

LABORATORY *e* ECONOMICS

Competitive Market Analysis For Laboratory Management Decision Makers

Quest Forms Joint Venture with Corewell in Michigan

After a nearly two-year competitive bid process, Corewell Health (Grand Rapids, MI) has selected Quest Diagnostics as partner to form a major new joint venture lab company named Diagnostic Lab of Michigan. Quest will own 51% and Corewell will own 49% of the new JV. The JV will be based at a new 100,000-square-foot laboratory that is being constructed on the Corewell Health Southfield Center campus (just north of Detroit).

Quest's David Betz will be VP & General Manager of Diagnostic Lab of Michigan. Betz was formerly Regional Finance Director for Quest's North Region and also CEO of Associated Clinical Laboratories (ACL), a Quest JV laboratory in northwest Pennsylvania.



David Betz Under a separate agreement, Quest will also manage Corewell's 21 state-wide inpatient and outpatient hospital labs. The combined JV and lab management agreements represent the biggest partnership ever between a commercial lab and health system, according to Quest's Michael Lukas, Vice President and General Manager, Professional Lab Services. *Full details on pages 4-5.*

New PAMA Reform Bill

Would Freeze CLFS Rates Through 2028

Abipartisan bill that would freeze Medicare Clinical Lab Fee Schedule (CLFS) rates for 2026-2028 and overhaul the way that future CLFS rates are determined was introduced on September 10.

The Reforming and Enhancing Sustainable Updates to Laboratory Testing Services (RESULTS) Act was proposed by Reps. Richard Hudson (R-NC), Gus Bilirakis (R-FL), Brian Fitzpatrick (R-PA) and Scott Peters (D-CA) in the House of Representatives. A Senate version has been introduced by Sens. Thom Tillis (R-NC) and Raphael Warnock (D-GA).

ACLA President Susan Van Meter says it's now critical for the entire lab industry to show support for the RESULTS Act by contacting members of the Senate Finance, House Ways & Means and especially the House Energy & Commerce committees. The goal is to get the RESULTS Act inserted into a broader healthcare package expected to be passed later this year.

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NEW PAMA REFORM BILL WOULD FREEZE CLFS RATES (*cont'd from page 1*)

ACLA has not finalized its estimate of what it thinks the RESULTS Act might cost. A critical factor to gaining passage is Congressional Budget Office (CBO) scoring. The understaffed CBO will need to be convinced that the RESULTS Act has a reasonable chance of passage before it devotes the time and resources to analyze its cost. A high-cost estimate from the CBO could doom passage into law.

Without new legislation, Medicare CLFS rate cuts of up to 15% for roughly 800 lab tests will take effect on January 1, 2026. In addition, independent labs, hospital outreach labs and large POLs will be required to report their private-payer volume and payment data from 2019 for approximately 1,500 lab test codes by March 31, 2026. CMS will use this data to determine Medicare CLFS rates for 2027-2029.

The RESULTS Act would:

- Freeze Medicare CLFS rates at current levels for 2026-2028.
- Medicare CLFS rates for 2029-2032 would be based on weighted median private payer rates from January 1 - June 30, 2027.
- Labs would no longer be required to report their private-payer payment data.
- Data would be supplied to CMS from a claims database (including at least 50 billion lab claims from >50 private payers) from an independent nonprofit entity (e.g., The FAIR Health Database).
- Rate cuts would be limited to 5% per year with no cap on rate increases.
- Private-payer payment data would be collected and analyzed every 4 years (instead of 3 years).
- Special reporting rules would apply to non-widely available lab test codes (100 or fewer labs perform) and for Advanced Diagnostic Lab Tests (ADLTs)

ACLA's Van Meter says that the RESULTS Act removes the reporting burden from labs and would help ensure that all lag segments are accurately represented [especially highly reimbursed hospital outreach labs]. Lobbying efforts are being focused on committee members (Senate Finance and House Ways & Means and Energy & Commerce) because their support is necessary to advance the bill.

Previous efforts at PAMA reform, including the LAB Act (introduced 2019) and SALSA (introduced 2022), were unsuccessful primarily because of their estimated costs. For example, the CBO had estimated that passing SALSA into law would cost \$6 billion over 10 years.

Over the past five years (2021-2025), Medicare CLFS rates have been frozen because of a series of one-year delays. Previously, the CBO had scored one-year delays to save money under the erroneous assumption that private payer lab test rates were increasing in line with inflation. However, the CBO is updating its forecasting model for the CLFS and another one-year freeze is unlikely.

Key Committees for Healthcare Legislation

House Energy & Commerce	House Ways & Means	Senate Finance
Brett Guthrie (R-KY), Chairman	Jason Smith (R-MO), Chairman	Mike Crapo (R-ID), Chairman
Morgan Griffith (R-VA), Chairman, Subcommittee on Health	Richard Neal (D-MA), Ranking Member	Ron Wyden (D-OR), Ranking Member

Clinical Labs Should Prepare for PAMA Reporting Beginning Jan. 1, 2026

After five straight years of delays, clinical labs may have to report private payer data to the Centers for Medicare and Medicaid Services (CMS) beginning Jan. 1, 2026. CMS will use this data to set Medicare CLFS rates for 2027-2029.

There is hope that the new PAMA reform bill (see pp. 1-2) can be passed into law before year end, but budget pressure is intense, and time is running out.

Rachel Stauffer, Principal at health policy consulting firm McDermott+ (Washington, DC), notes it will be difficult, but not impossible, to get the new PAMA reform bill passed into law by the end of the year. Challenges include:



Rachel Stauffer

- 1) **Timing:** The lab industry has only about two months to educate Senators and Representatives to gain support for the new bills.
- 2) **Competing priorities:** PAMA reform will be competing for attention with a host of other healthcare issues, including extending Medicare telehealth flexibilities, delaying scheduled reductions to Medicaid disproportionate payments to hospitals, pharmaceutical benefit management (PBM) reform, etc.
- 3) **Cost:** If the CBO scores PAMA reform as costing a lot of money, it will be more difficult to pass into law by the end of the year.

On the plus side, Stauffer notes that the new PAMA reform bill has been introduced with support from both Democrats and Republicans. “This is not a political issue and that’s a big positive in today’s environment.”

Jane Pine Wood, counsel with McDonald Hopkins (Cleveland), says she believes another delay is unlikely given the current administration’s emphasis on cost cutting. “There is so much going on right now, getting focus on this issue may be difficult,” she notes. “We’re not seeing a lot of emphasis on ensuring providers are compensated fairly for their services.” As a result, Medicare CLFS rate cuts and the next private payer reporting requirements are likely to take place as scheduled next year, notes Wood.



Jane Pine Wood

Under current law, “applicable laboratories” must report their private payer payment data for roughly 1,500 lab tests to CMS beginning Jan. 1, 2026, through March 31, 2026. The required data includes private payer volume and rates for the period between Jan. 1, 2019, and June 30, 2019. CMS will use this information to calculate a weighted average for each CPT code and to set new Medicare CLFS rates for 2027-2029.

Applicable labs include those that bill Medicare Part B under their own National Provider Identifier (NPI) numbers. These include independent labs, hospital outreach labs and physician office labs that received at least \$12,500 of Medicare revenues from the CLFS in the specified data collection period. Hospital outreach labs must report if they bill Medicare Part B on Form CMS-1450 under type of bill 14x. This means that approximately 3,000 hospitals with CLFS revenue are required to report.

“It will be challenging for some hospitals, especially those that are not great at distinguishing outreach from outpatient work,” she says. In addition, some hospitals and POLs may not be aware of their reporting responsibilities.

Wood advises that applicable labs confirm with billing staff or outside billing companies that they are prepared to begin reporting data in January. Failure to report could result in a penalty of up to \$10,000 per day, although it’s unclear whether CMS will actually enforce penalties. More information on PAMA reporting is available [here](#).

QUEST FORMS JOINT VENTURE WITH COREWELL IN MICHIGAN *(cont'd from page 1)*

Lukas estimates that the overall ambulatory lab test market in Michigan is \$1 billion per year.

The new JV lab will occupy an existing Corewell facility that is being renovated and is expected to open in early 2027. The JV is expected to employ more than 1,000 lab workers and support staff coming from both Corewell and Quest.

Corewell, which was formed by the merger of Beaumont Health and Spectrum Health in 2022, operates the largest hospital-based outreach testing business in Michigan. Its biggest outreach labs are based at William Beaumont University Hospital (Royal Oak) and Butterworth Hospital (Grand Rapids). Outreach test volumes from these two hospitals and others will be transitioned to the new JV lab.

Quest serves the Michigan market from its regional lab in Wood Dale, IL (near Chicago). Test volume from Quest's Michigan clients will be routed to the new JV lab.

Lukas says that lab instruments vendors will be standardized at the new JV lab as well as throughout Corewell's hospital labs, which will continue to perform inpatient and outpatient testing onsite. For example, Sysmex is expected to be the instrument vendor for hematology for the JV lab and Corewell's hospitals. This will ensure that reference ranges will be the same throughout the network, according to Lukas.

The new JV lab will be fully automated, and its menu will include routine clinical, molecular and toxicology testing. The new JV lab will also consolidate the technical preparation of anatomic pathology slides. Professional interpretations will be performed by a combination of Quest and Corewell-affiliated pathologists.

"This new joint venture will support our ongoing efforts to make healthcare more affordable and accessible," according to Corewell's Chief Operating Officer Chad Tuttle.

Quest to Manage Corewell Hospital Labs

Quest has also signed a long-term agreement to manage inpatient and outpatient testing at 21 Corewell hospital labs. These hospital labs are located across the state and will remain open after the new JV lab is opened. Corewell employs roughly 2,500 workers throughout its lab network. Some of these employees will shift to the JV while the others will transition to direct employment by Quest.

Phases of the lab management agreement, including supply chain (i.e., instrument and reagent purchasing) and reference testing, will begin in late 2025. However, most aspects of the agreement, including lab management, will begin in 2026.

Quest Diagnostics JV Summary

Founded	JV Name	Ownership	Market Area
2025	Diagnostic Lab of Michigan (Southfield, MI)	Quest Diagnostics (51%) Corewell Health (49%)	Michigan
2015	Quest Diagnostics Massachusetts LLC (Marlborough, MA)	Quest Diagnostics (81%) UMass Memorial Health (19%)	New England
1999	Diagnostic Laboratory of Oklahoma (Oklahoma City)	Quest Diagnostics (51%) Integris Health (49%)	Oklahoma
1998	Quest Diagnostics-UMPC Joint Venture Lab (Pittsburgh)	Quest Diagnostics (51%) UMPC (49%)	Greater Pittsburgh
1997	Sonora Quest Laboratories (Phoenix)	Quest Diagnostics (49%) Banner Health (51%)	Arizona
1986	Associated Clinical Laboratories (Erie, PA)	Quest Diagnostics (53%) Local Hospitals (47%)	Northwest Pennsylvania, Chautauqua County, NY and Ashtabula County, OH

Source: Laboratory Economics from Quest Diagnostics

Top 20 Hospital Outreach Labs in Michigan

Corewell Health's William Beaumont University Hospital (Royal Oak) is the biggest hospital-based outreach lab in Michigan based on Medicare Clinical Lab Fee Schedule (CLFS) payments. William Beaumont received Medicare CLFS payments of \$6.5 million in 2023 and had overall estimated clinical lab outreach revenue of \$53 million in 2024. Other top Corewell outreach labs include Dearborn Hospital (Dearborn), \$26 million; Butterworth Hospital (Grand Rapids), \$22 million; and Beaumont Troy Hospital (Beaumont), \$20 million. Overall, *Laboratory Economics* estimates that Corewell's combined lab outreach testing revenue is more than \$150 million per year.

Top 20 Hospital Outreach Labs in Michigan

Hospital Name	City	System Affiliation	Total Staffed Beds	Total Medicare CLFS Payments for 2023	Estimated Annual Size of Clinical Laboratory Outreach Business 2024*
William Beaumont University Hospital	Royal Oak	Corewell Health	1,090	\$6,487,263	\$53,455,047
Ascension Saint John Hospital	Detroit	Ascension Health	619	3,954,888	32,588,277
University of Michigan Medical Center	Ann Arbor	Michigan Medicine	1,010	3,679,416	30,318,388
Corewell Health Dearborn Hospital	Dearborn	Corewell Health	535	3,206,160	26,418,758
Corewell Health Butterworth Hospital	Grand Rapids	Corewell Health	1,324	2,687,490	22,144,918
Trinity Health Ann Arbor Hospital	Ypsilanti	Trinity Health	531	2,681,541	22,095,898
Corewell Health Beaumont Troy Hospital	Troy	Corewell Health	530	2,464,672	20,308,897
University of Michigan Health-Sparrow	Lansing	Michigan Medicine	535	2,365,290	19,489,990
Henry Ford Hospital	Detroit	Henry Ford Health	670	2,363,238	19,473,081
Covenant Medical Center Harrison	Saginaw	Covenant Healthcare	524	1,499,424	12,355,254
Munson Medical Center	Traverse City	Munson Healthcare	442	1,207,213	9,947,435
Trinity Health Oakland Hospital	Pontiac	Trinity Health	396	1,160,568	9,563,080
Spectrum Health Lakeland Medical Center	Saint Joseph	Corewell Health	257	1,103,648	9,094,060
Henry Ford Jackson Hospital	Jackson	Henry Ford Health	371	1,100,070	9,064,577
Bronson Methodist Hospital	Kalamazoo	Bronson Healthcare	439	1,077,020	8,874,645
Beaumont Hospital-Grosse Pointe	Grosse Pointe	Corewell Health	248	1,016,216	8,373,620
MyMichigan Medical Center Clare	Clare	MyMichigan Health	49	908,840	7,488,842
Trinity Health Muskegon Hospital	Muskegon	Trinity Health	348	894,075	7,367,178
Trinity Health Livingston Hospital	Howell	Trinity Health	42	891,928	7,349,487
McLaren Bay Region	Bay City	McLaren Health Care	293	855,528	7,049,551
Top 20 Michigan Outreach Labs			10,253	41,604,488	342,820,981
Total for All Michigan Hospitals			25,823	\$63,429,344	\$522,657,795

*Estimated by *Laboratory Economics*: Assumes 3% growth in 2024 and that Medicare CLFS payments comprise 12.5% of overall outreach lab revenue.

Source: *Laboratory Economics* from Hospital Cost Reports and OPPS data for 2023

Moffitt Takes First Step Toward 100% Digital Pathology

Moffitt Cancer Center (Tampa, FL) is a comprehensive cancer center that includes the flagship Moffitt Magnolia Campus (314 beds) plus five core clinical locations in the greater Tampa area. Moffitt's pathology department includes 80 employed pathologists (anatomic and clinical) and processes roughly two million glass slides per year. Moffitt is in the early stages of a long-term transition toward using digital pathology and AI for clinical interpretations for 100% of its surgical pathology and cytopathology cases. William Westra, MD, Vice Chair of Pathology at Moffitt, is leading this project. Here's a summary of our interview:



William Westra, MD

Can you describe the decision-making process for moving to digital pathology and AI?

Moffitt recognizes that digitization is the key toward integrating radiology, pathology and clinical data for advances in both research and clinical diagnostics. Prior to joining Moffitt, I worked at Mount Sinai Health System where I helped plan and implement their conversion to 100% digital pathology (see *LE*, October 2024). I joined Moffitt in July 2024 to help make a similar transition.

Where does the transition at Moffitt stand today?

We spent the past year building support from management, securing funding, and evaluating vendors. Evaluations included onsite demonstrations from all the major slide-scanning vendors. We just finalized purchase orders for scanners and image management software and plan to start digitizing clinical slides within the next six to eight months.

We've dedicated a room for scanning on the second floor down the hall from our main histology lab at Moffitt Cancer Center. Initially, we'll be installing one Leica GT450 and four Pramana SpectralHT scanner clusters (4 scanning heads each). Ultimately, we plan to install a total of two Leica scanners and 21 Pramana scanner clusters.

In particular, we chose the Pramana scanners because they include built-in AI quality control checks for slide images, which results in significant labor savings.

How will you handle image management and storage?

We'll be using PathAI's AISight Dx for image management. And we'll be using a combination of PathAI for short-term storage and an "on-prem" system for long-term storage.

Which type of cases will be first to be digitized?

At Moffitt Cancer Center, we are highly subspecialized with 11 different pathology services. We will begin scanning all biopsies and all immunohistochemical slides across all services. This will give everyone exposure to digital pathology across the system. We will then scale up to bring on each of the services individually. We plan to be fully digital across all services by fiscal year 2028.

Will digital pathology allow Moffitt pathologists to work from home?

Yes, one of the great advantages of digital pathology is that it will permit remote signout. This is especially important to us as the growth of the Cancer Center is outstripping our office space. Our plan is to equip all users with workstations at home and at other satellite sites.

What are your plans for incorporating AI tools?

Fairly quickly, we will utilize AI software to help pathologists locate and grade tumors and create diagnostic reports from digitized prostate biopsy slides. We also plan to use AI tools for PD-L1 scoring to predict therapy response in non-small cell lung cancer cases. In addition, I see the potential for AI-generated scoring of breast cancer biomarkers (HER2, ER, PR and Ki-67).

What's your outlook for digital pathology and AI?

The costs are keeping a lot of labs from making the jump. Once the costs come down and/or reimbursement for slide scanning is established, every lab will do it. It's not a question of if but when.

Tempus AI Buys Paige for \$81 Million

Tempus AI (Chicago) has acquired Paige (New York City) for \$81.25 million, which is being paid predominantly in Tempus common stock and includes the assumption of Paige's remaining commitment under its existing Microsoft Azure cloud data management agreement.

The purchase price is a steep discount from the \$656 million that Paige was valued at during its latest Series C-1 private equity fund raising in March 2023. Overall, Paige had raised a total of \$247 million since being founded as a spinout from Memorial Sloan Kettering Cancer Center (MSKCC) in 2017.

At its height in 2021-2023, Paige employed more than 100 people. It currently has 45 FTEs.

With access to MSKCC's archive of 25+ million pathology slides, Paige has developed a proprietary dataset of almost 7 million digitized slides that are clinically annotated. Paige has used this data to develop several AI applications to assist pathologists. The company received FDA clearance for its digital pathology image viewing system (FullFocus) for primary diagnosis in July 2020. In addition, the FDA cleared Paige Prostate, an AI-based software tool to help pathologists detect and grade prostate cancer from biopsy slide images, in September 2021. Paige is also developing AI tools to help pathologists detect breast cancer in lymph node tissue (Paige Lymph Node) as well as across multiple tissue and organ types (Paige PanCancer Detect).

However, the clinical market for digital pathology and AI is not moving fast enough and may not be big enough to support standalone AI pathology companies like Paige. There is also no separate reimbursement by Medicare or commercial insurance companies to compensate labs for the cost of digitizing slides and applying AI.

Tempus operates CLIA-certified labs in Chicago, Atlanta and Raleigh, North Carolina, that specialize in tumor profiling and pharmacogenomic testing. In addition, Tempus recently completed its acquisition of Ambry Genetics (Aliso Viejo, CA), which operates a lab in Los Angeles for next-gen sequencing of inherited cancers.

Tempus had already been working on digitizing its slides and building algorithms for clinical diagnostics. Paige's data and expertise will now be combined into those efforts, according to Tempus CEO Eric Lefkofsky. Andy Moye, PhD, SVP and GM of Data at Tempus, is likely to head up the integration. Moye was formerly the CEO at Paige (December 2021-September 2024).

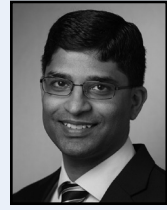
Milestones in History of Paige

Date	Event Description
2017	Founded by Thomas Fuchs, DSc, David Klimstra, MD, and colleagues from Memorial Sloan Kettering Cancer Center.
February 2018	Raises \$25M from Series A investment round.
April 2020	Raises \$6M from Series A-1 led by Goldman Sachs.
July 2020	Gets FDA clearance for digital pathology image viewer (FullFocus).
July 2020	Raises \$70M from Series B led by Healthcare Venture Partners and Goldman Sachs.
January 2021	Raises \$125M from Series C led by Casdin Capital, Johnson & Johnson and KKR.
September 2021	Gets FDA clearance for Paige Prostate AI software.
March 2023	Raises \$19.5M from Series C-1.
August 2025	Sold to Tempus AI for \$81M.

Source: *Laboratory Economics*

Yale University Moving into the Digital Pathology Age

Yale School of Medicine's Department of Pathology (New Haven, CT), whose primary teaching hospital is Yale New Haven Hospital, is ramping up its transition to digital pathology. *Laboratory Economics* recently spoke with Sudhir Perincheri, MBBS, PhD, Director of Digital Pathology, and David Klimstra, MD, Chief Digital Pathology and AI Strategist, for an update.



Sudhir Perincheri,
MBBS, PhD

When did Yale adopt digital pathology?

Perincheri: We were planning to implement it before Covid. It was part of our road map because digital pathology is where the future lies. Unfortunately, Covid hit and there were financial ramifications, so we had to pivot and pursue stepwise implementation. The real clinical rollout began in 2022.

Are you 100% digital or do you still use traditional methods?

Perincheri: We use a combination. At this time, there are a number of cases from every different subspecialty that have been digitized, but none are completely digital.

How many slides have you scanned since you started?

Perincheri: We currently have about 350,000 whole-slide images. We add about 10,000 to 12,000 per month.

What system do you use?

Perincheri: In terms of hardware, we have some high-volume scanners—Leica Aperio GT 450s—for our clinical work. For our academic and research purposes, we have a Motic Infinity Scan 60.

What about the software?

Perincheri: We have a talented pathology IT team, and they have created custom software to view slide images. They integrate these images with our LIS, so we can view them in the context of the patient's electronic medical record.

Klimstra: We are also assessing the potential to use commercial viewing software that can scale to meet higher volumes as we transition to fully digital.



David Klimstra,
MD

How many whole-slide image scanners do you have?

Klimstra: We currently have two Leica Aperio GT 450s, and we are close to acquiring another one for a satellite hospital. We hope to acquire four to five more GT 450s in coming months. Most will stay at Yale New Haven Hospital.

Why are you adding so many more scanners?

Klimstra: It is our plan to go completely digital. The reality is that it is very challenging to flip a switch and go from analog to digital overnight. We need to do it gradually to support the workflows. Pathologists are eager for it, but there are logistical challenges, such as space to put the scanners. We may have to change the workflow. There are a lot of pieces to making this a functional system.

Is AI automatically part of the software or do you have to use a separate program?

Klimstra: It's not part of the viewing software. Some vendors offer plug-ins that can perform some AI-assisted functionality. For example, plug-in AI can detect if there are artifacts in the digital scans. There's also diagnostic AI and predictive AI. Currently we aren't using predictive—that's aspirational—but we are rolling out diagnostic AI for routine use.

Perincheri: We plan to leverage some of the archival data we have and take advantage of the data sets from numerous clinical trials that take place at Yale to be able to contribute toward developing predictive and prognostic algorithms.

What are other advantages of digital pathology and AI over more traditional methods?

Perincheri: From an efficiency standpoint, increased speed, increased accuracy and precision. It's going to democratize patient care. Because of these kinds of technologies, you can have Yale level of care at other hospitals. From a patient's perspective, it's clear there will be superior care.

Klimstra: Digital pathology also improves access to expertise. Slides can be viewed from anywhere. They can be viewed by multiple people at the same time, and digital images are great to use as a teaching tool. Efficiency is a major benefit of digital pathology. It also allows us to save on other costs. So much time and effort is spent moving glass slides around. This is a great opportunity to eliminate all of that aggravation.

What are barriers to using digital pathology?

Klimstra: It costs a lot of money. Each scanner costs about \$300,000, and there is no additional reimbursement for scanning or using an AI algorithm.

Where do you see digital pathology in five years?

Klimstra: A lot depends on reimbursement. If we can get reimbursement for it, that will be a tipping point. Right now, it's just added costs. I think probably no more than 5% of pathology in the U.S. is digital. But I am an optimist, so I'd like to say that in five years, we'll see at least 50% of pathology practiced digitally.

Mayo Clinic Leads Hospitals in Digital Pathology Usage

Mayo Clinic Health System has the top three hospitals billing Medicare for digital pathology services, according to Medicare Outpatient Prospective Payment System (OPPS) data for 2023 (the latest available data). Mayo Clinic Hospital (Jacksonville, FL) billed for a total of 20,189 Medicare hospital outpatient services for digital pathology (CPT 88361 and 0751T-07631T) in 2023. Next were Mayo Clinic Hospital (Rochester, MN), 15,026 services, and Mayo Clinic Health System (Eau Claire, WI), 10,047 services.

Top 12 Hospitals Performing Digital Pathology by Medicare OPPS Volume for 2023

Hospital	Location	Total Staffed Beds	Medicare OPPS Services for CPT 88361*	Medicare OPPS Services for 13 Add-on Codes*	Total Medicare OPPS Services for Digital Pathology
Mayo Clinic Hospital in Florida	Jacksonville, FL	304	48	20,141	20,189
Mayo Clinic Hospital	Rochester, MN	1,252	63	14,963	15,026
Mayo Clinic Health System	Eau Claire, WI	186	31	10,016	10,047
UCSF Helen Diller Medical Center	San Francisco, CA	785	0	9,706	9,706
Baylor Scott & White Medical Center	Temple, TX	634	0	2,728	2,728
Mayo Clinic Hospital	Phoenix, AZ	306	0	2,711	2,711
Mercy Regional Medical Center	Durango, CO	71	0	2,424	2,424
Penrose Hospital	Colorado Springs, CO	504	0	2,413	2,413
Baylor Scott & White Medical Center	Round Rock, TX	190	0	2,027	2,027
Cedars-Sinai Medical Center	Los Angeles, CA	882	1,988	0	1,988
The University of Texas Medical Branch	Galveston, TX	804	0	1,828	1,828
City of Hope Comprehensive Cancer Ctr.	Duarte, CA	217	0	1,679	1,679

*Includes Medicare hospital outpatient services for CPT 88361 (tumor immunohistochem using digitized slides) plus 13 Category III digital pathology add-on codes for surgical pathology technical services (0751T-07631T).

Source: *Laboratory Economics* from Medicare Outpatient Prospective Payment System (OPPS) data for 2023.

Sonic Buys Cairo Diagnostics

Sonic Healthcare USA (Dallas, TX) has acquired substantially all of the assets of Cairo Diagnostics (White Plains, NY) for an undisclosed amount. Cairo, which has 44 employees, was founded by hematopathologist Sherif Ibrahim, MD, in 2013. Dr. Ibrahim will continue to run Cairo and has the title of Vice President of Oncology at Sonic.

Cairo specializes in flow cytometry and genetic testing for blood and other cancers. Cairo has annual revenue of approximately \$23 million.

Cairo's main laboratory is located in White Plains, New York, and it has a smaller lab in Woodcliff Lake, New Jersey.

Sonic will use its infrastructure (e.g., sales organization, payer relationships and specimen logistics) to offer Cairo's services nationwide, according to Cory Roberts, MD, CEO of Sonic Healthcare USA.

In the long term, Sonic may consolidate some of Cairo's White Plains lab testing into Sonic's nearby CBLPath lab in Ryebrook, NY (only 5 minutes away). Regardless, Cairo's New Jersey location will remain open and operating. "We have no intention of reducing the Cairo team size even if we combine real estate locations in New York. On the contrary, we expect to grow Cairo's volume quickly and are looking to hire additional laboratory staff and several sales positions," notes Roberts.

PathGroup to Market Guardant's Blood Test for Colorectal Cancer

Guardant Health (Palo Alto, CA) has reached an agreement whereby PathGroup (Brentwood, TN) will market Guardant's Shield blood test to its hospital and physician clients. PathGroup serves more than 250 hospitals and has 15,000 primary care and OB/GYN physician clients. PathGroup is also integrating Shield into its electronic ordering systems across its health system clients.

Guardant's Shield is the first and only blood test cleared by the FDA as a primary screening option for colorectal cancer. The Shield test is covered by Medicare under Proprietary Laboratory Analyses (PLA) code 0537U at a rate of \$1,495. It is intended for individuals aged 45 or older who are at average risk for CRC. Testing for Shield is performed at Guardant's CAP-accredited laboratory in Redwood City, CA.

PathGroup, which serves more than five million patients annually, is one of the nation's largest full-service lab companies.

Exact Sciences Launches Multi-Cancer Blood Test for \$689

Exact Sciences (Madison, WI) has begun marketing its Cancerguard test, a multi-cancer early detection blood assay that is a laboratory-developed test (LDT). Overall, the Cancerguard test can detect more than 50 cancer types and subtypes, including some with the highest mortality rates, such as pancreatic, ovarian, liver, esophageal, lung and stomach cancers. Cancerguard (formally named CancerSeek) is recommended for individuals aged 50-84 with no known cancer diagnosis in the past three years and can be considered annually. It has a list price of \$689. Cancerguard is not currently a Medicare-covered service.

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Publicly Traded Lab Revenue Up 8% In First-Half 2025

On a combined basis, 23 publicly traded labs reported revenue growth of 8.4% to reach \$17.4 billion during the first six months of 2025 (after adjusting for acquisitions), according to financial reports collected by *Laboratory Economics*.

Among four national clinical labs (Quest Diagnostics, Labcorp, Sonic Healthcare USA and Bio-Reference), combined revenue grew by 3.3% (after adjusting for acquisitions).

Meanwhile, among 19 specialty and genetic testing labs, combined pro-forma revenue increased by 21%.

Revenue growth was fastest at Insight Molecular Diagnostics (iMDx-Nashville, TN), up 849% to \$2.7 million. iMDx performs a proprietary transplant monitoring assay named GraftAssureIQ at its CLIA-certified laboratory in Nashville.

Caris Life Sciences (Irving, TX) reported revenue growth of 67% to \$302 million, and GeneDx (Stamford, CT) increased its revenue by 43% to \$190 million.

Revenue Growth at 23 Publicly Traded Lab Companies (\$000)

Company	First-Half 2025	First-Half 2024	Reported Change	Pro Forma Change*
Labcorp (lab testing only)	\$5,378,400	\$5,004,600	7.5%	3.0%
Quest Diagnostics (lab testing only)	5,288,000	4,631,000	14.2%	4.1%
Sonic Healthcare USA*	707,130	718,230	-1.5%	1.0%
Opko/BioReference Labs	203,945	256,286	-20.4%	0.0%
Total, 4 National/Clinical Labs	11,577,475	10,610,116	9.1%	3.3%
Exact Sciences	1,517,870	1,336,788	13.5%	13.5%
Natera	1,048,431	781,092	34.2%	34.2%
Tempus AI	570,372	311,789	82.9%	31.4%
Guardant Health	435,559	345,726	26.0%	26.0%
Myriad Genetics	409,000	413,700	-1.1%	-1.1%
NeoGenomics	349,365	320,742	8.9%	7.5%
Caris Life Sciences	302,314	180,727	67.3%	67.3%
Veracyte	244,637	211,272	15.8%	15.8%
GeneDx	189,807	132,936	42.8%	42.8%
Castle Biosciences	174,176	159,976	8.9%	8.9%
CareDx	171,364	164,323	4.3%	4.3%
Fulgent Genetics	155,266	135,513	14.6%	14.6%
Adaptive Biotechnologies	111,322	85,063	30.9%	30.9%
Biodesix	37,976	32,743	16.0%	16.0%
Personalis	37,808	42,105	-10.2%	-10.2%
Exagen	32,700	29,479	10.9%	10.9%
Interpace Biosciences	20,747	22,314	-7.0%	-7.0%
Aspira Women's Health	4,683	4,576	2.3%	2.3%
Insight Molecular/Oncocyte	2,656	280	848.6%	848.6%
Total, 19 Specialty/Genetic Labs	5,816,053	4,711,144	23.5%	21.3%
Grand Total, All 23 Lab Companies	\$17,393,528	\$15,321,260	13.5%	8.4%

*Pro forma change is estimated by *Laboratory Economics* after adjustments for acquisitions.

**Sonic Healthcare USA revenue is for the six months ended June 30, 2025, at constant exchange rate of 1 Australian Dollar equal to 0.65 U.S. Dollar.

Source: *Laboratory Economics* from company reports

Lab Stocks Up 12% YTD

Twenty-five lab stocks have increased an unweighted average of 12% year to date through September 12. In comparison, the S&P 500 Index is up 11%. Tempus AI has jumped 156%, Exagen is up 138% and Adaptive Biotechnologies is up 110%. Quest Diagnostics and Labcorp are each up 21%.

Company (ticker)	Stock Price 9/12/25	Stock Price 12/31/24	2025 Price Change	Enterprise Value (\$ millions)	Revenue for Trailing 12 mos. (\$ millions)	Enterprise Value/ Revenue
Tempus AI (TEM)	\$86.38	\$33.76	156%	\$15,570	\$952	16.4
Exagen (XGN)	9.74	4.10	138%	210	59	3.6
Adaptive Biotechnologies (ADPT)	12.61	6.00	110%	1,920	205	9.4
Guardant Health (GH)	54.90	30.55	80%	7,660	829	9.2
Caris Life Sciences (CAL)	34.06	21.00	62%	9,280	534	17.4
GeneDx (WGS)	123.95	76.86	61%	3,540	362	9.8
Insight Molecular/Oncocyte (IMDX)	3.08	2.38	29%	67	4	15.6
23andMe (MEHCQ)	4.04	3.25	24%	99	175	0.6
Quest Diagnostics (DGX)	182.91	150.86	21%	26,640	10,522	2.5
Labcorp (LH)	277.95	229.32	21%	29,070	13,483	2.2
Fulgent Genetics (FLGT)	21.88	18.47	18%	-105	303	NA
Natera (NTRA)	168.51	158.30	6%	22,310	1,964	11.4
Personalis (PSNL)	5.85	5.78	1%	389	80	4.8
Exact Sciences (EXAS)	53.94	56.19	-4%	11,890	2,940	4.0
Opko Health (OPK)	1.40	1.47	-5%	1,240	664	1.9
Sonic Healthcare (SHL.AX)*	22.52	27.01	-17%	15,690	9,650	1.6
Castle Biosciences (CSTL)	21.42	26.65	-20%	383	346	1.1
Veracyte (VCYT)	30.88	39.60	-22%	2,160	346	6.2
Aspira Women's Hlth (AWHL)	0.45	0.71	-37%	18	9	1.9
CareDx (CDNA)	13.53	21.41	-37%	563	341	1.7
ProPhase Labs (PRPH)	0.43	0.76	-43%	26	6	4.6
Myriad Genetics (MYGN)	7.24	13.71	-47%	754	833	0.9
NeoGenomics (NEO)	7.96	16.48	-52%	1,280	689	1.9
Interpace Biosciences (IDXG)	0.79	2.70	-71%	6	46	0.1
Biodesix (BDSX)	7.50	30.60	-75%	111	77	1.4
Totals & Averages			12%	\$150,769	\$45,419	3.3

*Sonic Healthcare's figures are in Australian dollars

Source: Laboratory Economics from SeekingAlpha.com



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