

LABORATORY ECONOMICS

Competitive Market Analysis For Laboratory Management Decision Makers

FINAL MEDICARE NLAs FOR MOST MDx TESTS LOOK REASONABLE

On September 30, CMS released the long-awaited “final” 2014 National Limitation Amounts for 65 molecular tests described by Tier 1 codes. The NLA amounts for 25 higher-volume codes are, on a weighted-average basis, 14% below the payment levels labs had received under the old code-stack method of billing. The median price change is -16%. However, this is actually an improvement from the initial gap-fill rates proposed by Medicare contractors earlier this year, which were priced an average of 25% to 30% below the old code-stack rates used in 2012.

Continued on pp. 3-4.

QUEST OFFERS NEW BRCA TEST AT 25% DISCOUNT

Quest Diagnostics has begun marketing a genetic screening test for breast cancer under the brand name BRCAVantage. The test puts Quest in direct competition with Myriad Genetics’ BRCAAnalysis test. Quest is offering its test at a list price of \$2,500, which is 25% below Myriad’s list price of \$3,340. In addition, LabCorp has announced plans to launch its own BRCA test by year’s end.

Full details on page 10.

FOUNDATION MEDICINE RAISES \$110 MILLION FROM IPO

Cancer diagnostic company Foundation Medicine (Cambridge, MA) has completed an initial public offering (IPO) of 6.772 million shares of common stock at \$18 per share. Foundation will receive net proceeds of approximately \$110 million after deducting investment bank commissions and other expenses. Goldman Sachs and J.P. Morgan Securities were the IPO’s lead underwriters. On its first day of trading on the Nasdaq, Foundation shares jumped 96% to \$35.35 per share for a market valuation of nearly \$1 billion. This valuation is equal to roughly 45 times the company’s current annualized revenue of \$22 million per year. In comparison, Quest Diagnostics and LabCorp each currently trade at approximately 1.5 times their annual revenue.

Continued on page 2.

CONTENTS

HEADLINE NEWS

Final NLAs for MDx tests look reasonable 1, 3-4
 Quest offers new BRCA test as discount..... 1, 10
 Foundation Medicine raises \$110 million from IPO 1-2

MOLECULAR DIAGNOSTICS

MDx test code stacks vs. final Medicare NLAs..... 4

MEDICARE

How would OPps bundling proposal change outpatient lab test reimbursement? 5-6
 The fastest-growing lab tests: MDx, drugs and Vitamin D 7-8
 CLFS repricing proposal would hit labs faster than you think 11

MERGERS & ACQUISITIONS

Quest buys ConVerge Diagnostics..... 9

FINANCIAL

CardioDx seeks up to \$86M from IPO 9
 Quest 3Q revenue falls 2%..... 10
 LabCorp 3Q revenue up 3% 11
 Lab stocks up 16% YTD..... 12
 LabCorp surpasses Quest in market cap 12

SAVE THE DATE!

PATHOLOGY INSTITUTE 2014
 FEB. 28-MARCH 1 • ORLANDO, FL

To GET THE FULL ISSUE: *Subscribe to Laboratory Economics!*

Laboratory Economics is a monthly business newsletter that gets behind the headlines and press releases to provide you with the strategic information and data you need to compete and win. Our editors talk directly to the people making the news, providing you with a first-hand view on lab marketplace developments. Subscribe today and you will immediately receive a PDF file of the current issue. Then every month you'll receive 12 pages filled with clear analysis and valuable business strategies that will help your lab become more successful.

Win Big with the Most Current News & Information:

- Keep up-to-date on the latest pathology and lab contract changes by Aetna, Cigna, Humana, UnitedHealth and the biggest BCBS plans
- Stay informed on the latest strategic moves by the nation's two largest labs: Quest Diagnostics and LabCorp
- Find out the latest specialty physician groups to insource pathology services and how pathology groups are dealing with this alarming trend
- Get in-depth profiles of the nation's most successful hospital lab outreach programs
- Learn the clinical and business details behind exciting new molecular diagnostics
- Get benchmarking data and strategies you can use to improve your lab's billing and collection operations
- Hear expert opinion on emerging lab trends through exclusive interviews with the lab industry's movers and shakers
- Get statistics from our proprietary surveys on Web-connectivity, molecular diagnostics and hospital lab outreach

Special Bonus: New subscribers will receive the current issue free of charge.

That's 13 issues for the price of 12!

100% Satisfaction Guaranteed! If at anytime you become dissatisfied with your subscription to *Laboratory Economics*, drop me an e-mail and I'll send you a refund for all unmailed issues of your subscription, no questions asked. Jondavid Klipp, labreporter@aol.com



Subscribe to *Laboratory Economics*

YES! Please enter my subscription to *Laboratory Economics* at \$375 for one year. Subscription includes 12 monthly issues sent both electronically and by regular mail plus access to all back issues at www.laboratoryeconomics.com/archive.

Check enclosed
(payable to *Laboratory Economics*)

Charge my: MC Amex Visa (circle one)

Name _____

Card # _____

Title _____

Expiration Date _____

Company _____

Cardholder's name _____

Mailing Address _____

Signature _____

City, State, Zip _____

Billing address _____

Phone _____

Fax _____

e-mail address (necessary to receive electronic copies) _____

Mail To: *Laboratory Economics*, 195 Kingwood Park, Poughkeepsie, NY 12601;
Fax order to 845-463-0470; or call 845-463-0080 to order via credit card.