

LABORATORY ECONOMICS

Competitive Market Analysis For Laboratory Management Decision Makers

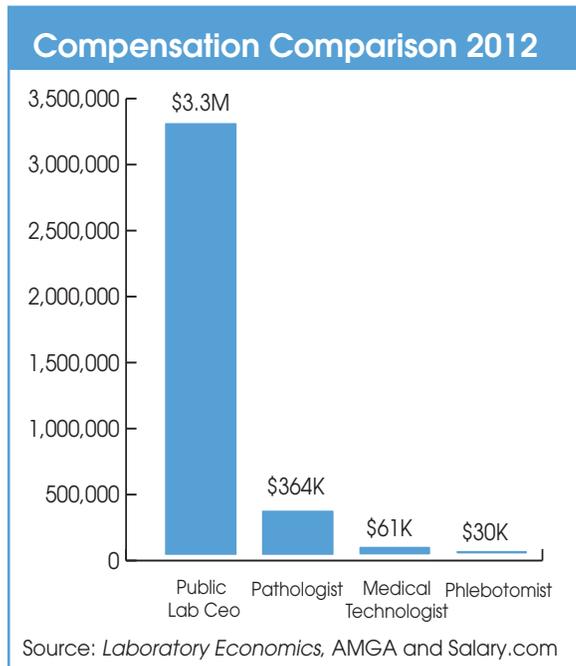
CLOCK IS TICKING FOR LABS TO SUBMIT JUSTIFICATION FOR HIGHER MDx TEST RATES

CMS has finally published interim pricing from Medicare Administrative Contractors (MACs) for approximately 114 molecular diagnostic CPT codes. Payment rates for specific codes vary widely by MAC and, on average, are 25% to 30% below rates labs had received under the old code-stack method of billing. On the bright side, after four months of holding claims, most carriers are now processing and paying MDx test claims.

Continued on page 2.

PUBLICLY-TRADED LAB CEOs PAID AVERAGE OF \$3.3M

The chief executives at 12 publicly-traded lab companies were paid an average of \$3.3 million each last year, according to an analysis of shareholder proxy statements by *Laboratory Economics*. That's nearly 10 times the average annual compensation of \$363,559 for pathologists, more than 50 times the average \$61,398 per year paid to medical technologists and 100 times the average of \$30,231 for phlebotomists, according to the latest surveys from the American Medical Group Management Association (AMGA) and Salary.com. *Full details on pages 6-8.*



QUEST BUYS ADVANCED TOXICOLOGY NETWORK

Quest Diagnostics has acquired the toxicology and clinical laboratory business (DBA Advanced Toxicology Network) from Concentra, a subsidiary of Humana Inc. In addition, Quest Diagnostics has entered into a long-term agreement with Concentra to be its primary provider of workplace drug toxicology and clinical laboratory testing. *Continued on page 11.*

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CLOCK IS TICKING FOR LABS (*cont'd from page 2*)

An outcry from labs and the California Clinical Laboratory Association led Palmetto GBA (Medicare administrator for CA, NV and HI as well as NC, SC, VA and WV) to revise its pricing for about 20 MDx tests, including BRAF, EGFR, KRAS and the HLA typing codes 81374-81377. In some cases, Palmetto doubled and nearly tripled its rates for certain MDx tests.

But the final national Medicare rates for MDx tests codes will be set at a percent of the median rates submitted by all 12 MACs. If the interim payment rates collected by CMS from each MAC are not revised, *LE* estimates that the national rates will be set, on average, at 28% below rates labs had received under the old code-stack method of billing (see table below).

MACs are required to provide a rationale for their method of devising MDx test rates. However, there appears to be little or no logic behind the way most MACs calculated test rates. About half of the MACs simply copied the prices that Palmetto published. Kyle Fetter, associate vice president of Molecular Diagnostic Services at XIFIN Inc., notes that Cahaba's prices were posted by CMS even though they were clearly released with no methodology except to assign the majority of the codes one of two price points.

MDx Test Price Comparison

<i>Code</i>	<i>Lab Test</i>	<i>Code-Stack Median*</i>	<i>MAC Median</i>	<i>Percent Difference</i>
81201	APC Gene Sequencing	\$1,222	\$750	-39%
81210	BRAF Gene Mutation	84	60.12	-28%
81223	Cystic Fibrosis Full Sequence	1,365	1554	14%
81225	CYP2C19 Genotype	386	188	-51%
81226	CYP2D6 Genotype	563	171	-70%
81227	CYP2C9 Genotype	344	97	-72%
81235	EGFR Mutation Analysis	523	123	-76%
81256	Hereditary Hemochromatosis	82	68	-17%
81270	JAK2 Mutation Analysis	83	83	0%
81275	KRAS Mutation Analysis	284	232	-18%
81291	MTHFR DNA Analysis	82	72	-12%
81301	Microsatellite Instability	311	303	-3%
81350	UGT1A1 Genotyping	108	67	-38%
81401	TPMT Genotype	117	121	4%
81404	c-Kit Mutation Analysis	\$343	\$302	-12%
Unweighted Avg.				-28%

*Code stack median rates calculated by *Laboratory Economics* by analyzing published test menu catalogues of various labs (e.g., LabCorp, Quest Diagnostics, ARUP, Mayo, Cleveland Clinic, GenPath, etc.) and the national 2012 Medicare lab fee schedule.

Source: *Laboratory Economics* and CMS

For example, Cahaba, which is the MAC for Alabama, Georgia and Tennessee, assigned a rate of exactly \$123 to nearly half of the 114 MDx test codes. Tests as diverse as BRAF Gene Mutation (CPT 81210), PTEN Gene Analysis (CPT 81321) and UGT1A1 Genotyping (CPT 81350) were all assigned a flat rate of \$123.

An analysis of 10 high-volume MDx codes shows that Cahaba's rates are 40% below the rates formerly charged by labs under the code-stack method of billing (see table below).

What was the logic behind these rate decisions? Cahaba provided no explanation. Cahaba is a wholly-owned subsidiary of Blue Cross Blue Shield of Alabama.

MDx Test Price Comparison: Code Stacking vs. Cahaba

Code	Lab Test	Code-Stack Median	Cahaba Rates	Percent Difference
81201	APC Gene Sequencing	\$1,222	\$123	-90%
81210	BRAF Gene Mutation	84	123	46%
81225	CYP2C19 Genotype	386	305	-21%
81226	CYP2D6 Genotype	563	50	-91%
81227	CYP2C9 Genotype	344	50	-85%
81235	EGFR Mutation Analysis	523	123	-76%
81256	Hereditary Hemochromatosis	82	50	-39%
81275	KRAS Mutation Analysis	284	235	-17%
81291	MTHFR DNA Analysis	82	50	-39%
81350	UGT1A1 Genotyping	\$108	\$123	14%
Unweighted Avg.				-40%

Source: *Laboratory Economics* and CMS

Charles Root, PhD, President of CodeMap LLC, says that regardless of whether MACs performed their own analysis or utilized the pricing of Palmetto, the CMS posting confirms that there was little rationale to how these prices were established and that they were not created using the gap-fill methodology.

Palmetto never provided any details as to how it devised its molecular diagnostic rates, according to Michael Arnold, Executive Director at the California Clinical Laboratory Assn. "In generalities they explained that they performed a cross-walking exercise. However, we determined that they down-coded a number of the CPT codes prior to that exercise, which they acknowledged, but Palmetto did not provide details as to how or why that was done. So they did not perform a gap-fill exercise. Consequently, even after we submitted cost data, it was not taken into consideration. The re-pricing exercise resulted in their giving additional credit to some CPT codes that we were able to support to the satisfaction of Dr. Jetter, Medical Director at Palmetto. However, there were still a number of codes that she removed without discussion or disclosure," contends Arnold.

Publication of the MAC pricing on the CMS website on May 9 starts a 60-day comment period. Labs need to get their comments to CMS by July 8. After the 60-day comment period has ended, CMS will share the comments with the MACs as part of developing final prices under the gap-filling methodology. In September, CMS will post the final gap-fill pricing decisions on its website. Labs will then have an additional 30 days to request reconsideration of any of the pricing decisions. CMS will use the median of the MAC-specific amounts to calculate a national reimbursement rate for each code, which will become effective in 2014.

The inability of the MACs to justify their rate decisions leaves the door wide open for the lab industry to seek repricing. Labs can submit comments to CMS at MoPathGapfillInquiries@cms.hhs.gov. Fetter says that labs should detail their methodologies and the labor and equipment required for each test so that CMS understands the intricacy of such procedures, as well as any developmental costs, especially for proprietary assays. Any comments should strive to substantiate prior reimbursement rates under the previous stacked coding methodology and their efficacy, he adds.

“The lack of transparency and coordination with stakeholders has resulted in a convoluted process. The resulting outcome is long-term financial harm to providers, the loss of access to needed services for patients, and a significant obstacle to current and future innovations in personalized medicine. I think legal action is a final option that no one wants, but which may be the only option if CMS is unable to address the gravity of the situation in a more cooperative manner,” according to Lale White, President of XIFIN.

In a March 27 letter to CMS, the American Clinical Laboratory Assn. (ACLA) requested (1) CMS should instruct contractors to make available their data and methodologies to show how they arrived at their pricing determinations, and (2) CMS should convene an “Open Door Forum” to review the price-setting process for the remainder of the year and to respond to the numerous questions that have arisen.

Representatives from ACLA, LabCorp, Myriad Genetics and others met with CMS officials in Baltimore on May 6. ACLA President Alan Mertz says CMS indicated they are looking for cost data to show why a specific test code price is inadequate. “It appears that CMS will consider comments at both the current comment period and again later this year and we’re hoping that adjustments will be made,” says Mertz. “There are several bites left in the apple,” adds Mertz. He notes that rates can’t be changed, except by an act of Congress, after CMS finalizes the national limit amounts effective January 1, 2014.

More Non-Coverage Decisions and Denials

In addition to lower pricing, Palmetto is issuing non-coverage decisions and denying claims for many MDx tests, especially claims for panels of MDx tests that include combinations of the new codes. For example, multiple breakpoint testing for BCR-ABL1 is often performed as a combination or panel of tests with the new MDx test codes 81206, 81207 and 81208.

BCR-ABL testing is used to help diagnose chronic myelogenous leukemia (CML) and a type of

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acute lymphocytic leukemia (ALL) in which the BCR-ABL gene sequence is present (BCR-ABL positive), to monitor response to treatment, and to monitor for disease recurrence.

Palmetto has set reimbursement for CPT 81206 (major breakpoint), 81207 (minor breakpoint) and 81208 (other breakpoint) at respective rates of \$108.37, \$90.31 and \$150.17. But Palmetto says labs that perform multiple breakpoint testing for BCR-ABL1 cannot bill for the three codes at a combined \$348.85. Instead, Palmetto is requiring labs to submit claims using CPT 84179 (un-listed molecular path code) and then reducing payment by roughly 35% to \$226. By doing this, Root believes Palmetto is circumventing Medicare's local coverage determination (LCD) rules.

Will Palmetto's MolDx Program go National?

Over the past six months, Palmetto executives have repeatedly said that their MolDx program for making coverage decisions and setting prices is likely to be expanded nationally, both through CMS contractors and potentially to commercial payers who are negotiating to use the system. Several industry consultants and billing experts tell *LE* that it's just a matter of time before CMS officially awards such a contract to Palmetto. Palmetto GBA is a wholly-owned subsidiary of BlueCross BlueShield of South Carolina.

NORIDIAN SETS PRICING FOR MYRIAD'S BRACANALYSIS

Medicare carrier Noridian has set pricing at \$2,795 for Myriad Genetics' BRACAnalysis test (CPT 81211). That is 16% below the list price of \$3,340 for BRACAnalysis, which is used to help predict the risk of hereditary breast and ovarian cancer. Noridian's reimbursement rate for BRACAnalysis Large Rearrangement Technology (BART) has been set at \$587, which is also 16% below Myriad's list price of \$700. BART is a predictive test that detects additional large genomic rearrangement in both the BRCA1 and BRCA2 genes. Noridian's combined reimbursement for the BRACAnalysis and BART, which are often ordered together, is \$3,382 versus Myriad's list price of \$4,040.

Myriad operates a single laboratory in Salt Lake City and submits all its claims to Noridian. *Laboratory Economics* notes that Noridian's 16% cut on BRACAnalysis is a lot better than the 25% to 30% cut most other MDx codes received. Noridian's rate is in line with the 10% discount that most private health insurance companies get for BRACAnalysis.

Separately, Myriad has announced plans to replace BRACAnalysis and its other hereditary cancer tests with a comprehensive panel named MyRisk Hereditary Cancer. Myriad plans to start marketing MyRisk this fall at a list price of between \$4,000 and \$4,500.

Noridian Pricing for BRACAnalysis

<i>Test</i>	<i>CPT Code</i>	<i>Myriad List Price</i>	<i>Noridian Pricing</i>	<i>% Reduction</i>
BRACAnalysis	81211	\$3,340.....	\$2,795.....	-16%
BART	81213	\$700.....	\$587	-16%
Integrated BRACAnalysis.....	81211, 81213	\$4,040.....	\$3,382.....	-16%

Source: *Laboratory Economics* from Myriad Genetics and CMS

COMMERCIAL LAB CEOs PAID AVERAGE OF \$3.3M (*cont'd from page 1*)

Quest Diagnostics' Steve Rusckowski, \$13 million, and **LabCorp's David King**, \$9.7 million, were the highest paid lab company CEOs in 2012.

Rusckowski, age 55, became Quest's CEO effective May 1, 2012. He received total compensation of \$13 million last year, including a salary of \$682,500, stock and option awards worth \$9.9 million, a sign-on bonus of \$500,000 plus \$1.4 million from a cash incentive plan. In addition, Rusckowski received "other compensation" totaling \$479,357, which included relocation benefits of \$271,796 plus \$79,145 to help pay for his income taxes related to this perk.

Quest's former CEO, **Surya Mohapatra, PhD**, 63, who resigned on April 30, 2012, received a total of \$7.9 million, including a cash severance payment of \$6.3 million. Mohapatra also left with 837,773 shares of Quest stock worth approximately \$48.6 million.

Former Senior Vice President, **Joan Miller, PhD**, 57, who resigned October 31, 2012, received a total of \$4.5 million, including a cash severance payment of \$2 million. In addition, Miller owns 243,454 shares of Quest stock worth approximately \$14.1 million.

Net income at Quest increased by 18% to \$556 million in 2012; revenue was flat at \$7.4 billion. Quest's stock price was unchanged last year.

LabCorp's King, 56, received six categories of compensation last year that totaled \$9.7 million. These included: 1) salary of \$1 million; 2) stock awards of \$5.3 million; 3) stock options worth \$2.25 million; 4) management incentive bonus of \$1.05 million; 5) pension plan value increase of \$58,906; and 6) "other" compensation of \$24,402, which included financial planning services, 401K matching contributions and long-term disability insurance. Net income at LabCorp increased by 12% to \$583 million in 2012; revenue was up 2% to \$5.671 billion. LabCorp's stock price rose by 1% last year.

Peter Meldrum, 65, President and CEO of **Myriad Genetics**, earned \$6 million, including a salary of \$915,812, a bonus of \$1.1 million, stock and option awards valued at \$3.9 million, plus other compensation of \$10,040. In the fiscal year ended June 30, 2012, Myriad reported net income of \$112.2 million, up 12% from \$100.7 million in 2011; revenue increased by 23% to \$496 million; its stock price rose by 30% in 2012.

Kim Popovits, 54, chairman and CEO of **Genomic Health**, earned \$2.4 million, including a salary of \$600,000, stock and option awards of \$1.5 million and incentive plan bonus of \$234,000. Genomic Health increased its net income by 5% to \$8.2 million; revenue was up 14% to \$233 million. Its stock price was up 7% in 2012.

Bio-Reference Labs' chairman and CEO **Marc Grodman, MD**, 61, earned a total of \$1.5 million last year. Bio-Reference reported net income of \$42.2 million for the fiscal year ended Oct. 31, 2012, up from \$36.4 million the previous year; revenue increased by 18% to \$661.7 million. Its stock price jumped by 76% in 2012.

Enzo BioChem's Chairman and CEO, **Elazar Rabbani, PhD**, 69, earned a total of \$1.1 million. Enzo reported a net loss of \$39.3 million for the fiscal year ended July. 31, 2012, versus a net loss of \$12.96 million the previous year; revenue increased by 1% to \$103.1 million. Its stock price rose by 21% in 2012.

2012 Laboratory Executive Total Compensation

<i>Company/Executive</i>	<i>Salary</i>	<i>Bonus & Incentives</i>	<i>Value of Stock & Option Awards</i>	<i>Other Comp*</i>	<i>2012 Total Compensation</i>	<i>2012 Revenue Growth</i>	<i>2012 Stock Total Return</i>
Aurora Diagnostics Jon L. Hart, 55, former CEO	\$450,000	\$0	\$0	\$35,223	\$485,223	3%	NA
Bio-Reference Labs Marc Grodman, MD, 61, Chairman and CEO	1,092,933	201,152	0	245,359	1,539,444	18%	76%
Cancer Genetics Inc. Panna Sharma, 42 President and CEO	350,000	0	0	26,950	376,950	43%	NA
CombiMatrix Judd Jessup, 65, Chairman and former CEO	421,615	0	0	0	421,615	15%	-74%
Enzo BioChem Elazar Rabbani, PhD, 69, Chairman and CEO	555,475	375,000	39,830	161,702	1,132,007	1%	21%
Genomic Health Kim Popovits, 54, Chairman and CEO	600,000	234,000	1,544,086	0	2,378,086	14%	7%
LabCorp David King, 56, Chairman and CEO	1,012,700	1,115,778	7,540,881	24,402	9,693,761	2%	1%
LipoScience Richard Brajer, 52, President and CEO	444,000	277,366	0	13,361	734,727	20%	NA
Myriad Genetics Peter Meldrum, 65, President and CEO	915,812	1,100,761	3,925,095	10,040	5,951,708	23%	30%
NeoGenomics Douglas VanOort, 57, Chairman and CEO	410,000	203,000	235,497	0	848,497	38%	77%
Psychemedics Raymond Kubacki, Jr., 68, Chairman and CEO	420,000	25,000	215,380	7,500	667,880	5%	18%
Quest Diagnostics Stephen Rusckowski, 55 President and CEO	682,500	1,865,000	9,947,106	479,357	12,973,963	0%	0%
Quest Diagnostics Surya Mohapatra, PhD, 63, former Chairman and CEO	501,014	1,113,274	0	6,258,765	7,873,053	0%	0%
Quest/AmeriPath Joan Miller, PhD, 57, former Senior VP, pathology and neurology	516,000	0	1,924,864	2,101,487	4,542,351	0%	0%
Transgenomic Inc. Craig Tuttle, President and CEO	345,833	0	0	17,973	363,806	-2%	-53%
Totals, 15 executives	8,717,882	6,510,331	25,372,739	9,382,119	49,983,071		
Averages, 15 executives	\$581,192	\$434,022	\$1,691,516	\$625,475	\$3,332,205	12%	9%

*Other compensation includes changes in pension value plus reimbursement for financial planning services, 401K matching, car allowance, personal liability insurance premiums, executive physical exams, home security systems, country club memberships, personal use of company jets and other perks.

Source: *Laboratory Economics* from shareholder proxy statements

TOP IVD EXECES TAKE HOME AVERAGE OF \$7.9 MILLION

The CEOs at twelve publicly-traded lab instrument and reagent manufacturers earned an average of \$7.9 million each last year, according to an analysis of shareholder proxy statements by *Laboratory Economics*. Abbott Labs' Miles White, 58, Chairman and CEO, was the highest paid IVD executive in 2012. White was paid total compensation of \$25.1 million. Next was Thermo Fisher Scientific's Marc Casper, 44, President and CEO, who received a total of \$13.6 million.

2012 IVD Executive Total Compensation

<i>Company/Executive</i>	<i>Salary</i>	<i>Bonus and Incentives</i>	<i>Value of Stock & Option Awards</i>	<i>Other Compensation*</i>	<i>2012 Total Compensation</i>	<i>2012 Stock Price Total Return</i>
Abbott Laboratories Miles White, 58, Chairman and CEO	\$1,900,000	\$10,862,947	\$11,486,176	\$869,713	\$25,118,836	17%
Becton Dickinson Vincent Forlenza, 59, Chairman and CEO	900,000	2,742,465	5,734,061	41,750	9,418,276	5%
Bio Rad Laboratories Norman Schwartz, 63, President and CEO	803,385	516,175	3,185,129	16,064	4,520,753	9%
Hologic Robert Cascella, 58, President and CEO	899,727	763,560	3,466,934	256,883	5,387,104	14%
Illumina Jay T. Flatley, 60, President and CEO	802,950	1,062,935	6,288,207	16,988	8,171,080	82%
Johnson & Johnson Alex Gorsky, 53, Chairman and CEO	1,087,188	4,272,860	5,457,287	159,774	10,977,109	7%
Life Technologies George Lucier, 48, Chairman and CEO	1,200,000	2,160,000	6,749,959	158,486	10,268,445	26%
Luminex Patrick Balthrop, Sr., 56, President and CEO	653,737	543,909	1,981,819	35,013	3,214,478	-21%
Meridian Bioscience John Kraeutler, 64, CEO	558,600	0	175,700	74,901	809,201	6%
OraSure Technologies Douglas Michels, 56, President and CEO	548,750	196,600	1,404,791	4,000	2,154,141	-21%
Quidel Douglas Bryant, 55, President and CEO	493,998	242,292	904,236	9,564	1,650,090	23%
Thermo Fisher Scientific Marc Casper, 44, President and CEO	1,030,038	1,892,800	10,442,400	189,863	13,555,101	40%
Totals, 12 executives	10,878,373	25,256,543	57,276,699	1,832,999	95,244,614	
Averages, 12 executives	\$906,531	\$2,104,712	\$4,773,058	\$152,750	\$7,937,051	16%

*Other compensation includes changes in pension value plus reimbursement for financial planning services, 401K matching, car allowance, personal liability insurance premiums, executive physical exams, home security systems, country club memberships, personal use of company jets and other perks.

Source: Laboratory Economics from shareholder proxy statements

NEARLY 200 IN-OFFICE PATHOLOGY LABS FORMED LAST YEAR

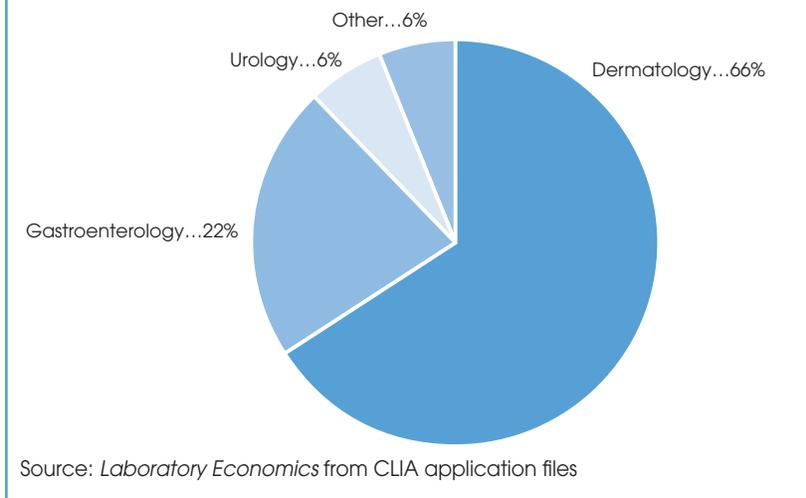
The in-office pathology lab trend remained strong in 2012. One hundred and ninety in-office pathology labs received CLIA certification last year, according to an analysis of Clinical Laboratory Improvement Amendments (CLIA) application forms data by *Laboratory Economics*. There are now a grand total of 3,908 physician offices certified to perform pathology testing in the United States.

Dermatology groups were most active in 2012. They opened 125 pathology labs (including both full-service histology labs and Mohs labs) representing 66% of all new in-office labs. Gastroenterology groups opened 41 new in-office labs in 2012. Most big urology groups have already opened in-office pathology labs and 12 more groups opened labs in the past year.

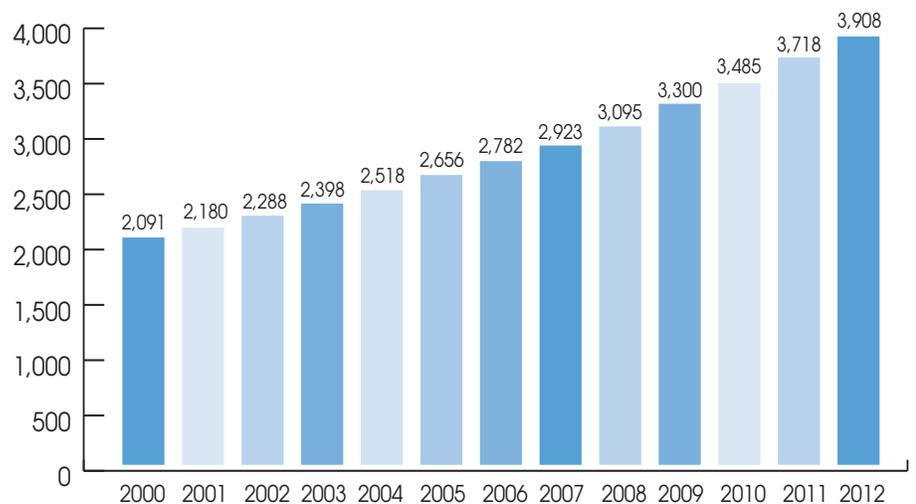
Meanwhile, Joe Plandowski, principal at In-Office Pathology LLC (IOP-Lake Forest, IL), believes that in-house pathology labs at urology, GI and derm groups are in the best position to withstand the recent reimbursement cuts to 88305-TC. He notes that in-office pathology labs do not have sales/marketing staff, courier expenses or the cost of software connection packages for order entry and result reporting to clients. In addition, he says in-office labs are now contracting with pathologists for professional services at \$15 to \$20 per slide read, down from previous rates of \$20 to \$30.

So far this year, Plandowski says that IOP has opened new in-office pathology labs at two derm groups and a third at a multispecialty practice. “We’re seeing an incredible amount of in-office lab installation activity by pathologists, local histotechs, used equipment vendors and commercial labs.”

New In-Office Pathology Lab Certifications in 2012



Number of Physician-Office-Based Pathology Labs, 2000-2012



Note: Total includes histology labs for micrographic surgery (Mohs) at dermatology practices.
Source: *Laboratory Economics* from CLIA application files

Plandowski says that specialty groups that generate a minimum of 4,000 biopsies per year are candidates for an in-office lab. This equates to derm groups with two doctors or more and gastroenterology groups with four doctors or more. He says that smaller groups can partner to create a “shared” lab. For example, about 18 months ago, IOP opened a shared lab for four GI groups with a combined 25 doctors. This lab has the lowest cost per test among the 50+ in-office labs formed by IOP over the last 10 years, according to Plandowski.

Never one to mince words, Plandowski adds, “Reimbursement cuts will kill pathologist-owned and commercial reference labs long before in-office labs go under. Organized pathology ought to be focused on reversing the fee cuts from Medicare and Aetna. Maybe it won’t make a difference if they do nothing but sit on their hands and bemoan in-office labs. The ‘lucky’ pathologists will be employed by ACOs as technical lab staff. The rest will be in a bread line.”

Self-Referring Urologists Bill For More Vials

Meanwhile, Oppenheimer Urologic Reference Lab (OURLab) has posted data on the Internet that suggests that urologists who own their own pathology lab tend to bill for more vials per prostate biopsy case than urologists who send their cases to an outside lab.

The data showed when urology groups used an outside pathology lab, an average of approximately 9.9 vials was billed per prostate biopsy case. Urologists with client billing arrangements billed for an average of approximately 11.1 vials per prostate biopsy case.

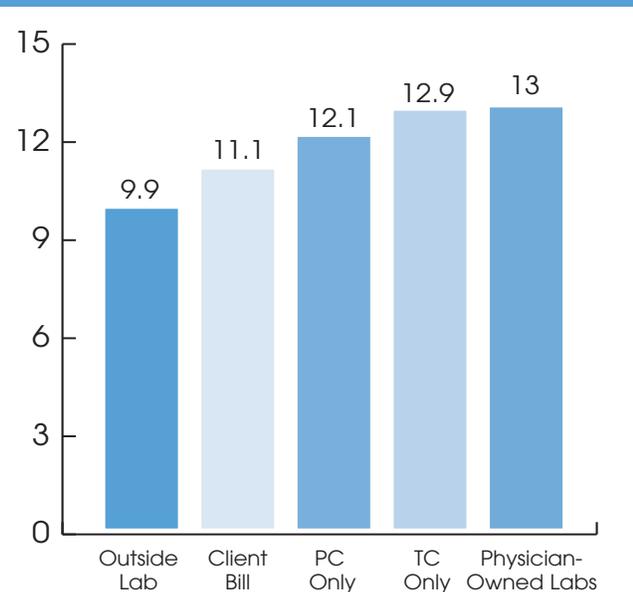
Urology groups with a TC/PC billing arrangement billed for an average of approximately 12.1 vials per prostate biopsy. Under TC/PC arrangements, the urology group sends its prostate biopsies to an outside lab for slide prep. The prepared slides are sent back to the urology group and read by a contracted pathologist. The outside lab bills for the TC and the urology group bills for the PC.

When urology groups prepared their own slides and billed for the technical component, the average number of billed vials increased to 12.9. And when urology groups operated their own lab and billed globally, they billed for an average of 13 vials per prostate biopsy case.

The data compiled by OURLab confirms a more rigorous study published by Georgetown University professor Joan Mitchell, PhD, early last year (see *LE*, April 2012). The Mitchell study found that self-referring urologists bill Medicare for an average of 10.3 vials per prostate biopsy case compared with six vials for urologists that used an outside pathology lab.

OURLab is one of the largest urologic pathology labs in the nation. OURLab was sold to the pharmaceutical development firm OPKO Health Inc. (Miami, FL) for \$42 million in December 2012.

Average # Vials per Prostate Biopsy Case by Business Model, 2012



Source: OURLab

QUEST BUYS ADVANCED TOXICOLOGY NETWORK (*cont'd from page 1*)

Concentra's Advanced Toxicology Network (ATN) operates from a laboratory in Memphis, Tennessee, that serves clients nationally. Quest says that ATN will be transitioned into the Quest Diagnostics national laboratory network of regional clinical and toxicology laboratories by the end of 2013. Under the service agreement, Quest will provide workplace drug toxicology testing services primarily to Concentra and its employer clients and clinical laboratory testing services to patients and physicians in Concentra's network of primary care and urgent care facilities. Additional terms were not disclosed.

Currently, ATN processes between 8,000 and 10,000 urine specimens each day for drugs of abuse testing. In 2004, ATN built out a clinical laboratory for the occupational medicine testing. This lab processes about 1,500 tests each day including chemistry profiles, complete drug counts, hepatitis, HIV, urinalysis, etc.

Dignity Health To Sell Outreach Lab, Lay Off 474 Employees

Meanwhile, with the recently announced plans to sell its clinical lab outreach business to Quest Diagnostics, Dignity Health says 474 employees have received layoff notices. The bulk of the layoffs, 326, affect those who work at Stockton and Modesto-area lab draw and testing locations. Another 148 went out to those working in Sacramento-area lab service centers.

Dignity Health says it is working with Quest Diagnostics and internally to help displaced employees find jobs. The sale is expected to be finalized in June, with layoffs effective in late June.

Dignity Health's hospital-based labs are not included in the sale. Quest plans to shift testing from the acquired operations to its labs in West Hills and Sacramento, CA, and Las Vegas, NV. Quest expects the acquisition to contribute about half a percentage point to consolidated revenues annually (equal to about \$40 million).

CANCER GENETICS RAISES \$6.9 MILLION FROM IPO

Cancer Genetics Inc. (CGI-Rutherford, NJ) has raised gross proceeds of \$6.9 million from its initial public offering of 690,000 shares of common stock at a price to the public of \$10 per share. Aegis Capital Corp. and Feltl and Company were the IPOs underwriters. CGI will receive net proceeds of \$5 million after deducting investment bank commissions and other expenses.

The company plans to put \$2 million of the proceeds toward its diagnostics joint venture with the Mayo Clinic and use the rest to pay down debt and fund ongoing operations.

The \$6.9 million is just a fraction of the \$48 million the company sought when it first announced its IPO plans back in May 2012 (see *LE*, May 2012).

CGI operates a 17,000-square-foot CLIA-accredited lab in Rutherford, New Jersey, that provides routine histology, IHC, flow cytometry and FISH testing. CGI began marketing proprietary laboratory-developed tests for leukemia and lymphoma under the brand name MatBA in early 2011. CGI's average revenue per test is approximately \$600.

CGI reported a net loss of \$6.7 million in 2012 versus a net loss of \$19.9 million in 2011; revenue increased to \$4.3 million from \$3 million. CGI has accumulated total losses of \$48.9 million since being formed in 1999.

LAB STOCKS UP 5%

Twelve lab stocks are, on average, up 5% in price year to date through May 15. In comparison, the S&P 500 Index is up 18% and the Nasdaq is up 16.5%. The top-performing lab stocks so far this year are NeoGenomics, up 47%, followed by Genomic Health, up 37%. LipoScience, which had an IPO on Jan. 25 at \$9 per share, is down 36% following a weak first quarter which saw revenue decline by 1%.

Company (ticker)	Stock Price 5/15/13	Stock Price 12/31/12	2013 Price Change	Market Capitalization (\$ millions)	P/E Ratio	Price/Sales	Price/Book
Bio-Reference (BRLI)	\$30.04	\$28.63	5%	\$833	19.4	1.2	3.5
Cancer Genetics Inc. (CGIX)	11.75	10.00	18%	51	NA	1.9	NA
CombiMatrix (CBMX)	3.32	5.28	-37%	12	NA	0.8	1.3
Enzo Biochem (ENZ)	2.28	2.70	-16%	108	NA	0.9	2.2
Genomic Health (GHDX)	37.25	27.24	37%	1,126	186.0	4.7	8.6
LabCorp (LH)	98.97	86.62	14%	9,194	15.7	1.7	3.3
LipoScience (LPDX)	5.79	9.00	-36%	85	76.5	1.4	1.4
Myriad Genetics (MYGN)	32.93	27.25	21%	2,623	20.8	4.7	4.0
NeoGenomics (NEO)	3.64	2.48	47%	177	NA	2.7	9.4
Psychemedics (PMD)	11.26	10.75	5%	60	19.8	2.3	5.3
Quest Diagnostics (DGX)	60.69	58.27	4%	9,591	14.3	1.3	2.3
Sonic Healthcare (SKHCY)	14.20	13.69	4%	5,634	NA	NA	NA
Unweighted Averages			5%	\$29,494	50.3	2.1	4.1

Source: Bloomberg

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