

LABORATORY



ECONOMICS

Competitive Market Analysis For Laboratory Management Decision Makers

QUEST TO PAY \$241M TO SETTLE MEDI-CAL SUIT

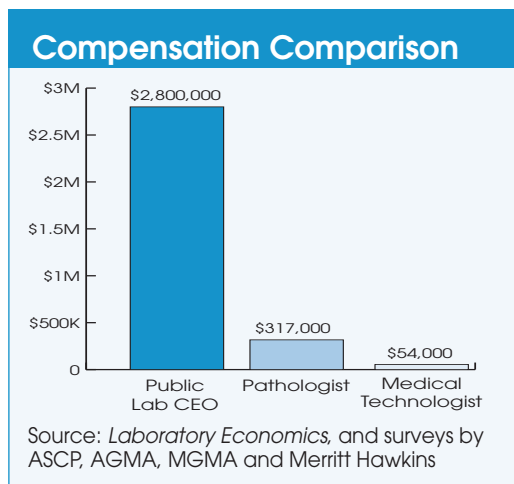
Quest Diagnostics has agreed to pay \$241 million to settle a lawsuit that accused the company of systematically overcharging California's Medi-Cal program over the past 15 years. The California Attorney General's office says the \$241 million settlement is the largest recovery in the history of California's False Claims Act.

The lawsuit was originally filed under seal by Hunter Labs and its owner Chris Riedel in November 2005. In March 2009, then-California Attorney General Jerry Brown announced that the state had joined the case (see *LE*, April 2009, page 1).

Final settlement of the case will bring a giant windfall to Riedel. The False Claims Act provides incentives to whistleblowers by granting them between 15% and 25% of any settlement amount plus reimbursement of legal fees. That means that Riedel will receive between \$36 million and \$60 million. *Continued on page 9.*

PUBLICLY-TRADED LAB CEOs PAID AVERAGE OF \$2.8M

The chief executives at 15 publicly-traded lab companies were paid an average of \$2.8 million each last year, according to an analysis of shareholder proxy statements by *Laboratory Economics*. This compares with a median salary of \$317,000 for pathologists and \$54,412 for medical technologists, according to the latest survey data from the American Society for Clinical Pathology (ASCP) and several other professional organizations. *Full details on pages 5-7.*



MYRIAD GENETICS TO BUY RBM FOR \$80 MILLION

Myriad Genetics (Salt Lake City, UT) has agreed to buy Rules-Based Medicine (RBM) for \$80 million in cash. RBM generated \$25 million of revenue in 2010, implying an acquisition price/revenue multiple of about 3.2. RBM has 160 employees and operates a CLIA-certified lab in Austin, Texas. In March 2010, the company began marketing a laboratory-developed molecular test panel, branded VeriPsych, for helping psychiatrists diagnose schizophrenia. VeriPsych, which has a list price of \$2,500, is the first blood-based test for schizophrenia. However, gaining market acceptance for this expensive test from psychiatrists and insurance companies has been a challenge. *Continued on page 2.*

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