

# LABORATORY ECONOMICS

*Competitive Market Analysis For Laboratory Management Decision Makers*

## New Bill Calls For 1-Year Delay In PAMA Reporting

A new bill introduced by Rep. Scott Peters (D-CA) would delay the next round of PAMA data reporting by one year so that more laboratories that are required to report their private payer data to CMS have more time to do so. The Laboratory Access for Beneficiaries Act (H.R. 3584, “The LAB Act”) was introduced by Rep. Peters on June 27, and has been referred to the House Committee on Energy and Commerce, as well as the House Committee on Ways and Means. However, the bill won’t prevent the next 10% rate cut for most tests on the Medicare CLFS from happening on January 1, 2020, and it faces an uphill battle in getting passed into law, notes Dennis Weissman, President of Dennis Weissman & Associates LLC. *Continued on page 9.*

## Northwell Health Leads In Growth Among Large Hospital-Owned Labs

Northwell Health Laboratories (Long Island, NY) grew its Medicare Part B fee-for-service revenue by 13.9% per year during the five-year period, 2012-2017, according to an *LE* analysis of newly released Medicare payment data. Other fast-growing hospital-owned independent labs and joint ventures included Sonora Quest Laboratories (Tempe, AZ), up 5.5% per year between 2012 and 2019. Overall, the top 25 hospital labs on the list grew by an average of 4.2% annually over the five-year period. *Full details on page 11.*

## AMCA Files For Bankruptcy After Massive Data Hack

American Medical Collection Agency (AMCA) has filed for Chapter 11 Bankruptcy following an eight-month data breach of its online payment system that exposed the personal information on more than 20 million Americans (see *LE*, June 2019). AMCA, which also does business as Retrieval Masters Creditors Bureau, is a third-party debt collector that had been used by the nation’s largest commercial lab companies for past-due patient collections. The data hack, which occurred between Aug. 1, 2018 and March 30, 2019, caused the loss of AMCA’s two largest clients, Quest Diagnostics and LabCorp, and “enormous expenses that were beyond the ability of the debtor to bear,” according to AMCA’s bankruptcy filing. *Continued on page 2.*

## CONTENTS

### HEADLINE NEWS

Headline News  
 New Bill Calls For 1-Year Delay In PAMA Reporting..... 1, 9  
 Northwell Health Labs Posts Strong Revenue Growth..... 1, 11  
 AMCA Files for Bankruptcy After Data Hack .....1-2

### DIGITAL PATHOLOGY

Mount Sinai Pathology Dept. Transitioning To Digital Pathology ....3-4

### MERGERS & ACQUISITIONS

Eurofins Buys Transplant Genomics.....4

### LE LAB & PATHOLOGY TRENDS SURVEY

Declining Reimbursement Is By Far The Top Concern .....5  
 Molecular Diagnostics and Dermatopathology Are High Growth Areas .....6  
 In-Office Histology Labs Remain A Worry For Labs and Pathologists.....6

### REIMBURSEMENT

Anthem Continues To Push Through “Rate Alignment” Strategy.....7

### BILLING & COLLECTION

Strategies For Increasing Patient Collections .....8-9

### SPOTLIGHT INTERVIEW

Accumen’s Jeff Osborne..... 10

### FINANCIAL

Lab Stocks Up 38% ..... 12

## **AMCA Files For Bankruptcy After Massive Data Hack** (*cont'd from p. 1*)

AMCA says that its bankruptcy filing “will allow it the breathing room to appropriately evaluate its pool of remaining assets and liabilities, cost-effectively respond to regulatory demands, and ultimately, to wind up its business in an orderly fashion through a liquidating Chapter 11 plan.”

The hack was initially discovered in late February by the web payment security monitoring firm Gemini Advisory (New York City). Gemini monitors suspicious credit card activity on behalf of credit card companies and banks. Analysts at Gemini spotted the breach when they noticed thousands of credit cards linked to HSA accounts were up for sale on the dark web, which uses masked IP addresses to maintain anonymity for users and site owners so they can use it for illegal purposes that can't be traced.

Stas Alforov, Gemini's Director of Research and Development, says that AMCA's patient information was especially valuable to hackers because it included both credit card numbers and key personal information like dates of birth and social security numbers. His firm has identified more than 200,000 credit cards linked to AMCA that are up for sale on the dark web. Alforov says that stolen credit card numbers are typically sold to criminals for between \$15 and \$17 per card on the dark web, and that the price of stolen data increases the more it includes personal information (e.g., DOB, SS#, email, phone, et al.).

AMCA had been the primary third-party bill collector used by LabCorp and Quest. Both companies stopped sending AMCA business after the breach disclosure, as did OPKO's Bio-Reference Labs and Sonic's Sunrise Medical Labs. Many other smaller lab companies that used AMCA have also been affected.

Since becoming aware of the hack, AMCA has spent \$400,000 to hire IT professionals and consultants from three different firms, to identify the source of the breach and implement appropriate solutions. In addition, AMCA spent more than \$3.8 million to mail well over seven million individual notices to affected patients in early June.

AMCA says that it considered trying to stay in business but that prospect was quickly undermined by Visa and Mastercard, who insisted on onerous and “impossibly expensive” conditions on AMCA's ability to accept credit card payments going forward.

To pay these expenses as it heads toward liquidation, AMCA has taken out a secured loan for \$2.5 million from its CEO and sole owner, Russell Fuchs.

Additionally, AMCA has cut its staff from 113 employees before the hack to 25 currently.

In addition to the \$2.5 million secured loan from Fuchs, AMCA's bankruptcy filing lists more than \$500,000 of unsecured debt. Its largest unsecured creditors include:

- PCI Group Inc. (Pineville, NC) for direct mail services; owed \$103,718
- ExpertSource Global Services (Mumbai, India) for outsourced collection services; owed \$80,684
- Hinshaw & Culbertson (Chicago, IL) for legal services; owed \$60,321
- Charles River Associates (Boston, MA) for consulting services; owed \$40,983

Alforov says that the AMCA data hack is one of the largest medical breaches that he has seen in the past few years. He advises vendors that use e-commerce platforms, such as WordPress or Ma-

gento, to stay current on the frequent updates and patches made by these platforms to try to stay ahead of the hackers. If you have had your credit card number stolen, he advises calling the credit score companies (Equifax, Experian and TransUnion) to have your credit report frozen, and also consider canceling your credit cards and getting new ones.

Russell Fuchs founded Retrieval Masters/AMCA in 1977. The company was initially focused on small-dollar receivables collections for direct mail marketers of “book of the month”-type book and record clubs that were prolific in the 1970s and 1980s. In the 1990s, as online book and music sales began to take hold, Fuchs transitioned his business and its expertise in collecting high volumes of receivables with very small balances to clinical lab collections. Prior to the data breach, AMCA is believed to have been the largest collection agency for the U.S. clinical lab industry.

## Mount Sinai Pathology Dept. Transitioning To Digital Pathology

**M**ount Sinai Health System has tapped LabCorp to help with the roll-out of Philips’ IntelliSite Pathology System and the creation of the Digital and Artificial Intelligence-Enabled Pathology Center of Excellence located within Mount Sinai Hospital’s Department of Pathology.

Mount Sinai Hospital already serves as the central histology lab for the system’s eight hospitals as well as for its ambulatory care facilities. And its central histology lab is now adding Philips’ IntelliSite scanners to begin the transition toward digital pathology. Mount Sinai will also install medical-grade monitors at its eight hospitals and several ambulatory care locations, so pathologists can begin transitioning their interpretations from the microscope to the computer screen.

Initially, Mount Sinai will use digital pathology for prostate cancer cases as well as head and neck cancers. Within the next 18 to 24 months, Mount Sinai plans to be digitizing nearly all of the two million glass slides it processes each year, according to Carlos Cardon-Cardo, MD, PhD, Chairman of Mount Sinai Health System Department of Pathology. “Digital pathology is not a ‘black box’ anymore. Once pathologists see their desk clean with access to digitized images within seconds, they don’t want to go back to the old way of doing things,” says Cardon-Cardo.

Starting the transition with prostate cancer cases makes sense because of the large number of slides needed for each patient case, according to Margaret Horton, Head of Marketing at Philips Digital and Computational Pathology. She notes that IntelliSite allows pathologists to view multiple slides simultaneously (and serial sections can be automatically aligned).

Meanwhile, LabCorp has been using Philips’ IntelliSite at four of pathology lab locations for more than one year:

- Dianon Pathology in Shelton, CT: a specialty anatomic pathology laboratory
- Burlington, NC: main lab
- Pee Dee Pathology, Florence, SC: a pathology joint venture
- Birmingham, AL: regional laboratory

Dorothy Adcock, MD, Chief Medical Officer for LabCorp Diagnostics, says that LabCorp chose four different lab settings to gain a better understanding of how to integrate digital pathology into workflows in different operating and service environments. She says that LabCorp will use its experience with digital pathology to help Mount Sinai make the transition. In addition, LabCorp plans to soon begin utilizing Mount Sinai’s 60 pathologists for complex cases and second opinions for certain cancer cases processed at LabCorp’s Dianon Pathology lab in Shelton, CT (just north of NYC).

Finally, Cardon-Cardo believes that the greatest efficiency gains may come from artificial intelligence (AI)-based tools that can be used on digitized slides. Mount Sinai is developing AI algorithms to predict prostate cancer progression following surgery. Philips is also developing AI tools, including applications to automatically detect and quantify cancerous lesions in breast cancer tissue in collaboration with PathAI (Boston, MA). “As more and more slides are digitized, AI algorithms will learn more and become more and more accurate,” notes Cardon-Cardo.

Note: LabCorp acquired Mount Sinai’s clinical lab outreach business in early 2017. LabCorp is also the primary reference lab for Mount Sinai and has been helping to manage its inpatient labs since early 2018. The new digital pathology partnership further expands the LabCorp-Mount Sinai relationship.

### **Eurofins Buys Transplant Genomics Inc.**

**E**urofins Scientific (Luxembourg) said today that it has acquired Transplant Genomics (TGI-Mansfield, MA), which operates a molecular laboratory in the San Francisco Bay Area that specializes in organ transplant patients. TGI was previously owned by its management and outside investors. Financial terms of the deal were not disclosed.

TGI, which has approximately 20 employees, markets a DNA microarray test called TruGraf that assesses differentially expressed genes in blood to rule out subclinical kidney transplant rejection in patients with stable renal function, providing an alternative to surveillance biopsies.

The kidney transplant diagnostic market (the initial focus of TGI’s TruGraf test) has been estimated to be over \$2 billion annually, with nearly 200,000 people living with a kidney transplant and approximately 20,000 new kidney transplants occurring each year in the U.S.

The acquisition will complement its existing transplant diagnostic portfolio, which includes Colorado-based pretransplant lab VRL and Missouri-based specialty post-transplant lab Viracor, according to Michelle Altrich, PhD, Chief Scientific Officer and Clinical Laboratory Director for Viracor Eurofins.

Altrich says that TGI’s California lab will remain open for the foreseeable future, and that Eurofins will build a redundant capability at the Eurofins Viracor facility in Lee’s Summit, Missouri. TGI’s

Stan Rose, PhD, President and CEO, and Michael Abecassis, MD, Chief Clinical & Scientific Advisor, will remain in their current roles with TGI.

Eurofins has now acquired eight clinical laboratories in the United States over the past five years.

#### **Eurofins’ U.S. Clinical Lab Acquisitions**

| <i>Date</i>      | <i>Acquired Lab</i>            | <i>Purchase Price</i> |
|------------------|--------------------------------|-----------------------|
| June 2019 .....  | Transplant Genomics Inc. ....  | undisclosed           |
| March 2018 ..... | LABS Inc. ....                 | undisclosed           |
| Sept. 2016.....  | VRL Laboratories .....         | undisclosed           |
| April 2016.....  | PerkinElmer Labs/NTD .....     | undisclosed           |
| July 2015 .....  | Diatherix Laboratories .....   | \$50 million          |
| June 2015 .....  | Emory Genetics Laboratory..... | \$40 million          |
| Jan. 2015 .....  | Boston Heart Diagnostics.....  | \$200 million         |
| July 2014.....   | Viracor-IBT Laboratories.....  | \$255 million         |

Source: *Laboratory Economics* from Eurofins

## LE Survey Points To Continued Concern Over Reimbursement

A whopping 82.4% of labs and pathologists cited declining reimbursement as one of their biggest challenges, according to *LE's Anatomic Pathology & Clinical Lab Trends Surveys (July 2019; n=116)*. In addition to Medicare CLFS rate reductions, surveyed labs and pathologists named UnitedHealthcare, Anthem BCBS and IPA managed care plans as the most aggressive on pricing.

*"Most carriers try to tie their reimbursement to the CLFS and have piggybacked on Medicare cuts,"* according to a pathology lab executive in Oregon.

*"The direct and indirect linkages to the Medicare CLFS are a major issue,"* commented an independent lab executive from New York.

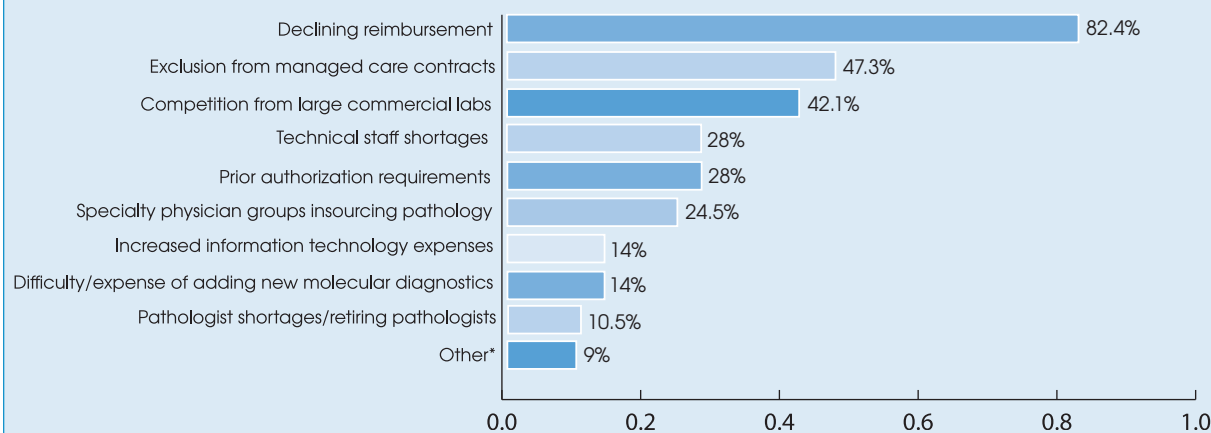
The next most frequently cited challenge was "exclusion from managed care contracts," which was cited by 47.3%, and "competition from large commercial labs" was the third highest ranked challenge at 42.1%.

*"Dual source contracts by the major insurers will drive business to the top two labs and their affiliates,"* according to a lab executive from Arizona.

*"The threat of insurance companies dictating the existence of laboratories is disturbing,"* lamented a lab executive from Utah.

Meanwhile, a strong economy and low unemployment have made technical staff shortages (cited by 28%) a problem for many labs and pathology groups. Labs throughout the country (including California, Florida, Missouri, Oregon, Washington, et al.) cited difficulty in finding qualified staff.

### What are the biggest challenges that labs and pathology groups will face over the next 5 years?



\*Other responses included: increasing employee health benefit costs, physician practice purchases by hospitals, difficulty correcting payer claims processing errors and rising pathologist salaries

Source: *LE's Anatomic Pathology & Clinical Lab Trends Surveys, July 2019*

**Survey Demographics:** The survey was e-mailed to approximately 6,000 pathology groups, independent labs and hospitals in early July 2019. A total of 116 surveys were judged usable, yielding a response rate of 2%. Among the respondents, 51 were from local or regional independent pathology groups and labs, 35 from hospital-based pathology groups or labs, 15 from national pathology or lab companies, five from in-office pathology labs, four from academic medical center-based pathology groups, and six from "other" labs, including joint venture labs and hospital-owned independent labs.

### Which Subspecialty is Growing Fastest?

Thirty-five percent of survey respondents said they were seeing their fastest growth in molecular test volumes—a big jump from 23% from our previous survey in 2016. The second fastest area of growth was dermatopathology (19%). The slowest areas of growth were urologic pathology and cytopathology, which were each cited by only 3% of survey respondents.

| In which subspecialty is your path group/lab seeing its fastest growth? | 2019     | 2016     | 2015 |
|---|----------|----------|------|
| Molecular diagnostics.....  | 35%..... | 23%..... | 20%  |
| Dermatopathology.....   | 19%..... | 20%..... | 19%  |
| Surgical pathology.....   | 15%..... | 16%..... | 17%  |
| Gastrointestinal pathology.....   | 10%..... | 10%..... | 16%  |
| Routine clinical lab testing.....                                       | 10%..... | 10%..... | 9%   |
| Hematopathology.....  | 4%.....  | 8%.....  | 5%   |
| Urologic pathology.....   | 3%.....  | 5%.....  | 3%   |
| Cytopathology.....  | 3%.....  | 8%.....  | 11%  |

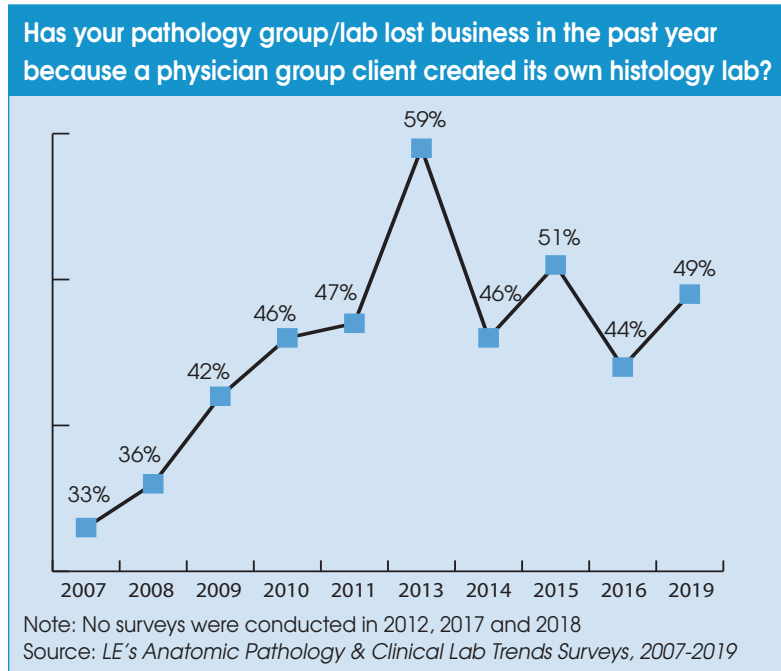
Source: LE's Anatomic Pathology & Clinical Lab Trends Surveys, July 2019, September 2016 and July 2015

The high growth in molecular diagnostics and next-generation sequencing has some pathologists worried that traditional anatomic pathology services will lose share.

*“These new tests are reimbursed thru the CLFS and do not have professional components, which will exclude pathologists from this revenue opportunity,”* according to a pathology group executive from Arizona.

### In-Office Pathology Labs Remain a Problem

The percentage of pathology groups and labs that say they have lost business during the past year to specialty groups that have built in-office histology labs is down from the all-time high shown in LE's 2013 survey. But that's only because most big urology, gastroenterology and dermatology groups have already built in-office labs. And while the insourcing trend may have slowed down, it has not gone away. Forty-nine percent of respondents to our latest survey said they had lost



business over the past year because a physician group created its own histology lab. Currently, the insourcing trend seems to be strongest at dermatology, gastroenterology and multispecialty groups.

*“The more multispecialty groups grow, the more pathology they insource. The more ambulatory surgery centers grow, the more specimens leave the hospital,”* according to a pathologist in Connecticut.

*“The insourcing of pathology is the biggest threat to the patients, payers and taxpayers,”* commented a pathology executive from Georgia.

## Anthem Continues To Push Through “Rate Alignment” Strategy

Despite blowback from CAP and state pathology societies, Anthem BCBS plans across the country continue to implement a “rate alignment” strategy that lowers the reimbursement that hospital-based providers receive to the same rates paid to independent labs and pathologists. It started with Anthem BCBS of Missouri (see *LE*, May 2019), and similar rate changes have now been announced and/or implemented at nine other Anthem plans plus three other non-Anthem BCBS plans in Alaska, Washington and West Virginia (see table).

Anthem’s rate changes vary widely depending on the state. However, rates for most pathology services paid to hospital-based technical labs and pathologists are being reduced by roughly 25% to 50%, with clinical lab test reimbursement being set at approximately 40-50% of the 2019 Medicare Clinical Lab Fee Schedule (CLFS).

Anthem’s BCBS of Kentucky is among the latest plans to announce changes that become effective September 1. Rates for CPT 88300-88309 are not changing, but 88342-26 is set to decline by 68% to \$16.34, while 88342-TC will be lowered by 35% to \$29.66. Meanwhile, BCBS of Kentucky is setting most clinical lab test rates at below 50% of the current Medicare CLFS, while a handful of in-office tests (e.g., urine pregnancy, strep and flu tests) are getting between 50% and 100%.

### Announced “Rate Alignment” Changes at BCBS Plans

|  |               |
|--|---------------|
| Anthem BCBS of Missouri .....                              | Nov. 1, 2018  |
| Premera BCBS of Alaska .....                               | Jan. 1, 2019  |
| Premera Blue Cross of Washington .....                     | Jan. 1, 2019  |
| Anthem Blue Cross of California (Prudent Buyer Plan) ..... | July 1, 2019  |
| Anthem BCBS of Ohio .....                                  | July 1, 2019  |
| Anthem BCBS of Indiana .....                               | July 1, 2019  |
| Anthem BCBS of Georgia .....                               | July 1, 2019  |
| Anthem BCBS of Wisconsin .....                             | Aug. 1, 2019  |
| Anthem BCBS of Kentucky (excluding 88300-88309) .....      | Sept. 1, 2019 |
| Anthem BCBS of Virginia .....                              | Sept. 1, 2019 |
| Highmark BCBS of West Virginia .....                       | Sept. 1, 2019 |
| Anthem BCBS of New Hampshire .....                         | Sept. 1, 2019 |
| Anthem Empire BCBS of New York .....                       | Jan. 1, 2020  |

Source: Anthem Inc. and Vachette Pathology

Ann Lambrix, Vice President of Client Services at Vachette Pathology (Sylvania, OH), says that recent rate changes announced by Highmark BCBS of West Virginia were a surprise as this plan falls outside of the “Anthem umbrella,” but so did Premera in Washington and Alaska, which made changes effective January 1, 2019. She thinks that more non-Anthem BCBS plans may copycat Anthem’s rate alignment strategy.

Meanwhile, Jeff Myers, Vice President of Consulting Services at Accumen Inc. (San Diego, CA), describes Anthem’s new rate alignment strategy as “a shot across the bow in the lab industry, where payers are intent on eliminating premium rates paid to hospital-based providers for lab services.” He says that Anthem may make some token changes by freezing or raising rates on a few tests due to the significant pushback from hospital-based providers in Missouri. “However, the message from Anthem is straightforward and abundantly clear. We are no longer paying hospital-based providers premium rates for lab services.” Myers believes that the national movement towards price transparency will keep lab test price differences under intense scrutiny until hospital-based labs align their fee schedules to market-based rates. “It’s not a question of if it happens, but only a matter of when it happens,” according to Myers.

## Strategies For Increasing Patient Collections

The percentage of Americans enrolled in high-deductible health plans (HDHPs: plans with deductibles of at least \$1,350 for self only and \$2,700 for families) increased from 17.4% in 2007 to 46% in 2018, according to the latest survey by The Employee Benefit Research Institute (Washington, DC). Growth in HDHPs has made patient collections the top revenue cycle management challenge currently facing laboratories and pathology groups.

Despite its importance, most laboratory billing departments don't zero in on patient billing and collection. "Labs need to focus specifically on their collection rates for patient copay and deductible amounts....I've been in meetings with labs, even publicly traded labs, who



don't know their true bad debt on patient responsibility....And if you haven't properly identified this segment, then you can't develop strategies for dealing with it," according to Tom Hirsch, President, Laboratory Billing Solutions (Portsmouth, NH).

*Tom Hirsch*

Hirsch's comments were made during a June 26 webinar—An Insider's Guide To Getting Your Lab's Claims Paid—sponsored by *Laboratory Economics*. His co-presenter was Kurt Matthes, Vice President, Reengineering and Service for TELCOR Inc. (Lincoln, NE). Below is a summary of some key topics discussed:

### **Cleaning up the front end.**

The key is identifying which clients are submitting the most test orders with missing information or errors, and then educating them to minimize mistakes going forward. The goal is to drive your pre/post claim error rate to 5-10% of claims requiring follow up, according to Matthes.

### **What's a good collection rate for patient responsibility?**

The best I've seen is collecting 80 to 84 cents on the dollar owed in copays and deductibles. And on the low side, I've seen collection rates of 50 cents on the dollar. A lot depends on each lab's specific mix of patients, including their percentage of patients in high-deductible plans and their percentage living in affluent areas, according to Hirsch.

### **How should patient billing statements be worded to maximize collection rates?**



*Kurt Matthes*

Back when I was running a lab (Path Lab, sold to LabCorp in 2001), we spent as much time designing our patient billing statements, as we did our lab result reports for physicians. If patients can't quickly understand your billing statement, they'll throw it in the waste basket, said Hirsch. Your statements should have clear and concise language explaining what their payment responsibility is and why. Don't overcomplicate things with a lot of unnecessary legalese, added Matthes.

### **What's the proper staffing for a laboratory A/R department?**

Generally, most lab billing departments are grossly understaffed. As a general rule, labs need one FTE assigned to working the AR for every 1,000 third-party claims a day that are processed, assuming a lab must rework 10% of the claims, and a well-trained AR rep can effectively work 100 claims a day, said Hirsch.

### **At what point should a lab send an overdue patient balance to a collection agency?**

Both Hirsch and Matthes advised sending past-due accounts to a collection agency after 90-120 days, including three billing statements and a warning letter, with no response from the patient.



**After sending past due amounts to a collection agency, how much should a lab expect to ultimately collect?**

The average ranges from 5% to 15% and is heavily influenced by the population being served, according to Matthes.

**What is the biggest mistake that main hospital billing departments make when billing & collecting for nonpatient lab outreach tests?**

They do not treat it as a unique business (high-volume, low-dollar transactions) where the patient may have not been seen directly, and where there are unique documentation (medical necessity) requirements. Consequently they fail to pay attention to the details that are necessary for successful execution and probably only collect 80% of what they should, according to Hirsch.

**At what point should a hospital lab outreach program consider outsourcing its billing to a specialized billing firm?**

It occurs when the program becomes material to the hospital, probably 250 patients a day or close to \$4 million in annualized revenue. At this point, not doing billing well can cost the system at least \$500,000 annually, noted Hirsch.

---

**New Bill Calls For 1-Year Delay In PAMA Reporting** (*cont'd from p. 1*)

The LAB Act is too small to stand on its own and would need to be attached to a broader legislative vehicle, says Weissman. “But given the current state of the Trump administration, partisan gridlock and with the next Presidential election coming, getting any new major legislation passed seems unlikely,” he says.

In addition to Rep. Peters, The LAB Act is sponsored by Rep. Bill Pascrell (D-NJ), Rep. Kurt Schrader (D-OR), Rep. Richard Hudson (R-NC) and Rep. George Holding (R-NC). Lab trade organizations supporting the bill include The American Clinical Laboratory Assn. (ACLA), The National Independent Laboratory Assn. (NILA) and AdvaMed.

New regulations issued by CMS in late 2019 expanded the pool of labs required to report their private payer payment data to include all hospital outreach labs with \$12,500 or more of Medicare CLFS revenue received during January 1, 2019 through June 30, 2019. Private payer data from applicable hospital outreach labs, as well as independent labs and POLs, is to be reported to CMS in the first quarter of 2020, and will be used to set new rates effective January 1, 2021.

An estimated 3,000 hospital outreach labs are now required to report, but there is concern that many hospitals are unwilling or unable to collect and report their data.

If passed into law, The LAB Act would:

- Maintain the current data collection period (1/1/2019 to 6/30/2019), but delay the upcoming data reporting period by one year until 2021.
- Require CMS to contract with the National Academy of Medicine to conduct a study on how to implement the least burdensome data collection process that would result in a representative and statistically valid data sample of private market rates from independent labs, hospital outreach labs and POLs.

Mark Birenbaum, Executive Director at NILA, says that NILA and ACLA are now launching a grassroots campaign encouraging lab workers and others to contact their congressmen and senators to support the new bill.

## Spotlight Interview with Accumen's Jeff Osborne

Accumen (San Diego, CA), which provides performance support to clinical laboratories, recently acquired Halfpenny Technologies (Blue Bell, PA), a data performance company, for an undisclosed amount. *Laboratory Economics* spoke with Accumen CEO, Jeff Osborne, about the acquisition and challenges facing the lab industry.



Jeff Osborne

### ***Why did you acquire Halfpenny?***

Accumen has worked with Halfpenny Technologies for over seven years. In January of 2019, Arsenal Capital Partners became our private equity owner, bringing a strong organic and acquisition growth strategy to our new partnership. Halfpenny made perfect sense to us as part of this strategy because we wanted to specifically add a company in the data performance space.

We have our own technology solution called the Accumen Performance Suite that helps labs and imaging departments better utilize their data by having real time access to the data needed to leverage efficiencies and to drive actionable change. However, we know there is always more that can be done with data. Halfpenny addresses some of those additional areas. For example, helping payers get digital access to the data and information is either a manual process today or is very challenging to access.

### ***What will the leadership structure look like after the acquisition?***

Tim Kowalski, the CEO of Halfpenny, will become the President of our Data Performance strategic business unit. The Halfpenny office located in Pennsylvania will remain open along with Accumen's offices in San Diego and Phoenix. Accumen had 155 employees before acquiring Halfpenny. The acquisition added 35, so we have a total of 190 now. We're in growth mode, so there have been no layoffs.

### ***What are the synergies between Accumen and Halfpenny?***

We are focused on our growth synergies. Halfpenny brings new client categories to Accumen, specifically payers and commercial labs. The vision is to be able to serve these clients with other offerings Accumen brings to the table today or with future acquisitions. The ability to combine healthcare data with our operational and clinical performance capabilities allows Accumen to bring a more integrated value proposition to our health care clients.

### ***What are your thoughts on how PAMA rate cuts are affecting hospital outreach labs?***

There are positives and negatives to PAMA. On the positive side, PAMA has created a sense of urgency within the industry. Unfortunately, the implementation didn't allow for hospitals to provide their pricing data. We now understand that PAMA is here to stay and lab costs need to come down.

### ***So far, not many hospital outreach labs have been sold. Does this surprise you?***

Some commercial labs tried to leverage PAMA to get hospitals to sell their lab outreach business, but it did not work as well as expected. Health systems realize that if they can cut costs, they likely can weather the storm. We don't recommend that hospitals sell their labs as it is a core piece of the diagnostic continuum. However, they must get their rates closer to those of the commercial labs.

### ***What do you see as the strengths and weaknesses of hospital outreach programs?***

The clear strength is the local connection. If you can improve your laboratory's performance, specifically cost, quality and service levels, you can compete to capture the community physician lab work. The biggest weakness is when an outreach lab isn't being proactive about cost, quality and service.

### ***Do you believe hospital outreach labs will report their private-payer info to CMS as required by PAMA?***

I think they're going to struggle here, unless they have a robust reporting capability. We have conducted an annual survey of outreach laboratories and every year it identifies the same two major challenges: connectivity and billing. I think they'll figure it out, but they'll need some help to get there.

**Northwell Health Leads In Growth** (*cont'd from page 1*)

The five-year 4.2% growth posted by the 25 largest hospital-owned independent labs and joint ventures compares with 0.2% growth recorded by all clinical labs during the same period.

In many cases, hospital-owned labs have benefitted from physician practice acquisitions made by their parent health system. After these acquisitions are made, lab test orders are generally redirected to the hospital-owned lab.

Among the smaller hospital-owned independent labs posting strong Part B revenue growth were UnityPoint Health Lab (Des Moines, IA), up 23.3% per year, and Affiliated Medical Services Laboratory (Wichita, KS), up 10.8% per year.

**Major Hospital-Owned Independent Labs & Joint Ventures\***

| Laboratory Name                                     | Owner   | Location          | Total Medicare Part B Allowed Payments, 2017 | 5-Year% Chg |
|---|---|-------------------|--|-------------|
| Sonora Quest Laboratories                           | Banner Health and Quest Diagnostics                     | Tempe, AZ         | \$60,780,611                                 | 5.5%        |
| ACL Services, LLC                                   | Aurora and Advocate                                     | West Allis, WI    | 24,038,767                                   | 1.0%        |
| Northwell Health Laboratories                       | Northwell Health  | Long Island, NY   | 23,330,234                                   | 13.9%       |
| Pathology Assoc. Medical Labs (PAML)                | Purchased by LabCorp in 2017                            | Spokane, WA       | 15,782,535                                   | 0.4%        |
| Diagnostics Laboratory of Oklahoma                  | Integrus Health and Quest Diagnostics                   | Oklahoma City, OK | 13,666,011                                   | 2.7%        |
| Regional Medical Laboratory                         | St. John Health System                                  | Tulsa, OK         | 13,272,566                                   | 0.6%        |
| Health Network Laboratories                         | Lehigh Valley Health Network                            | Allentown, PA     | 12,909,725                                   | 2.1%        |
| Marshfield Clinic                                   | Marshfield Clinic                                       | Marshfield, WI    | 12,022,634                                   | 0.8%        |
| Diagnostic Laboratory Services                      | The Queen's Health Systems                              | Aiea, HI          | 10,458,227                                   | 3.1%        |
| Mid America Clinical Laboratories                   | Local Hospitals and Quest Diagnostics                   | Indianapolis IN   | 8,328,165                                    | 2.1%        |
| CompuNet Clinical Laboratories                      | Premier Health and Valley Pathologists                  | Moraine, OH       | 8,196,898                                    | 0.1%        |
| Quest Diagnostics UPMC JV                           | UPMC and Quest Diagnostics                              | Pittsburgh, PA    | 7,705,738                                    | 2.7%        |
| Scripps Health                                      | Scripps Health  | San Diego, CA     | 7,491,113                                    | 5.1%        |
| Tricore Reference Laboratories                      | Univer. of NM Health System and Presbyterian Healthcare | Albuquerque, NM   | 7,430,171                                    | 1.6%        |
| Mayo Clinic Jacksonville                            | Mayo Clinic   | Jacksonville, FL  | 6,341,585                                    | 1.4%        |
| Texas Health Physicians Group                       | Texas Health  | Dallas, TX        | 6,330,888                                    | 2.7%        |
| University Hospitals Laboratory                     | University Hospitals of Cleveland                       | Cleveland, OH     | 5,718,938                                    | 3.3%        |
| Associated Clinical Laboratories                    | Local hospitals and Quest Diagnostics                   | Erie, PA          | 5,650,235                                    | 0.5%        |
| UCLA Outreach Clinical Laboratory                   | The Regents of the University of California             | Panorama City, CA | 5,482,882                                    | NA          |
| Saint Francis Outreach Services                     | Saint Francis Health System                             | Tulsa, OK         | 5,346,236                                    | 2.8%        |
| Tri-Cities Laboratory                               | Purchased by LabCorp in 2017                            | Kennewick, WA     | 5,251,260                                    | 7.2%        |
| ACM Medical Laboratory                              | Rochester Regional Health                               | Rochester, NY     | 4,793,818                                    | 4.8%        |
| NorDx   | MaineHealth   | Scarborough, ME   | 4,329,976                                    | 1.1%        |
| Affiliated Medical Service Laboratory               | Via Christi Health System                               | Wichita, KS       | 4,306,477                                    | 10.8%       |
| Central Iowa Hospital Corp. (dba UnityPoint Health) | Central Iowa Hospital Corp. (dba UnityPoint Health)     | Des Moines, IA    | 4,130,758                                    | 23.3%       |
| <b>Total, all 25 labs</b>                           |   |                   | <b>\$283,096,446</b>                         | <b>4.2%</b> |

\*Includes only those hospital-owned independent labs and joint ventures with their own NPI (separate from hospital or health system)  
Source: Medicare Provider Payment Data from CMS for 2012-2017

## Lab Stocks Up 38% Year To Date

**E**ighteen lab stocks have risen by an unweighted average of 38% year to date through July 11. In comparison, the S&P 500 Index is up 21% so far this year. The top-performing lab stock thus far in 2019 is Guardant Health, which has jumped 138%, followed by Veracyte, up 125%, and Invitae, up 108%. Shares of LabCorp are up 38%, while Quest Diagnostics is up 24%.

| Company (ticker)             | Stock Price<br>7/11/19 | Stock Price<br>12/31/18 | 2019<br>Price<br>Change | Enterprise<br>Value<br>(\$ millions) | Enterp<br>Value/<br>EBITDA | Enterp Value/<br>Annual<br>Revenue |
|------------------------------|------------------------|-------------------------|-------------------------|--------------------------------------|----------------------------|------------------------------------|
| LabCorp (LH)                 | \$174.95               | \$126.36                | 38%                     | \$23,720                             | 12.4                       | 2.1                                |
| Quest Diagnostics (DGX)      | 103.50                 | 83.27                   | 24%                     | 18,430                               | 12.3                       | 2.4                                |
| Sonic Healthcare (SHL.AX)    | 27.62                  | 22.11                   | 25%                     | 14,560                               | 15.7                       | 2.5                                |
| Exact Sciences (EXAS)        | 116.16                 | 63.10                   | 84%                     | 14,530                               | NA                         | 27.6                               |
| Guardant Health (GH)         | 89.51                  | 37.59                   | 138%                    | 7,070                                | NA                         | 63.9                               |
| NeoGenomics (NEO)            | 22.85                  | 12.61                   | 81%                     | 2,270                                | 55.9                       | 7.4                                |
| Genomic Health (GHDX)        | 56.20                  | 64.41                   | -13%                    | 2,090                                | 45.0                       | 5.1                                |
| Myriad Genetics (MYGN)       | 25.18                  | 29.07                   | -13%                    | 1,960                                | 17.0                       | 2.3                                |
| Invitae (NVTA)               | 23.02                  | 11.06                   | 108%                    | 1,910                                | NA                         | 11.9                               |
| Natera (NTRA)                | 25.78                  | 13.96                   | 85%                     | 1,830                                | NA                         | 7.0                                |
| CareDx (CDNA)                | 40.08                  | 25.14                   | 59%                     | 1,610                                | NA                         | 18.2                               |
| Opko Health (OPK)            | 2.14                   | 3.01                    | -29%                    | 1,470                                | NA                         | 1.5                                |
| Veracyte (VCYT)              | 28.27                  | 12.58                   | 125%                    | 1,150                                | NA                         | 11.3                               |
| Enzo Biochem (ENZ)           | 3.63                   | 2.78                    | 31%                     | 113                                  | NA                         | 1.3                                |
| Psychemedics (PMD)           | 9.66                   | 15.87                   | -39%                    | 51                                   | 5.5                        | 1.2                                |
| Cancer Genetics Inc. (CGIX)  | 0.18                   | 0.24                    | -23%                    | 26                                   | NA                         | 1.0                                |
| Interpace Diagnostics (IDXG) | 0.71                   | 0.80                    | -11%                    | 20                                   | NA                         | 0.9                                |
| Biocept (BIOC)               | 1.02                   | 0.86                    | 19%                     | 8                                    | NA                         | 2.3                                |
| Unweighted Averages          |                        |                         | 38%                     | \$92,818                             | 23.4                       | 9.4                                |

Source: *Laboratory Economics* and Capital IQ

### Subscribe to Laboratory Economics

YES! Please enter my subscription to *Laboratory Economics* at \$395 for one year. Subscription includes 12 monthly issues sent electronically plus access to all back issues at [www.laboratoryeconomics.com/archive](http://www.laboratoryeconomics.com/archive).

Check enclosed  
(payable to *Laboratory Economics*)

Charge my: MC Amex Visa (circle one)

Card # \_\_\_\_\_

Name \_\_\_\_\_

Exp. Date \_\_\_\_\_ Security Code: \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

Cardholder's name \_\_\_\_\_

Mailing Address \_\_\_\_\_

Signature \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Billing address \_\_\_\_\_

Phone \_\_\_\_\_

Fax \_\_\_\_\_

e-mail address \_\_\_\_\_

**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.

CC2019

**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](mailto:labreporter@aol.com)