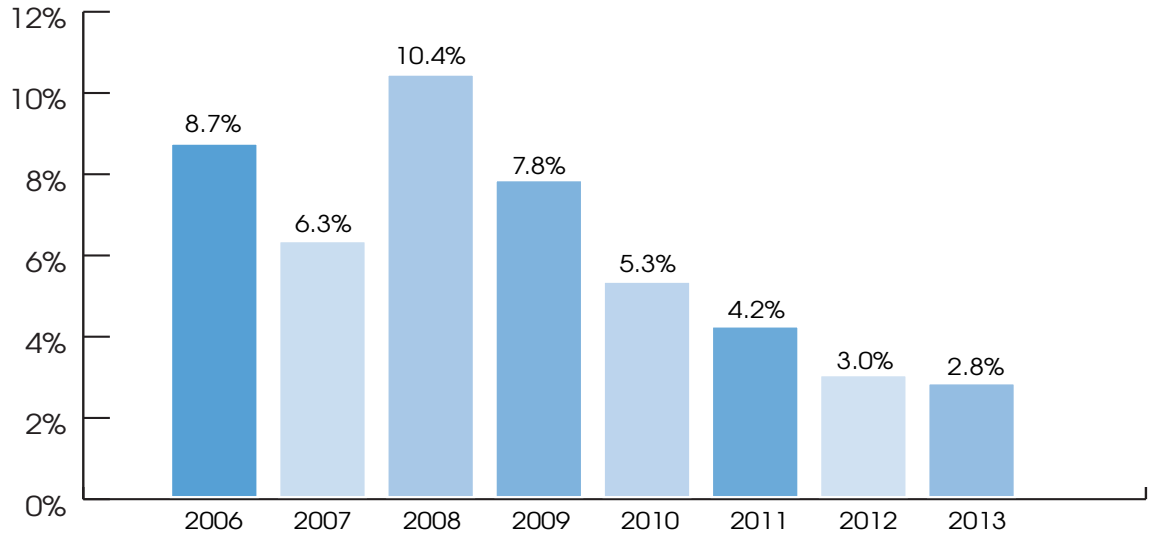
Put pressure on reagent suppliers and vendors to lower costs	53%
Hold or reduce employee compensation	37%
Delay new instrument/equipment purchases	36%
Grow our way out of it	35%
Improve billing and collection efficiency	4%
Reduce staff	30%
Consolidate offices/labs	4%
Sell our technical lab	3%
Other*	10%

*Includes reduce non-billable testing, outsource Medicare specimens to commercial lab, expand into clinical trials testing, make no changes, et al. Note: Survey participants could select more than one survey option

Source: *LE's Anatomic Pathology Market Trends Survey*, January 2014; n=328

Anatomic pathology test volumes grew by an average of 2.8% last year, according to *LE's* survey of 328 pathology groups and labs. This marks the third straight year of sub-5% volume growth for the AP market, according to *LE's* annual surveys.

Annual Anatomic Pathology Volume Growth



Source: *LE's Anatomic Pathology Market Trends Surveys*, 2007-January 2014

Survey participants reported an average growth rate of 4.3% for clinical lab test volume in 2013.

How fast did your test volume grow in 2013?

	Unweighted Average	Median
Anatomic Pathology	2.8%	2.0%
Clinical Lab Testing	4.3%	3.0%
Pap Testing	-1.7%	0.0%

Source: *LE's Anatomic Pathology Market Trends Survey*, January 2014; n=328

Survey participants said Pap testing volumes declined by an average of 1.7% because of extended testing intervals due to the increased accuracy of the liquid-based Pap and HPV test. In early 2012, the U.S. Preventative Services Task Force and American Cancer Society each issued new guidelines calling for Pap testing once every three years for women age 21-29. Women age 30-65 that received both a Pap test and HPV test with normal results should be screened once every five years. In early 2013, the American Congress of Obstetrics and Gynecology (ACOG) issued similar screening guidelines.

In terms of subspecialty volume growth, 24.7% of surveyed pathology groups and labs said their fastest growth was in molecular diagnostics in 2013. Another 24.1% said growth was fastest in dermatopathology.

Over the past four years, uropathology has consistently been at the bottom in terms of growth. Last year was no exception, as only 4.2% of surveyed participants cited uropathology as their fastest growing subspecialty.

In which Subspecialty did your pathology group see its fastest growth?

	2013	2012	2011	2010
Molecular Diagnostics	24.7%	30.5%	25.0%	28.0%
Dermatopathology	24.1	16.7	15.8	15.3
Surgical Pathology	17.5	15.2	19.0	18.6
Gastrointestinal Pathology	15.7	12.3	12.5	11.9
Hematopathology	8.4	10.1	9.9	12.7
Cytopathology	5.4	10.1	13.2	7.6
Urological Pathology	4.2	5.1	4.6	5.9

Source: *LE's Anatomic Pathology Market Trends Surveys*, 2011-January 2014

In-Office Pathology Labs Less of a Threat

If there is a silver lining to falling rates, it's that the formation of new in-office pathology labs has slowed. The percentage of pathology groups and labs that reported having lost "significant business" to specialty groups that built in-office histology labs last year fell to 15% compared to 27% in last year's survey.

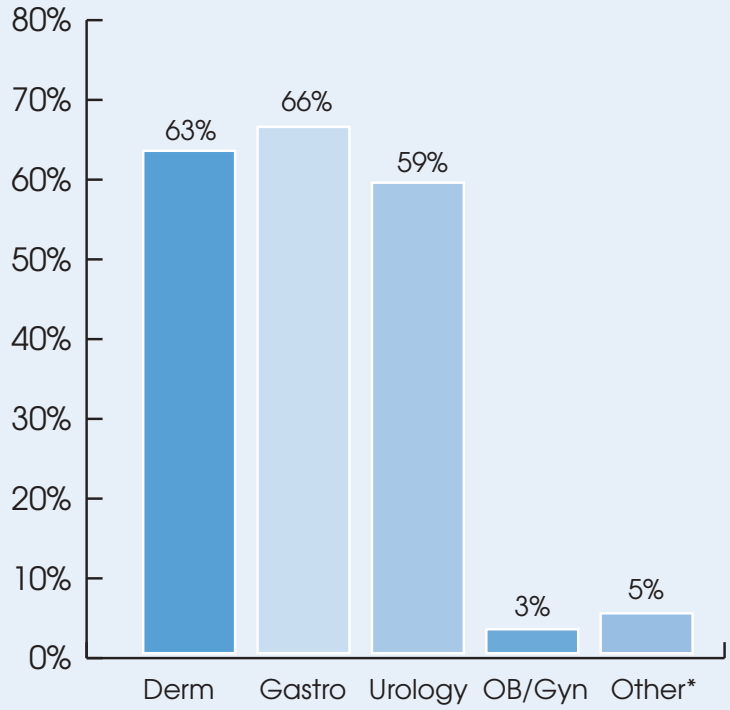
Has your pathology group/lab lost business in the past year because a physician group client created its own histology lab?

	2014	2013	2011	2010	2009	2008	2007
Yes, we've lost significant business	15%	27%	11%	17%	15%	8%	5%
Yes, we've lost some business	31%	32%	36%	29%	37%	28%	28%
No, we have not been affected	54%	32%	53%	54%	48%	64%	67%

Source: *LE's Anatomic Pathology Market Trends Surveys*, 2007-January 2014

The insourcing trend has been strongest at gastroenterology, dermatology and urology groups. So far insourcing has not spread in any significant way to specialties. In addition, a handful of survey participants (3%) cited in-office labs at Ob/Gyn practices.

What types of groups have insourced pathology in your area?



*Includes podiatry, ENT, multispecialty and plastic surgery
Source: *LE's Anatomic Pathology Market Trends Survey*, January 2014; n=328

"The drop in reimbursement has put a hold on anatomic pathology insourcing. But the damage to small private labs has already been accomplished. The anti-kickback and self-referral statutes are but mere script…only there to stop law abiding physicians," said a pathologist from Florida.

"We operate an in-house histology lab at a derm practice. With the reductions in TC for 88305 and decreased PC reimbursement for the same, we may not be able to afford to continue with our in-house lab," according to an anonymous dermatology group.

"One of the primary reasons we are seeing reimbursement reductions and bundling policies from CMS and other payers is due to over-utilization of pathology procedures by non-pathology specialists with in-office labs," noted a pathology lab executive from Texas.

Reference Lab Market Share for Cancer Testing

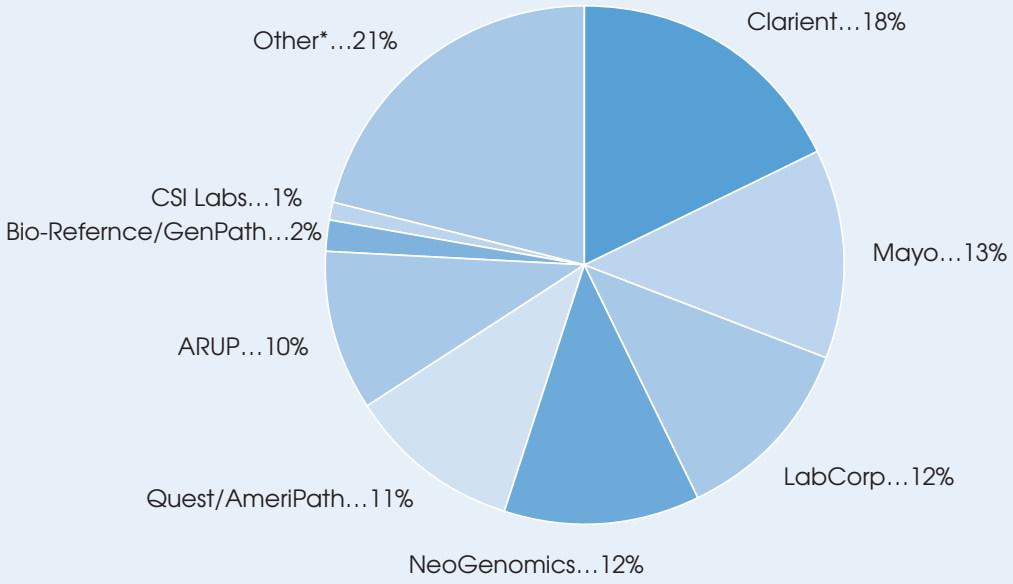
Clarient Inc. (owned by GE Healthcare) is the primary reference lab for cancer testing to 18% of surveyed pathology groups/labs. Mayo Medical Labs has a 13% share, followed by LabCorp and NeoGenomics, each with 12%. Quest/AmeriPath has an 11% share and ARUP Labs has 10%.

"Large commercial labs will be all that is left, with severe cuts reimbursements for pathology providing the large labs (with economy of scale) with an exaggerated advantage over smaller independent pathology operations," according to a pathologist from Texas.

Survey Demographics

The survey was e-mailed to approximately 5,000 pathology groups, independent labs and hospitals in early January 2014. A total of 328 surveys were judged usable, yielding a response rate of 6.5%.

Reference Lab Market Share for Cancer Testing

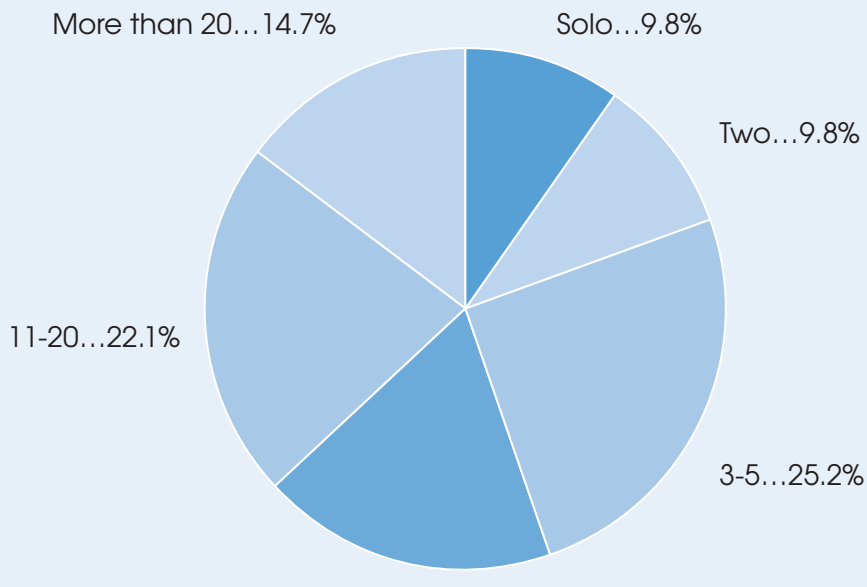


*Includes Cleveland Clinic, Incyte, MPLN, OHSU, PAML, PathGroup, ProPath, Response Genetics, TriCore and local academic medical centers
Source: *LE's Anatomic Pathology Market Trends Survey*, January 2014; n=328

Among the respondents, 119 were from hospital-based pathology groups, 146 from local or regional independent pathology groups and labs, 35 from academic medical center-based pathology groups, 15 from national pathology companies and 13 from in-office pathology labs.

Pathology groups and labs responding to the survey employed an average of 11.3 pathologists and a total of 3,706 pathologists. Survey responses indicate that small pathology practices remain abundant. Forty five percent of survey responses came from pathology groups/labs with five or less pathologists, including 10% from solo pathologists.

How many pathologists at your group/lab?



Source: *LE's Anatomic Pathology Market Trends Survey*, January 2014; n=328

STUDY SHOWS MEDICARE PAYS LOWER-THAN-AVERAGE RATES

The Medicare program pays less than the average rates paid by private health plans for lab tests, according to a study commissioned by the American Clinical Lab Assn. (ACLA). The ACLA study follows a separate report issued by the federal Office of Inspector General (OIG) in June 2013 that suggested that Medicare overpays for lab tests (see *LE*, June 2013, pp. 1-3).

The ACLA and OIG studies are critically important because CMS is now in the early stages of repricing the entire Clinical Lab Fee Schedule (CLFS), with the first price changes scheduled to become effective January 1, 2015.

The key questions are: 1) Which method will CMS use to evaluate lab test prices? and 2) Is the Medicare program entitled to receive the absolute lowest prices paid by any payer?

If CMS chooses to compare the CLFS to the lowest prices that the nation's largest private insurers (Aetna, Humana, UnitedHealth, etc.) pay to the national lab companies (Quest and LabCorp), then Medicare rates for lab tests could get cut dramatically. But a broader evaluation covering all payers and all labs would yield a very different conclusion.

The OIG study looked at 20 high-volume lab tests and compared Medicare rates to the rates paid by 50 state Medicaid programs and three Federal Employee Health Benefit plans. OIG calculated the potential savings to Medicare if it had paid labs at the lowest established rate for each of the 20 reviewed tests. Under this scenario, Medicare would have paid 38% less, saving $910 million, in 2011, according to the OIG report.

ACLA's pricing study was performed by the healthcare research firm Avalere Health (Washington, DC). Avalere analyzed the actual allowed prices paid by self-insured employers (covering 56 million Americans) for 27 lab test codes in 2012. Data was calculated separately for lab tests billed by outpatient hospitals versus non-hospitals (predominantly independent labs). Avalere found that, on average, hospital mean prices are nearly always above Medicare rates, while non-hospital mean prices are in-line to slightly below Medicare prices.

In the case of Medicare's highest expenditure test code—CPT 84443 (TSH), Medicare's 2012 NLA of $23.80 was less than 50% of the hospital mean price of $52.55 and slightly above the non-hospital mean price of $22.64.

Avalere said the pricing differential likely represents market power of hospital outpatient labs.

"All too often, judgments are made from anecdotal reports or incomplete, thumbnail sketches that cherry-pick some commercial rates….Avalere's analysis shows unequivocally that Medicare pays lower-than-average commercial rates. The argument that labs may be overpaid by Medicare is simply unfounded," according to ACLA President Alan Mertz.

Avalere says that it is in the process of completing a more thorough analysis of the pricing differences between Medicare and private health plans.

Medicare vs. Commercial Prices for Lab Tests

CPT Code	Description	Medicare NLA	Overall Price	Hospital Outpatient Price	Non-Hospital Price
36415	Routine venipuncture	$3.00	$5.64	$7.93	$4.57
85610	Prothrombin time	5.56	13.18	20.09	6.67
82570	Assay of urine creatinine	7.33	8.35	14.04	6.82
85025	Complete CBC	11.02	20.26	32.61	11.15
87086	Urine culture/colony count	11.43	17.73	30.80	10.99
80048	Metabolic panel	11.98	31.51	49.36	13.92
84439	Assay of free thyroxine	12.77	16.91	30.21	11.81
83036	Glycosylated hemoglobin test	13.75	17.06	29.16	13.18
80053	Comprehen metabolic panel	14.97	32.14	57.91	14.85
80061	Lipid panel	18.44	22.36	37.81	17.27
82728	Ferritin	19.30	25.43	41.14	18.67
82746	Assay of folic acid serum	20.82	22.31	37.13	17.14
82607	Vitamin B-12	21.35	23.98	38.83	18.42
84443	TSH	23.80	33.63	52.55	22.64
82542	Column Chromotography quant	25.57	69.48	79.66	67.26
Average	**For 15 lower-priced tests**	**$11.82**	**$19.14**	**$32.62**	**$12.11**
87536	HIV-1 quant	120.52	115.75	170.18	92.30
88230	Tissue culture lymphocyte	165.01	165.92	231.54	125.85
88262	Chromosome analysis 15-20	176.54	236.74	312.11	157.35
88264	Chromosome analysis 20-25	176.64	297.93	330.69	225.24
88237	Tissue culture bone marrow	178.90	278.42	306.99	212.67
87906	Genotype dna/rna HIV	182.32	195.90	365.50	144.52
87900	Phenotype infect agent drug	184.62	220.87	188.36	237.42
86352	Cell function assay w/stim	192.43	194.28	199.07	184.15
88261	Chromosome analysis 5	250.32	420.40	480.43	235.30
87901	Genotype dna HIV reverse t	364.64	301.01	424.58	245.06
87902	Genotype dna/rna hep C	364.64	320.67	429.13	253.74
87903	Phenotype dna HIV w/culture	692.10	548.58	689.30	514.01
Average	**For 12 higher-priced tests**	**$168.09**	**$188.79**	**$265.63**	**$134.58**

Source: Avalere Health analysis of 2012 Medicare CLFS and 2012 Lab Procedure Amount Paid Analysis from Marketscan Commercial Database. Overall average price weighted by claims volume.

LAB STOCKS UP 2% IN 2013

Fourteen lab stocks increased an average of 2% in 2013. In comparison, the S&P 500 Index had a total return of 32% last year. The top-performing lab stock was NeoGenomics, up 46%, followed by Cancer Genetics, up 38%, and Psychemedics, up 37%. Sonic Healthcare jumped 24%, LabCorp was up 5% and Quest Diagnostics fell by 8% in 2013.

Company (ticker)	Stock Price 12/31/13	Stock Price 12/31/12	2013 Price Change	Market Capitalization ($ millions)	P/E Ratio	Price/ Sales	Price/ Book
Bio-Reference (BRLI)	$25.54	$28.63	-11%	$695	15.2	1.0	2.6
Cancer Genetics Inc. (CGIX)	13.78	10.00	38%	147	NA	24.3	18.7
CombiMatrix (CBMX)	2.30	5.28	-56%	13	NA	2.2	3.1
Enzo Biochem (ENZ)	2.92	2.70	8%	112	NA	1.3	3.5
Foundation Medicine (FMI)	23.82	18.00	32%	857	NA	38.4	6.4
Genomic Health (GHDX)	29.27	27.24	7%	999	NA	4.0	6.9
LabCorp (LH)	91.37	86.62	5%	8,020	15.1	1.4	3.1
LipoScience (LPDX)	4.25	9.00	-53%	67	NA	1.3	1.4
Myriad Genetics (MYGN)	20.98	27.25	-23%	1,870	12.0	2.8	2.9
NeoGenomics (NEO)	3.62	2.48	46%	211	239.4	3.5	10.8
Psychemedics (PMD)	14.69	10.75	37%	81	25.0	3.2	6.8
Quest Diagnostics (DGX)	53.54	58.27	-8%	7,950	11.2	1.1	2.1
Response Genetics (RGDX)	1.16	1.39	-17%	56	NA	2.8	14.7
Sonic Healthcare (SHL.AU)	16.58	13.33	24%	6,748	20.0	1.9	2.3
Unweighted Averages			2%		53.0	7.0	5.7

Source: Yahoo Finance and Zacks

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