

LABORATORY



ECONOMICS

Competitive Market Analysis For Laboratory Management Decision Makers

JAPANESE FIRM TO PAY \$725M FOR CARIS DIAGNOSTICS

Miraca Holdings (Tokyo, Japan) is buying Caris Diagnostics, the anatomic pathology business of Caris Life Sciences (Irving, TX), for a price tag equal to 3.5 times its annual revenue of \$207 million. The \$725 million cash deal is expected to close in December.

Miraca is the largest commercial lab testing company in Japan and it also sells diagnostic tests through its subsidiary Fujirebio Inc. Miraca president Hiromasa Suzuki said the acquisition will allow Miraca to expand outside of the Japanese lab market, which is shrinking by about 1% per year. Miraca plans to expand its new U.S. pathology lab business, including through potential additional acquisitions.

Suzuki said the strength of the yen, which is trading near a record high against the dollar, was a factor in Miraca's decision to buy Caris. *More details on page 3.*

ANDREW BAKER STUBBORNLY PURSUING MEDICARE FRAUD LAWSUITS VS. QUEST AND LABCORP

It's been more than six years since whistleblower Andrew Baker filed a lawsuit in New York federal court against Quest Diagnostics alleging Medicare fraud. And Baker filed a similar lawsuit against LabCorp four years ago. These lawsuits allege that Quest and LabCorp subsidized below-cost lab test pricing to managed care companies (e.g. Aetna, Cigna, UnitedHealthcare) by overcharging the Medicare program.

However, to date, federal prosecutors have not joined either case. "This is exactly the same situation as with California Medi-Cal, where they [California Attorney General's Office] saw they had been duped out of money and did something about it...I am totally flummoxed why the U.S. Justice Department has done nothing," says Baker.

Nonetheless, Baker says he will continue with his lawsuits. "The Medicare program is being damaged....The way lab testing is priced is highly inefficient," he contends. *Continued on pages 5-7.*

DIGITAL PATHOLOGY MARKET POSTS SLUGGISH GROWTH

After several years of 10% to 15% annual growth, the U.S. clinical market for digital pathology has lost speed. Medicare Part B carrier spending on CPT 88361 (digital pathology for quantitative IHC) increased by only 4% to \$18.9 million in 2010. CPT 88361 is used to bill Medicare for the reading of digital HER2, ER and PR slides from a computer monitor. *Continued on page 2.*

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