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LABORATORY ECONOMICS

Competitive Market Analysis For Laboratory Management Decision Makers

Proposed Medicare PFS Hikes Rates by ~1%

Global rates for high-volume surgical pathology services (e.g., CPT 88305, 88307, 88341, 88342, etc.) will be raised by an average of approximately 0.8% next year under the Proposed Medicare Physician Fee Schedule (MPFS) for 2026 (released on July 14, 2025). The Proposed MPFS is subject to a 60-day comment period. Final Medicare rates for 2026 will be announced in early November.
Details on pages 4-5.

PAMA-Fix Bill Expected in Early September

An early start to summer recess for Congress thwarted the potential for introduction of a PAMA-fix bill in July. ACLA President Susan Van Meter is now anticipating that PAMA-reform advocates in the House and Senate will introduce bills after Congress returns in early September. The hope is that PAMA-reform language can be attached to a larger healthcare bill this fall.

Should there be no progress here by October, the lab industry is likely to push for another one-year delay, or even a six-month delay.

Without new legislation, Medicare CLFS rate cuts for nearly 800 lab tests will take effect on January 1, 2026. In addition, independent labs, hospitals and large POLs will be required to report their private-payer volume and payment data for 1,447 lab test codes by March 31, 2026. CMS will use this data to determine Medicare CLFS rates for 2027-2029.

Labcorp to Buy Community Health Systems Outreach Lab Assets for $195 Million

Community Health Systems (Franklin, TN) has agreed to sell select clinical lab outreach assets to Labcorp for $195 million in cash. The deal is expected to close in the fourth quarter. Under the agreement, Labcorp is acquiring certain patient service centers and in-office phlebotomy locations across 13 states, while CHS will continue to operate its inpatient and emergency department labs. CHS will also send the majority of its reference testing needs to Labcorp at more favorable rates for CHS.
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LABCORP TO BUY CHS OUTREACH LAB ASSETS (*cont'd from page 1*)

CHS is one of the largest health systems in the United States. It operates 70 hospitals with 9,641 staffed beds predominantly in the Southeast. CHS's largest hospitals include Grandview Medical Center (431 beds/Birmingham, AL), Lutheran Hospital (353 beds/Fort Wayne, IN) and Northwest Medical Center (340 beds/Springdale, AR).

"Our outpatient reference lab business is something that was not a core competency. And I actually believe that by completing this deal with Labcorp, we're going to provide a better experience for our physicians and also potentially get some savings to the company," said Kevin Hammons, President and Chief Financial Officer, Community Health Systems, on a July 24 conference call with analysts.

Regarding the profitability of CHS's outreach lab business, Hammons said, We don't have an exact measure because it wasn't a business that [was run] separately.…There may have been some marginal EBITDA generation from that, relatively small.…Getting some cash up front and providing a much better experience for our physicians will be much more beneficial to our practices and ultimately to our EBITDA going forward."

Hammons added, "We really have now an opportunity to partner with Labcorp on this and bring just a better solution with their technology, and they'll be able to deliver those services at a cost cheaper than we could provide them ourselves."

The sale to Labcorp does not include CHS's anatomic pathology services.

CHS's largest clinical outreach lab is based at Grandview Medical Center with estimated annual revenue of $10 million. *Laboratory Economics* estimates that CHS's total clinical lab outreach business generates revenue of roughly $96 million per year (in the hands of Labcorp after fee schedule adjustments). Thus Labcorp is paying a multiple of roughly 2x for acquired lab outreach revenue ($195M/$96M = 2x).

Community Health Outreach Lab Stats

Hospital Name	*Location*	*Total Staffed Beds*	*Total Medicare CLFS Payments for 2023*	*Total Est*
Grandview Medical Center	Birmingham, AL	431	$1,132,016	$10,188,144
Physicians Regional Medical Center	Naples, FL	337	952,530	8,572,770
Crestwood Medical Center	Huntsville, AL	164	807,336	7,266,024
Laredo Medical Center	Laredo, TX	314	437,171	3,934,539
MountainView Regional Medical Center	Las Cruces, NM	166	432,593	3,893,337
Mat-Su Regional Medical Center	Palmer, AK	125	404,370	3,639,330
Santa Rosa Medical Center	Milton, FL	86	328,284	2,954,556
North Okaloosa Medical Center	Crestview, FL	110	325,296	2,927,664
Lutheran Kosciusko Hospital	Warsaw, IN	72	318,486	2,866,374
Northwest Medical Center	Springdale, AR	340	314,874	2,833,866
Total for Top 10		2,145	5,452,956	49,076,604
Grand Total All CHS Hospitals		**9,641**	**$10,703,287**	**$96,329,583**

*Estimated revenue acquired by Labcorp after fee schedule adjustments

Source: CMS Hospital OPPS files and *LE* estimates

Financial Turnaround at CHS

CHS's planned sale of its outreach lab assets comes as the publicly traded hospital chain is undergoing a financial turnaround.

CHS reported a net loss of $516 million on revenue of $12.6 billion for full-year 2024.

In the six months ended June 30, 2025, CHS recorded net income of $269 million on revenue of $6.3 billion. CHS had $11 billion of total debt outstanding as of June 30, 2025—requiring interest payments of more than $800 million per year.

Over the past 12 months, CHS has divested eight hospitals, including Merit Health Biloxi (153 beds/Biloxi, MS), ShorePoint Health (254 beds/Port Charlotte, FL), ShorePoint Health (208 beds/ Punta Gorda, FL), Lake Norman Regional Medical Center (123 beds/Mooresville, NC), Merit Health Madison (67 beds/Canton, MS), Cedar Park Regional Medical Center (126 beds/ Cedar Park, TX), Tennova Healthcare (351 beds/Cleveland, OH) and Davis Regional Medical Center (144 beds/Statesville, NC).

CHS Chief Executive Tim Hingtgen recently announced plans to retire effective September 30. CFO Hammons will become interim CEO upon Hingtgen's departure.

Recent Hospital Lab Outreach Acquisitions

Over the past three years, Labcorp and Quest Diagnostics have spent more than $2 billion to make 18 hospital outreach lab acquisitions. The biggest deals have included Labcorp's $424 million purchase of the outreach lab business at Ascension Health and Quest's $275 million deal with NewYork-Presbyterian.

CHS was advised by Advanced Strategic Partners (ASP-Sunny Isles Beach, FL) on its outreach lab asset sale to Labcorp. McDonald Hopkins (Cleveland, OH) provided legal services to CHS.

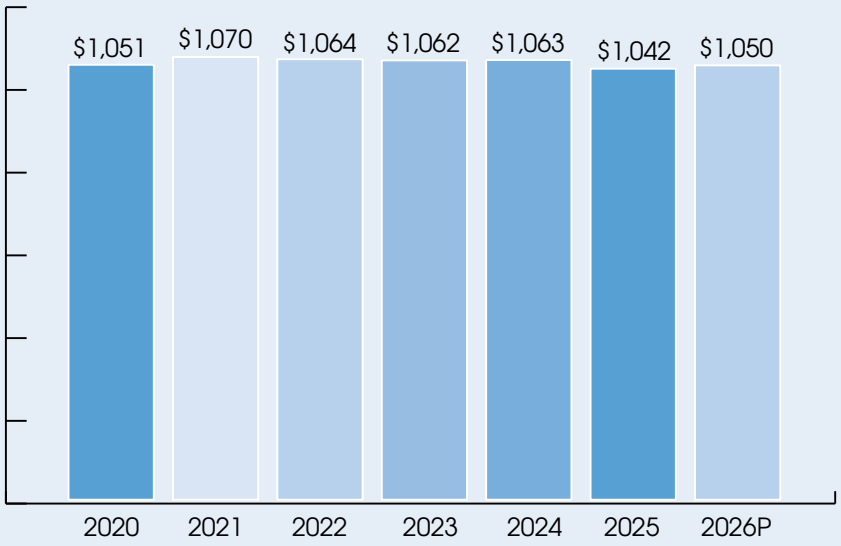
Date	*Buyer*	*Hospital Outreach Lab*	*Purchase Price ($ millions)*
Pending	Labcorp	Community Health Systems outreach labs (Franklin, TN)	$195
May-25	Labcorp	North Mississippi Health Services outreach labs (Tupelo, MS)	NA
Dec-24	Labcorp	Ballad Health outreach lab (Johnson City, TN)	NA
Dec-24	Quest Diagnostics	University Hospitals outreach lab (Cleveland, OH)	183
Oct-24	Quest Diagnostics	OhioHealth outreach lab (Columbus, OH)	200
Sep-24	Quest Diagnostics	Allina Health outreach lab (Minneapolis, MN)	230
Apr-24	Labcorp	Baystate Health outreach lab (Springfield, MA)	121
Apr-24	Labcorp	Providence California Medical Group Labs (Northern California)	55
Jan-24	Quest Diagnostics	Steward Health Care outreach labs in OH and PA	NA
Nov-23	Labcorp	Legacy Health outreach lab (Portland, OR)	108
Sep-23	Labcorp	Tufts Medicine outreach lab (Boston, MA)	157
Jun-23	Labcorp	Providence Health Oregon outreach lab (Portland, OR)	110
May-23	Labcorp	Jefferson Health outreach labs (Philadelphia, PA)	110
Apr-23	Quest Diagnostics	NewYork-Presbyterian outreach lab (New York City)	275
Mar-23	Quest Diagnostics	Northern Light Health outreach lab (Bangor, ME)	31
Nov-22	Quest Diagnostics	Summa Health LabCare Plus (Akron, OH)	38
Oct-22	Labcorp	Ascension Health outreach labs (St Louis, MO)	424
Aug-22	Labcorp	RWJBarnabas Health outreach labs (New Jersey)	NA
Total			**$2,042**

Source: *Laboratory Economics*

PROPOSED MEDICARE PFS HIKES PATHOLOGY RATES BY ~1% (*cont'd from page 1*)
The ~1% increase is related to an adjustment to the conversion factor (CF) for 2026. The CF, the dollar multiplier used to convert adjusted relative value units into payment amounts for all physician services, is proposed to be 33.42 in 2026, or 3.3% higher than the 32.35 CF for 2025. The 3.3% CF hike reflects a permanent 0.25% update, a temporary 2.5% update and a 0.55% budget-neutrality adjustment.

Proposed 2026 rates for pathology services (professional and technical) are only rising by approximately 0.8% because of a negative 2.5% efficiency adjustment to work relative value units (RVUs) for radiology, pathology and most surgical specialties.

Pathology Services Composite Medicare Pricing Index*



*Comprised of a weighted mix of Medicare rates for 10 pathology services (CPT 88305 (5x), 88307 (1/2x) plus 1 unit each of 88342, 88341, 88312, 88313, 88331, 88175, 84153 and 88185-TC)

Source: *Laboratory Economics*

Over the past six years (2020 thru proposed 2026), Medicare rates for pathology services have remained flat, according to *Laboratory Economics'* Pathology Services Composite Medicare Pricing Index (see graph). The College of American Pathologists has argued that reimbursement rates have not kept pace with inflation. For example, the Medicare Economic Index (MEI), which measures physician practice cost inflation, rose by a cumulative 22% between 2020 and 2025. Recent efforts to get new legislation passed that would provide annual inflation updates to the conversion factor were unsuccessful (see *LE*, June 2025).

Surgical Pathology-CPT 88305 & G0416
The global rate for CPT 88305—the highest volume pathology code—is proposed to rise by 0.9% to $70.18 in 2026. The professional rate for 88305 will increase by 0.5% to $35.09, while the technical component will increase by 1.4% to $35.09.

Global reimbursement for HCPCS code G0416 (prostate needle biopsy) is proposed to rise by 1.1% to $358.27in 2026. The professional rate for G0416 will increase by 0.3% to $167.44, while the technical component will increase by 1.7% to $190.83.

Immunohistochemistry
The global rate for CPT 88342 (IHC, first stain procedure) is proposed to climb by 1.5% to $110.62; professional interpretation up 0.2% to $32.75; technical component up 2% to $77.87.

The global rate for CPT 88341 (IHC, additional slide) is set to increase by 1.2% to $94.58; professional interpretation up 0.8% to $26.74; technical component up 1.3% to $67.84.

Proposed Medicare Rate Changes for Key Pathology Codes for 2026

CPT Code	Short Description	Proposed 2026*	Final	Proposed Rate
88304-Global	Level III, tissue exam by pathologist	$41.11	$41.4	-0.7%
88304-26	Level III, tissue exam by pathologist	10.36	10.67	-2.9%
88304-TC	Level III, tissue exam by pathologist	30.75	30.73	0.1%
88305-Global	Tissue exam by pathologist	70.18	69.54	0.9%
88305-26	Tissue exam by pathologist	35.09	34.93	0.5%
88305-TC	Tissue exam by pathologist	35.09	34.61	1.4%
88307-Global	Level V, tissue exam by pathologist	279.06	278.18	0.3%
88307-26	Level V, tissue exam by pathologist	76.87	76.66	0.3%
88307-TC	Level V, tissue exam by pathologist	202.20	201.52	0.3%
88309-Global	Level VI, tissue exam by pathologist	414.08	415.33	-0.3%
88309-26	Level VI, tissue exam by pathologist	134.69	135.21	-0.4%
88309-TC	Level VI, tissue exam by pathologist	279.4	280.12	-0.3%
88311-Global	Decalcify tissue	19.72	19.73	-0.1%
88311-26	Decalcify tissue	11.36	11.64	-2.4%
88311-TC	Decalcify tissue	8.36	8.09	3.3%
88312-Global	Special stains, group 1	109.95	108.36	1.5%
88312-26	Special stains, group 1	25.07	24.91	0.6%
88312-TC	Special stains, group 1	84.89	83.45	1.7%
88313-Global	Special stains; group 2	81.21	79.57	2.1%
88313-26	Special stains; group 2	11.36	11.32	0.4%
88313-TC	Special stains; group 2	69.85	68.25	2.3%
88331-Global	Pathology consult during surgery	97.59	97.69	-0.1%
88331-26	Pathology consult during surgery	57.82	58.22	-0.7%
88331-TC	Pathology consult during surgery	39.77	39.46	0.8%
88341-Global	Immunohistochemistry (Add'l stain)	94.58	93.48	1.2%
88341-26	Immunohistochemistry (Add'l stain)	26.74	26.52	0.8%
88341-TC	Immunohistochemistry (Add'l stain)	67.84	66.96	1.3%
88342-Global	Immunohistochemistry (1st stain)	110.62	109.01	1.5%
88342-26	Immunohistochemistry (1st stain)	32.75	32.67	0.2%
88342-TC	Immunohistochemistry (1st stain)	77.87	76.34	2.0%
G0416-Global	Prostate biopsy, any method	358.27	354.52	1.1%
G0416-26	Prostate biopsy, any method	167.44	166.91	0.3%
G0416-TC	Prostate biopsy, any method	190.83	187.61	1.7%

Note: Rates presented in table are national non-facility rates (unadjusted for geographic locations)
*Payments based on proposed non-qualifying APM conversion factor for CY2026 of 33.4209
**Payments based on final conversion factor of 32.3465 for CY2025
Source: *Laboratory Economics* from CMS and College of American Pathologists

How Boston Children's Hospital Developed Its Internship Program

John Baci

The anatomic pathology department at Boston Children's Hospital (BCH-460 beds) has developed a long-running internship program that is now being rolled out as a model for other labs to attract high school and college students to the field of pathology and laboratory medicine. Below we summarize our interview with the program's founder, John Baci, Senior Director of Foundation Financial Operations & Strategic Planning at BCH's Department of Pathology.

Can you describe the BCH Pathology Department?
We have about 200 employees and affiliated personnel, including medical staff employed by the Children's Hospital Pathology Foundation for professional services. Our exclusively pediatric case load is comprised of low-volume high-acuity surgical pathology specimens spread across a wide variety of subspecialties.

How did your internship program start?
Like most pathology departments, BCH has had to contend with ever increasing shortages of laboratory technicians including histotechnologists, pathology technicians, molecular technicians and pathologists' assistants. Back in 2010, I noticed that there were a lot of internship opportunities for high school and college students in the immediate Boston area. However, there was little or no outreach to students in distant suburban and rural parts of Central Massachusetts where I live.

I reached out to the head of the science department at my daughter's high school (Nipmuc High School—40 miles west of Boston) and eventually arranged a one-day field trip and tour of BCH and our pathology department. Sixteen students and a school chaperone took part in this inaugural event.

The next spring in 2011, the Nipmuc High School Science Director called me in response to students inquiring about the possibility of a summer pathology internship program. Our first BCH internship program took 10 high school juniors who were interested in biology, chemistry or medical school. It lasted two weeks and ran from 9:30 am to 3:00 pm daily.

Originally, interns helped with a wide variety of clerical and administrative and basic technical tasks including filing, housekeeping, archiving, laboratory organization, and inventory relabeling. However, over time and as laboratories have become more automated, intern responsibilities have also expanded to include advanced activities such as database support, e-policy organization, digital slide scanning, archiving, bio/tissue bank accessioning.

Importantly and above these laboratory duties, our program provides enrichment experiences through department didactic lectures, participation in hospital tumor boards and conferences, and direct observation to students so they gain an understanding of different career options available to them and the requirements to pursue them.

Where does your internship program stand today?
We currently hire an average of 4-5 high school and college interns for one month each summer. We primarily draw from a variety of high schools and college students affiliated with our hospital COACH Program (Community, Opportunities, & Advancement at Boston Children's Hospital).

Currently, interns are paid $19 hourly for high school students and $21 hourly for college students. Interns also periodically get support for other hospital amenities, when possible, along with lots of college recommendation letters.

Over the past 14 years, approximately 70 students have gone through our internship program. More than 20 of these interns have graduated college and been hired as BCH pathology employees in some capacity, including a pediatrician, numerous pathologists' assistants, histotechnologists, laboratory technicians and even administrative personnel. The BCH Pathology Executive Director, Latisha Rider, MBA (who also has both a PA(ASCP) and HT(ASCP) laboratory foundation) is an outstanding career mentor and is helping to incorporate interns into state-of-the-art laboratory experiences.

Describe your work with ASCP.
The Boston Children's Hospital internship program has been selected by the American Society for Clinical Pathology to serve as a template for their new ASCP Internship Academy. I am quite honored to be named as the Director of this new venture.

While nationally accredited laboratory training programs graduate approximately 8,000 students per year, the laboratory industry needs 24,000 laboratory professionals annually. The ASCP hopes that this new program will help develop a national pipeline of future employment for technical and administrative laboratory positions and direct support to local high schools, colleges and STEM educators.

The ASCP Internship Academy includes the necessary documentation, template materials, coaching sessions and guidance necessary to support labs who are interested in starting their own internship program. This program is being offered at minimal cost ($199) and being formally launched at the next ASCP Annual Meeting, November 17-20, in Atlanta.

Finally, I'd emphasize the need for laboratory directors and administrators to consider proactively recruiting new laboratory professionals. Don't rely solely on your hospital's human resources department. Contact your local high schools, community colleges and universities. They will never say "no."

For more information about the ASCP Internship Academy, go to https://form.jotform.com/251704367603051.

Evident to Acquire Pramana

Evident Corp. (Tokyo, Japan) has agreed to acquire Pramana Inc. (Cambridge, MA), a manufacturer of digital pathology slide scanners, for an undisclosed amount.

Evident, formerly known as the Scientific Solutions Division of Olympus Corp., manufactures microscopes and slide scanners. Evident was purchased by Bain Capital Private Equity for $3.1 billion in 2023.

Pramana entered the U.S. market in 2022 with a unique charge-by-the-slide service model. The company's SpectraHT four-scanner system includes a robotic arm for automated slide handling. Pramana has an estimated 60 systems (clusters of 4) installed in the United States. Clients include ARUP Laboratories, Caris Life Sciences, Intermountain Health, Spectrum Healthcare Partners and Vanderbilt University Medical Center.

Quest Diagnostics Mid-Year 2025 Review

Quest Diagnostics (Secaucus, NJ) reported net income of $502 million for the six months ended June 30, 2025, up 19% from $423 million in the same period for 2024. Overall, Quest's reported half-year revenue increased by 14% to $5.413 billion. Quest's first-half requisition volume was up 14.3% to an estimated 120 million reqs, including 13% growth from acquisitions. Revenue per requisition was flat at an estimated $43.98 per req. Here's a summary of some key topics discussed during the company's July 22 conference call with analysts:

One Big Beautiful Bill Act

Quest CEO Jim Davis noted that the U.S. healthcare system spending is about $5 trillion a year. Over the next ten years, assuming 5% inflation, that will amount to a total of $62 trillion. "What the One Big Beautiful Bill Act is taking out is $1 trillion. So less than right around 1.5%."

Davis said the new law will have no effect on Medicaid test volumes in 2026 and very little impact in 2027, given the timing of the changes.

The more immediate impact will be on membership losses in Affordable Care Act health insurance exchanges (HIX), according to Davis. About 4-5% of Quest's revenue is tied to HIX enrollment. Davis believes that 65-70% of affected HIX enrollees will either absorb higher premiums or look for other alternatives (e.g., convert to employer insurance plans). In the worst-case scenario, Davis said the changes will result in less than a 0.4% loss of test volume (or roughly $50 million of revenue) for Quest in 2026.

Tariffs

Quest purchases $2 billion per year on reagents, supplies and equipment with 80% of that coming from U.S.-based manufacturers. Less than 1% is from Chinese manufacturers (primarily gowns, gloves, masks, tubes, etc.) and the other 19% comes from the big traditional IVD companies in Europe. Davis said that Quest is looking for opportunities to move some imported supplies to U.S.-based manufacturers. In addition, Davis said that 80% of Quest's supplies are under long-term contracts (4-5 years), which will also provide some protection from price increases.

PAMA-Fix Bill

Davis said that Quest will lose $100 million of revenue in 2026 if the scheduled PAMA rate cuts to the Medicare CLFS take effect on January 1. Quest will seek to offset part of this potential revenue loss through cost cutting.

Employee Turnover

Employee turnover at Quest has been lowered to approximately 15%, or nearly the same pre-pandemic level of 14%. Annual employee turnover had reached as high as 20-25% in 2023. Wage expenses at Quest are expected to grow by an average 3-4% this year.

Quest Diagnostics Mid-Year Financial Summary ($ millions)

Six months ended:	*6/30/2025*	*6/30/2024*	*% Chg*
Total revenue	$5,413	$4,763	13.7%
Laboratory testing revenue	5,288	4,631	14.2%
Other revenue	125	132	-5.3%
Operating cash flow	858	514	67.1%
Capital expenditures	225	196	14.4%
Free cash flow	633	318	99.1%
Net income	502	423	18.7%
Diluted EPS	$4.41	$3.75	17.6%
Est'd number of requisitions	120	105	14.3%
Est'd revenue per requisition	$43.98	$43.98	0.0%

*Other revenue includes life insurance testing and health information technology services (e.g., electronic health records, practice management and revenue cycle management)
Source: Quest Diagnostics and *Laboratory Economics'* estimates

The SurgiVance Direct-to-Digital Pathology System

The evolution toward digital pathology has been slowly gaining ground for more than 20 years. The transition would be much quicker if tissue specimens could skip the slide-prep step and be directly digitized. Several companies (e.g., Leica Viventis Deep, Muse Microscopy, Zeiss and Alpenglow, etc.) are developing slide-free, direct-to-digital tissue imaging systems. Below we summarized our interview with Dan Gareau, PhD, founder and President of SurgiVance Inc. (New York City), which is preparing to bring to market its unique direct-to-digital pathology system.

Dan Gareau, PhD

Where was the technology behind SurgiVance developed?
Around 2014-2015, I was pursuing a graduate degree in clinical and translational research from Rockefeller University. I connected the potential for using multimodal confocal microscopy to create digitized images of uncut tissue specimens with no need to prepare glass microscope slides to the unmet need for "instant" pathology.

The go decision for SurgiVance came when I put together a skeleton of the tech stack that would enable translation/adoption by practicing pathologists. It includes components that were already in place like the multimodality I invented at Memorial Sloan Kettering around 2007 and a line-scanning hardware design I invented in 2011. Other components would have followed, like the tissue cassette and staining apparatus before the technology would be ready for the ultimate user experience that we're now finalizing for market delivery.

After developing 12 different prototypes over the past 10 years, we should have our first ISO-compliant medical device ready soon. And we're hoping to submit an application to the FDA by the end of next year.

What will be the first clinical application?
Our initial target market will be rapid margin screening for Mohs surgery—a surgical technique used to remove skin cancer while preserving as much healthy tissue as possible. There are approximately 1,500 Mohs surgeons practicing at 2,000 surgery centers in the United States. They perform an estimated 600,000 surgeries per year. Currently, Mohs surgery requires confirmation via the analysis of frozen-section slides to guide tissue excisions and confirm cancer-free margins.at conclusion.

Can you describe the SurgiVance process?
A Mohs surgeon cuts a tissue specimen and dips it in acridine orange stain for 10 seconds. The specimen is then placed into a disposable 2 in. by 2 in. plastic cassette and loaded into the SurgiVance desktop confocal microscope (8 in. wide x 15 in. deep x 20 in. tall). Our microscope uses solid state line scanning to produce a digital image at an area scan rate of 3 mm^2/second so a typical 5-by-10mm sample gets scanned in 17 seconds. We expect the total time for tissue processing, scanning and image processing to be less than 60 seconds, as compared with an average of roughly 30 minutes for a histotech to produce a traditional frozen-section slide. As a result, SurgiVance has the potential to cut the time to complete a 5-stage Mohs surgery by more than half. It also lowers the likelihood of introducing artifacts to the specimen and the potential for specimen mixups.

How big are the magnified digital images provided by the SurgiVance confocal microscope?
The current resolution is 1 micron (µm) and we have plans to push down to the limit of "in air" (non-immersion) imaging, which is 0.25 µm. The field of view is as big as you need, presuming you have the time to wait on the 3 mm^2/second scan rate.

Can SurgiVance potentially be used for primary clinical diagnostics?
Yes, likely. After Mohs, we plan to expand into primary dermatology analysis next and then for all tissue-based pathology, including urology, gastrointestinal, breast, lung, etc.

How much money has SurgiVance raised to date?
A total of $5 million from Small Business Innovation Research (SBIR) grants from the federal government. This includes a $2.2 million SBIR grant recently awarded by the National Cancer Institute. We also have a SAFE (Simple Agreement for Future Equity) currently open to private investors for up to $1.5 million and it's $350,000 full at this time.

Labcorp Mid-Year 2025 Review

Labcorp (Burlington, NC) reported net income of $450.7 million for the six months ended June 30, 2025, up 4% from $433.3 million in the same period for 2024. Overall, Labcorp's reported half-year revenue grew by 7.4% to $6.872 billion.

Looking specifically at Labcorp's lab testing business, revenue increased by 7.5% to $5.378 billion, including approximately 4.7% gained from acquisitions. On July 24, the company held a conference call with analysts and investors to discuss its mid-year results. Here's a summary of some key topics discussed:

PAMA Medicare CLFS Rate Cuts

CEO Adam Schechter stated, "If PAMA does come next year, it'll be about a $100 million impact, top and bottom line, of which we've worked hard to offset as much of that as we possibly could through things like Launchpad [cost-cutting plan] and even going further than what we've done with Launchpad….We'll do everything we can to either change the legislation, delay, or offset as much as we can."

One Big Beautiful Bill Act

No major changes are expected for Medicaid until 2028. Meanwhile, Schechter said that changes to healthcare insurance exchanges and the expiration of the tax credits could lead to a 0.3% loss in volume for Labcorp in 2026. "I don't think it's very likely in the United States that you'll have a very big group of people automatically become uninsured in a specific period of time," said Schechter. "These legislative changes are manageable when you look at the impact net-net."

Volume Growth

Labcorp reported volume growth of 4% for the six months ended June 30, 2025. Specialty areas of oncology, neurology, autoimmune, and women's health are "growing three to four times faster than the overall diagnostic market," according to Schechter.

Managed Care Contracts

"Our managed care contracts typically vary in length anywhere from three years to five years. So each year, we're renewing maybe 20-25% of our contracts. We continue to see unit price relatively flat, which is a good place to be. I'm confident that we've got the renewals that we need for this year. They're reasonable terms and reasonable rates."

Labcorp Mid-Year Financial Summary ($ millions)

Six months ended:	*6/30/2025*	*6/30/2024*	*% Chg*
Total revenue	$6,872.4	$6,397.5	7.4%
LabCorp Diagnostics	5,378.4	5,004.6	7.5%
Biopharma Lab Services	1,506.1	1,417.9	6.2%
Operating cash flow	639.1	531.3	20.3%
Capital expenditures	203.9	262.0	-22.2%
Free cash flow	435.2	269.3	61.6%
Net income	450.7	433.3	4.0%
Diluted EPS	$5.36	$5.13	4.5%
Est'd number of requisitions	96.7	93.0	4.0%
Est'd revenue per requisition	$58.61	$56.63	3.5%

Source: Labcorp and *Laboratory Economics'* estimates

Acquisitions

Labcorp disclosed that it paid $63.5 million for acquisitions completed in the six months ended June 30, 2025. Labcorp completed its acquisition of North Mississippi Health Services' clinical laboratory outreach business in April and acquired Incyte Diagnostics' clinical and anatomic pathology labs in May.

Ruling in EKRA Provides Some Clarity on Payments to Lab Marketers

A recent ruling in an Eliminating Kickbacks and Recovery Act (EKRA) case provides some clarity regarding payments to marketing agents. On July 11th, 2025, the 9th Circuit Court of Appeals (San Francisco) ruled that paying a marketer, even on a commission-based formula, is not itself a violation of EKRA.

The court affirmed the conviction of Mark Schena, a laboratory operator, for violating EKRA. Schena was President of Arrayit Corp. (Sunnyvale, CA), a publicly traded company that had specialized in Covid-19 and allergy testing. Schena hired independent contractors as marketers on a revenue-based percentage compensation plan to pitch Arrayit's services. During the Covid-19 pandemic, the government alleged that Schena instructed marketers to promote Arrayit's finger-stick Covid antibody test as equal or superior to PCR tests. In addition, even if a patient only requested a Covid test, Arrayit would often bundle and bill for allergy testing. The company billed Medicare and other insurers $77 million for such testing between 2018 and 2020.


Charles Dunham

Schena was charged with several counts, including conspiracy to violate EKRA. He was sentenced to 96 months in prison and ordered to pay $24 million in restitution to defrauded investors and insurance companies. Schena had moved to dismiss the EKRA counts, arguing that he did not violate EKRA based on case law precedent. The district court denied the motion, and the Ninth Circuit affirmed it.

In *United States v. Schena*, the court of appeals addressed two main issues: whether EKRA applies to payments made to marketing agents and what it means to "induce a referral" in the context of that type of payment relationship, according to Charles Dunham, an attorney with Greenberg Traurig (Houston).

The court clarified that EKRA applies to payments made to marketing intermediaries, even if they don't directly interact with patients, but that such payments are not per se illegal even if based on a percentage of revenue.

On the issue of what it means to "induce a referral" under EKRA, the court recognized that "[all] marketing efforts are intended to influence the recipient" and, therefore, creates a novel "undue influence" test for EKRA, according to the ruling.

"The court noted that it's not the mere causation of a referral that is of concern, but the wrongful or undue causation of referrals that are the problem," says Dunham, noting that the court essentially is relying on the same standards used by other federal courts under the federal Anti-Kickback Statute (AKS).

While percentage-based payments to marketers are not per se illegal under EKRA, they become unlawful when tied to fraudulent or misleading efforts to induce referrals, the court said.

In Schena, the court concluded that undue influence was present because the marketers were shown to have engaged in "deceitful conduct … through false or fraudulent representations about the covered [test] services" and instructed to "mislead those making the referrals about the nature of and need for the covered [test] services," according to the ruling.

However, Dunham says that the court failed to define a clear line of what is "undue" or "wrongful" influence, as compared to permissible influence by a marketer, in the context of EKRA. He notes that the court states: "[f]uture cases will be needed to give content to the specific circumstances in which payments to a marketing agent reflect a wrongful effort to unduly influence the decisions of doctors and medical professionals making referrals."

Lab Stocks Down 2% YTD

Twenty-five lab stocks are down an unweighted average of 2% year to date through August 8. In comparison, the S&P 500 Index is up 9%. Exagen has jumped 124%, Adaptive Biotechnologies is up 104%, and Tempus AI is up 80%. Quest Diagnostics is up 17% and Labcorp is up 16%.

Company (ticker)	Stock Price 8/8/25	Stock Price 12/31/24	2025 Price Change	Enterprise Value ($ millions)	Revenue for Trailing 12 mos. ($ millions)	Enterprise Value/ Revenue
Exagen (XGN)	$9.20	$4.10	124%	$193	$59	3.3
Adaptive Biotechnologies (ADPT)	12.20	6.00	104%	1,910	205	9.3
Tempus AI (TEM)	60.87	33.76	80%	10,810	803	13.5
Guardant Health (GH)	54.23	30.55	78%	7,100	829	8.6
GeneDx (WGS)	105.13	76.86	37%	3,020	362.3	8.3
Caris Life Sciences (CAI)	28.04	21.00	34%	10,580	453	23.4
23andMe (MEHCQ)	4.00	3.25	23%	82	175	0.5
Quest Diagnostics (DGX)	176.96	150.86	17%	25,670	10,522	2.4
Labcorp (LH)	265.85	229.32	16%	27,580	13,483	2.0
Insight Molecular/Oncocyte (IMDX)	2.57	2.38	8%	48	4	12.5
Sonic Healthcare (SHL.AX)*	27.66	27.01	2%	17,930	9,330	1.9
Fulgent Genetics (FLGT)	18.53	18.47	0%	-150	303	NA
Natera (NTRA)	151.95	158.30	-4%	18,430	1,831	10.1
Opko Health (OPK)	1.25	1.47	-15%	1,100	664	1.7
Personalis (PSNL)	4.51	5.78	-22%	273	80	3.4
Exact Sciences (EXAS)	40.99	56.19	-27%	9,850	2,940	3.4
Castle Biosciences (CSTL)	19.36	26.65	-27%	331	346	1.0
Veracyte (VCYT)	27.37	39.60	-31%	1,900	479	4.0
CareDx (CDNA)	11.97	21.41	-44%	485	341	1.4
Myriad Genetics (MYGN)	6.32	13.71	-54%	648	833	0.8
ProPhase Labs (PRPH)	0.31	0.76	-59%	27	6	4.7
NeoGenomics (NEO)	5.80	16.48	-65%	992	689	1.4
Interpace Biosciences (IDXG)	0.85	2.70	-69%	7	48	0.1
Aspira Women's HIth (AWHL)	0.20	0.71	-72%	7	9	0.7
Biodesix (BDSX)	0.40	1.53	-74%	112	75	1.5
Totals & Averages			**-2%**	**$138,936**	**$44,869**	**3.1**

*Sonic Healthcare's figures are in Australian dollars

Source: *Laboratory Economics* from SeekingAlpha.com

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