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LABORATORY ECONOMICS

Competitive Market Analysis For Laboratory Management Decision Makers

HOW TO BUILD A $600 PAP TEST

U.S. Pap test volumes peaked in 2009 at 55 million tests. Volumes are now declining by an estimated 5% per year because of the Gardasil vaccine and extended testing intervals recommended by the American College of Obstetricians and Gynecologists (ACOG).

To give this sagging market a boost, many labs are now promoting brand name Pap test panels that include add-on tests for a wide variety of sexually transmitted diseases (STDs). The strategy is to perform a liquid-based Pap test and then offer multiple STD tests on residual sample fluid. The pitch to Ob-Gyns and their patients is simple: one collection-multiple detections.

The potential number of STD tests that can be performed from out-of-the-vial residual fluid from SurePath and ThinPrep specimens is almost limitless. For example, *Laboratory Economics* constructed a hypothetical Pap test panel with 10 tests that would yield total reimbursement of more than $600. We've given our panel the brand name PapExcess. *Full details on pages 2-3.*

PHYSICIAN PAY CUT DELAYED FOR 2 MONTHS

Congress has approved a two-month reprieve from the 27.4% cut to Medicare physician reimbursement that had been scheduled to take effect on January 1. The conversion factor that is used to calculate all Part B physician reimbursement will remain at 33.9764 for now. Lawmakers are expected to extend this freeze past the March 1 deadline, but there are no guarantees.

The final relative value units (RVUs) for 2012 indicate that global reimbursement for CPT 88305—the most frequently billed pathology procedure—has been reduced by 0.3% to $105.67 from $106.01. The technical component is staying at $69.95, but the professional component has been cut by 0.9% to $36.01.

Meanwhile, the 2012 update for the clinical lab fee schedule is +0.65%.

For a look at Part B rates for 50 key pathology codes, *see pages 5-7.*

QUEST BUYS S.E.D. MEDICAL LABS

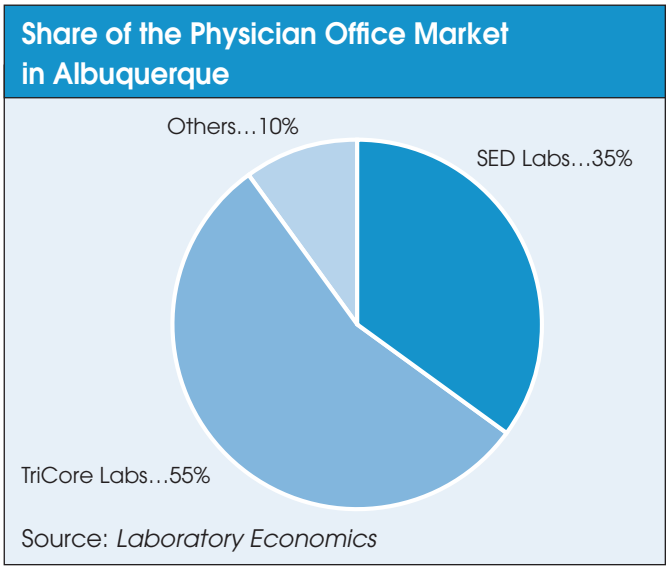
Quest Diagnostics closed on its acquisition of S.E.D. Medical Labs (Albuquerque, NM), which had been part of the Lovelace Health System. Lovelace is owned by the for-profit hospital management company Ardent Health Services (Nashville, TN). S.E.D. Labs has 450 employees that performed approximately 7.5 million tests for one million patients last year. Annual revenue is estimated at $75 million. Quest had previously operated just one PSC in Albuquerque. The acquisition of S.E.D. brings a 50,000-square-foot freestanding lab and 15 patient service centers across New Mexico. In addition, Quest will now manage in-patient labs for the four Lovelace hospitals and serve the Lovelace Health Plan (222,000 members). *Continued on page 2.*

CONTENTS

QUEST BUYS S.E.D. MEDICAL LABS (*continued from page 1*)

Albuquerque (metro population=908,000) had been one of the rare markets in the United States where neither Quest nor LabCorp had a meaningful share (each operates only one PSC in the area). The market was dominated by Tricore Reference Labs and S.E.D. Labs.

TriCore is an independent reference lab formed by the University of New Mexico, Presbyterian Hospital and St. Vincent's Hospital in 1998. TriCore, which has 900 employees, operates a 95,000-square-foot lab in Albuquerque as well as 25 PSCs throughout New Mexico and one in El Paso, Texas. Annual revenue is estimated at more than $100 million.



On another note, Quest continues its search for a new chief executive; current CEO Dr. Surya Mohapatra's contract expires on April 30. A change appears imminent. In early December, Quest increased its board size to nine members by adding Timothy Ring. This move will fill the board seat that will be vacated when Mohapatra leaves.

Ring, age 54, is chairman and CEO of C. R. Bard (Murray Hill, NJ), a publicly-traded company that makes surgical products like angioplasty catheters, vascular stents and biopsy devices. Ring is also a board member of AdvaMed and a trustee for the Foundation of The University of Medicine & Dentistry of New Jersey.

HOW TO BUILD A $600 PAP TEST (*continued from page 1*)

Many labs are using a combination of liquid-based Pap testing with automated screening and manual rescreening plus DNA-based HPV testing for high-risk types, which yields reimbursement of $87.23 under the Medicare Part B fee schedule.

Additional testing for sexually transmitted diseases can bring more reimbursement. The most commonly ordered are chlamydia and gonorrhea. These tests add $100 in reimbursement, bringing the total reimbursement to $186.65 per specimen.

Chlamydia and gonorrhea tests have been cleared for testing from liquid-based Pap test samples. In addition, labs are testing for other STDs using laboratory-developed tests and they have developed brand names to market them.

For example, West Coast Pathology Labs offers the "12 Test" Pap Test, which includes the following tests: ThinPrep Imager Pap test, candida, trichomonas, actinomycosis, HPV detection, HPV genotyping, chlamydia, gonorrhea, herpes simplex 1 and 2, and mutation analysis for cystic fibrosis and thrombophilia.

In early 2009, Bio-Reference Labs launched a women's health initiative (GenPap), which includes ThinPrep plus tests for up to 21 STDs. The company has approximately 100 sales reps selling GenPap plus a YouTube video.

"What is often completely overlooked by the critics is the acceptance of our program by the physician community. Our daily Pap volume has quintupled over the past two years to over 5,000 a day. What is not considered is the ease of use to perform a Pap smear and a PCR assay off a single

collection device rather than multiple swabs and cultures. What is not mentioned is getting an answer with one visit instead of multiple visits or multiple antibiotic trials," Marc Grodman, MD, chief executive of Bio-Reference, noted on a May 2011 conference call.

Grodman said that about 40% to 50% of Pap test requisitions processed by Bio-Reference include an HPV test. A lesser percentage include chlamydia and gonorrhea tests. Roughly 10% to 15% include a panel of STDs (with an average of seven tests per panel).

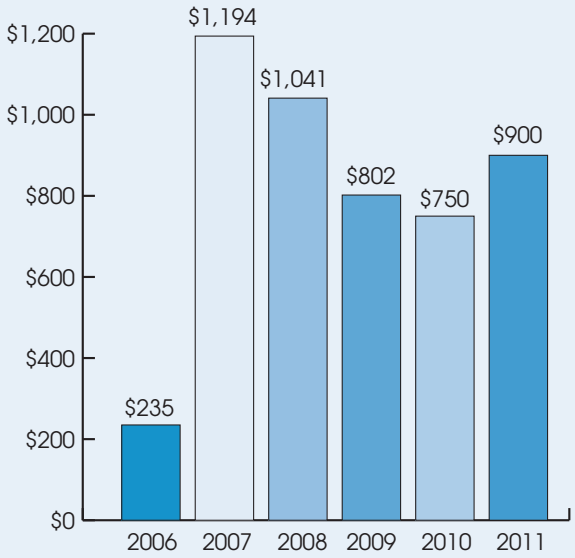
It could be argued that Bio-Reference is under testing, given that ACOG recommends a combination Pap test and HPV test for all women over age 30.

Meanwhile, Quest Diagnostics, which processes more than 12 million Pap tests annually, has developed a panel of STDs under the brand name SureSwab. And LabCorp says it's preparing to launch a single-swab women's health test.

U.S. Sales of Gardasil (in millions)

The Gardasil HPV Vaccine

The FDA approved the first vaccine (Gardasil made by Merck) for human papillomavirus (HPV) in June 2006. Gardasil, which is intended for girls 9-26 years of age, works by preventing infection from two types of HPV that cause about 75% of cervical cancers. The uptake of Gardasil was quick with U.S. sales peaking in 2007 at $1.2 billion. More than 40 million doses of Gardasil have now been distributed in the United States.



Source: *Laboratory Economics*

PapExcess: A Hypothetical Test Panel

The conventional Pap test is reimbursed by Medicare at $15. Liquid-based Pap tests combined with HPV and other STDs can raise reimbursement to more than $600.

CPT Code	*Description*	*Regulatory Status*	*Medicare Part B Reimbursement**
88175	Liquid-based Pap with automated screening and manual redo	FDA cleared	$37.52
Add-On Tests for Sexually Transmitted Diseases			
87621	HPV testing for high-risk types	FDA cleared	49.71
87621	HPV testing for low-risk types	FDA cleared	49.71
87491	Chlamydia	FDA cleared	49.71
87591	Gonorrhea	FDA cleared	49.71
87529	Herpes Simplex 1	CLIA validation	49.71
87529	Herpes Simplex 2	CLIA validation	49.71
87798	Trichomonas	CLIA validation	49.71
87653	Vaginal Group B Strep	CLIA validation	49.71
87481(x4)	Candida Vaginitis Panel	CLIA validation	198.84
Total			**$634.04**

*Medicare Part B reimbursement for 2012; unadjusted for geography Source: *Laboratory Economics*

QUEST DIAGNOSTICS FACES GENDER BIAS LAWSUIT

Two female sales reps have filed a $100 million lawsuit against Quest Diagnostics and its subsidiary AmeriPath charging gender discrimination. The suit was filed in U.S. District Court in Newark (case 2:12-cv-00231-SDW-MCA) by AmeriPath sales managers Erin Beery and Heather Traeger. They are seeking to have the court extend the lawsuit to other female sales reps at Quest.

The lawsuit claims that Quest has a male-dominated upper management that fosters an "old boys' club" that denies women equal advancement opportunities. The lawsuit alleges that Quest offers male sales reps more fruitful territories, lower quotas and more opportunities for promotions. Plaintiff attorney Sharon Eubanks says there is a clear pattern of male employees and women without child care responsibilities advancing more rapidly and to higher-paying jobs at Quest.

The lawsuit alleges that Quest strategically utilizes two women it has placed in upper management, Michelle Zwickl, vice president of sales at AmeriPath, and Tara Botarelli, sales director for the east at AmeriPath, to encourage male employees and hold women back from advancement.

Women who challenge discrimination are faced with an indifferent human resources department that does not respond appropriately to complaints, according to the suit.

Beery is currently executive territory manager for AmeriPath in Indianapolis, Indiana. She claims that her bosses have shut her out and promoted less-qualified male employees to higher positions. Due to job-related stress, Beery went on approved leave in November 2011 under the Family and Medical Leave Act. Beery claims that immediately thereafter AmeriPath restructured her territory, shifting 50% to male sales reps. As a result, Beery says she will not be able to meet her $1.4 million sales quota for the year, which has not been adjusted.

The lawsuit cites numerous alleged incidents of discrimination. For example, Traeger, who is currently senior executive territory manager for AmeriPath in Bradenton, Florida, claims to have secured a multi-million dollar account with the Florida Cancer Specialist Project in January 2010. Traeger says AmeriPath has not paid her full commissions on the account and that Botarelli has ignored her requests to fix the error.

Meanwhile, Traeger contends that when territory manager Matt Liggett raised a similar concern, "Botarelli flew to his location, rented a limousine and took him out. She ultimately authorized his payment for commission."

A Quest spokeswoman says, "We believe that there is no basis for the allegations and we intend to vigorously defend the lawsuit. We are committed to equal opportunity for all employees and we take seriously our policies requiring equal treatment regardless of gender. We are proud to be routinely recognized as a top employer in communities around the U.S."

Laboratory Economics notes that the president of AmeriPath is a woman, Joan Miller, PhD.

The lawsuit was filed by Sanford Wittels & Heisler (New York City), which represented plaintiffs in a six-year legal battle that led to Novartis agreeing in 2010 to pay $175 million to settle a class action that accused the drug company of discrimination against 5,600 female sales reps.

Separately, *Laboratory Economics* notes that Quest is also facing a class action lawsuit filed on behalf of the company's older sales reps (over 40 years old) that either resigned or were terminated after being placed on a performance improvement plan. The complaint alleges that Quest pushed older sales reps out and replaced them with younger, less-experienced reps who were not required to meet the same standards (see *LE*, December 2010, page 1).

PART B RATES FOR 50 KEY PATHOLOGY CODES (*continued from page 1*)

Pathologists will see a small decrease in Medicare reimbursement rates for most pathology codes in 2012, assuming the conversion factor remains at 33.9764. The conversion factor (CF) is used to translate the relative value units (RVUs) of the Part B Physician Fee Schedule into reimbursement rates.

Part B rates for 50 key pathology codes, including several tumor markers and molecular diagnostic codes, will decrease by an unweighted average of 0.2% this year.

The biggest change will occur in reimbursement for special stains:

CPT 88312 (special stains, group I) has been cut by 12.4%. The technical component of 88312 has been slashed 16% to $67.61; the professional component has been reduced by 1.3% to $25.82.

CPT 88313 (special stains, group II) has been cut by 15.7%. The technical component of 88312 has been chopped by 18.5% to $54.02; the professional component is unchanged at 11.55.

These cuts will hurt lab owners that provide technical services for special stains. Evidently, CMS believes that increasing levels of automation have reduced the technical preparation costs for special stains.

Pathology Codes Under Review for 2013

Under its Potentially Misvalued Coding Initiative, CMS has identified several key pathology codes as potentially overvalued. The RVUs for these codes will be scrutinized by the American Medical Association's Relative Value Scale Update Committee (RUC) for possible revisions in the 2013 fee schedule.

The technical component of CPT 88305 will be evaluated by the RUC.

In addition, the technical and professional components for CPT 88342 (immunohistochemistry); 88112 (cytopathology); and 88312 (special stains), which has already been significantly reduced (see above), will be reviewed.

Three FISH codes (88365, 88367 and 88368) will also be reviewed.

Global Medicare Reimbursement for Key Pathology Codes

Code	Description	2012	2011	% Chg
82232	B2M	$22.91	$22.76	0.7%
82378	CEA	26.87	26.70	0.6%
83896	Molecular diagnostics	5.68	5.64	0.7%
83898	Molecule nucleic ampli, each	23.74	23.58	0.7%
83903	Molecule mutation scan	23.74	23.58	0.7%
83904	Molecule mutation identify	23.74	23.58	0.7%
83909	Nucleic acid, high resolute	23.74	23.58	0.7%
84153	Total PSA	26.06	25.89	0.7%
84154	Free PSA	26.06	25.89	0.7%
86300	CA 15-3	29.48	29.29	0.6%
86301	CA 19-9	29.48	29.29	0.6%
86304	CA 125	29.48	29.29	0.6%

Code	Description	2012	2011	% Chg
87621	DNA-based HPV test for high-risk types	49.71	49.39	0.6%
88108	Cytopath, concentrate tech	70.67	75.43	-6.3%
88112	Cytopath, cell enhance tech	102.27	102.61	-0.3%
88120	FISH-manual, 3-5 probes	472.61	456.30	3.6%
88121	FISH-computer assisted, 3-5 probes	407.38	385.29	5.7%
88142	Liquid-based Pap test	28.70	28.51	0.7%
88164	Conventional Pap test	14.97	14.87	0.7%
88172	Cytopath eval FNA, first eval, each site	52.66	50.62	4.0%
88173	Cytopath eval FNA, interpretation and report	138.62	137.6	0.7%
88174	Liquid Pap with automated screening	30.26	30.06	0.7%
88175	Liquid Pap/automated screening/manual redo	37.52	37.28	0.6%
88184	Flow cytometry, 1 marker	82.56	83.92	-1.6%
88185	Flow cytometry, add on	49.95	50.29	-0.7%
88189	Flow cytometry, read 16+	102.27	103.29	-1.0%
88237	Tissue culture bone marrow	178.90	177.74	0.7%
88262	Chromosome analysis; 15-20 cells	176.54	175.4	0.6%
88264	Chromosome analysis; 20-25 cells	176.54	175.4	0.6%
88271	Cytogenetics DNA probe	30.33	30.14	0.6%
88275	Cytogenetics 100-300 cells	56.88	56.51	0.7%
88291	Cytogenetics molecular report	29.22	29.22	0.0%
88304	Level III, tissue exam by pathologist	61.84	62.52	-1.1%
88305	Tissue exam (global component)	105.67	106.01	-0.3%
88305	Tissue exam (technical component)	69.65	69.65	0.0%
88305	Tissue exam (professional component)	36.01	36.35	-0.9%
88307	Level V, tissue exam by pathologist	234.10	226.28	3.5%
88309	Level VI, tissue exam by pathologist	354.71	342.82	3.5%
88312	Special stains, group I	93.44	106.69	-12.4%
88313	Special stains, group II	65.57	77.81	-15.7%
88321	Microslide consult	89.7	90.72	-1.1%
88323	Microslide consult with slide prep	136.92	142.70	-4.1%
88331	Pathology consult during surgery, first block	92.42	91.40	1.1%
88332	Path consult during surgery, each additional block	40.77	40.43	0.8%
88342	Immunohistochemistry	105.33	103.97	1.3%
88346	Immunofluorescent study	103.29	101.93	1.3%
88356	Analysis nerve	272.15	283.02	-3.8%
88360	Tumor immunohistochem, manual	120.28	123.33	-2.5%
88361	Tumor immunohistochem, computer	151.19	151.53	-0.2%
88365	Tissue in-situ hybridization-FISH	165.47	165.47	0.0%
Overall Unweighted Average				**-0.2%**

Note: Rates are calculated using transitioned non-facility RVUs and conversion factor of 33.9764 and are unadjusted for geographic practice cost differences.
Source: *LE* based on final Physician Fee Schedule Rule and Clinical Laboratory Fee Schedule for 2012

THE COMING MEDICARE BAILOUT

Sometime within the next 10 years, the federal government will be forced to bail out the Medicare program, *LE* predicts.

Medicare is a "pay-as-you-go" system that relies on employee payroll taxes to pay for recipient services. The ratio of those employed to those drawing on Medicare benefits is crucial to maintaining the program's solvency.

When Congress enacted the Social Security Act of 1965, establishing Medicare, record numbers of young people ("The Baby Boom") were entering the work force. The government was able to tax a small percentage of their income to pay for Medicare benefits for their parents and grandparents. At that time there were approximately four civilian working-age Americans for every Medicare beneficiary.

The first of 77 million Baby Boomers turned 65 last year. Medicare enrollment will grow from 47.5 million in 2010 to 64 million in 2020 at which time there will be only 2.6 civilian workers for every beneficiary.

This unstoppable demographic shift—combined with the addition of a prescription drug benefit in 2006—has created an unfunded liability of $25 trillion. In other words, $25 trillion would need to be added to the Medicare Trust Fund right now in order to bring the program into long-range financial balance. This is the taxpayers' obligation because Medicare taxes and Part B premiums will not cover future benefit costs.

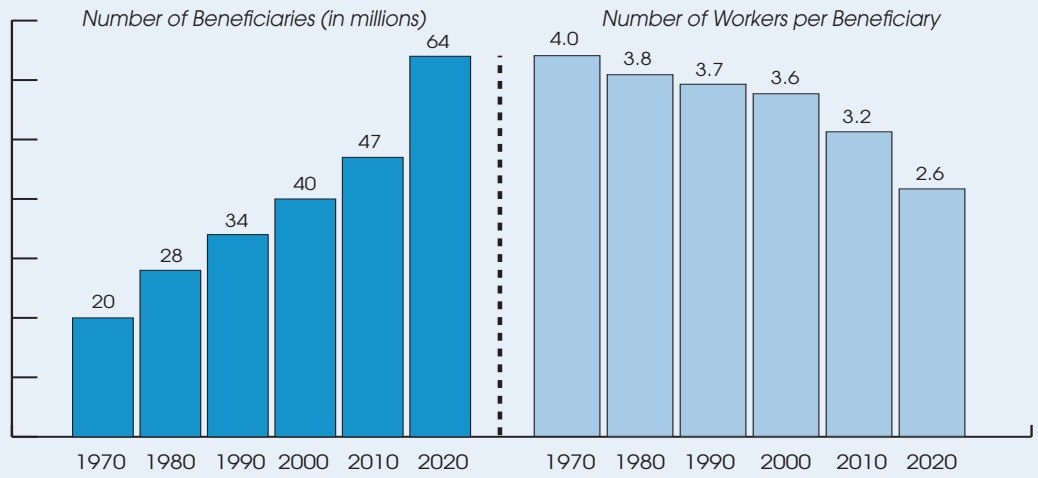
Furthermore, the $25 trillion is an underestimate because it counts on cost-cutting changes that are not likely to occur—such as the 27.4% physician fee schedule cut.

So with fewer workers to support Medicare recipients, tough choices will eventually have to be made: 1) payroll taxes on the working population will need to be increased; 2) reimbursement to hospitals, physicians and other providers will need to be cut; and/or 3) the government will have to cut benefits.

But the tax increases and spending cuts required are too large to be politically feasible. Raising the $25 trillion (or $25,000,000,000) needed to shore up Medicare would require every household to pay $217,000. That's not going to happen.

If the federal government can bail out AIG, Bear Stearns, Citigroup and the auto industry, then why not the Medicare program too? It's just a matter of time.

Historical and Projected Number of Medicare Beneficiaries & Number of Workers Per Beneficiary



Source: *Laboratory Economics* from Census Bureau

THE ECONOMICS FOR BRAF MUTATION ANALYSIS

The December 2011 issue of *Laboratory Economics* highlighted the different code stacks used by various reference labs to bill for four pharmacogenomic tests (KRAS, EGFR, UGT1A1 and BCR/ABL).

Another example is BRAF mutation analysis, which is used to help determine which patients with late-stage melanoma will benefit from Roche's new cancer drug Zelboraf (vemurafenib). Approximately 50% of melanoma patients have the BRAF V600E mutation and can be helped by Zelboraf.

Unlike chemotherapy, which only stops mutated cells from dividing, Zelboraf shuts down the abnormal signals of the tumor cells that are caused by the genetic mutation and stops the cells from dividing, without affecting healthy cells.

Zelboraf was approved by the FDA in August 2011. The agency also approved a DNA test made by Roche that determines whether a patient has the BRAF V600E mutation. It was the first-ever joint FDA approval of a drug and a companion test.

Zelboraf costs approximately $56,400 for a six month course of treatment.

Reference labs are charging an average of about $250 to perform BRAF mutation analysis.

A look at the test menus at six major reference labs shows that each lab uses its own unique group of CPT codes to bill for the test. Clarient and LabCorp each use Roche's FDA-cleared cobas 4800 BRAF V600E Mutation Test. Clarient uses a code stack with eight CPT codes for a total charge of $261.53. LabCorp uses six codes for a total charge of $220.75.

ARUP Labs, Molecular Pathology Lab Network (MPLN), NeoGenomics and Quest Diagnostics each use laboratory-developed tests and bill a variety of code stacks ranging from $118.54 to $301.21 per test.

BRAF Testing for Melanoma

Laboratory:	ARUP	Clarient	LabCorp	MPLN	NeoGenomics	Quest Diagnostics
Code stack:	83898 83904 83907 83912 88381	83891 83892(x2) 83896(x2) 83898 83907 83912 83914 88381	83891 83896 83898 83912 83907 88381	83890(x2) 83892 83898 83900 83901(x3) 83907 83909 83912 83914 88305-T	83891 83896(x3) 83898(x3) 83907 83912	83891 83892(x3) 83894(x3) 83898(x3) 83904(x3) 83909(x3) 83912
Charge*:	$233.13	$261.53	$220.75	$301.21	$118.54	$259.10

*Charge is calculated by Medicare Part B national limit amount for 2012; unadjusted for geography

Source: *Laboratory Economics* from company test menus

WHY ARE DERM GROUPS OPENING HISTOLOGY LABS?

The answer is, of course, related to reimbursement.

More than 1,000 dermatology groups in the United States perform in-office micrographic surgery (Mohs) for removing skin cancer with a small margin of additional skin. Mohs surgery is commonly used for sensitive areas such as the nose and lips where tissue conservation is especially important.

Mohs surgery requires a small on-site lab (Mohs lab) for rapid tissue analysis to make sure that all the cancer has been removed. In Mohs surgery, the slide is prepared by a technician and read by the dermatologist right after surgery. If the margins are cancer-free, the surgery is ended. If not, more tissue is removed, and this procedure is repeated until the margins of the final tissue examined are clear of cancer.

The billing for Mohs surgery is unique because its codes for surgery and pathology services are bundled together under one group of codes. CPT codes 17311-17315 are used by the dermatologist who removes the lesion and prepares and interprets the slides. The pathology services associated with Mohs surgery are not billed separately.

Prior to 2008, a dermatologist could perform Mohs surgery on more than one cancer site on a patient in the same visit and get full reimbursement for each procedure. However, Medicare applied the multiple procedure reduction rule (MPRR) to Mohs surgery starting in 2008-2009. The MPRR reduced Mohs surgical payment by 50% if more than one cancer is removed at a single patient visit. It also reduced payment by 50% if reconstructive surgery is performed on the same day. The pay cuts were copied by private insurers.

As intended, the payment change caused Medicare Part B carrier expenditures for Mohs surgery to dip in 2008-2009 (see graph). Shortly thereafter, more dermatology groups began building full-service in-office histology labs. "There are a lot more now being opened than three years ago," notes David Kemler, HTL (ASCP), consultant for In-Office Pathology LLC.

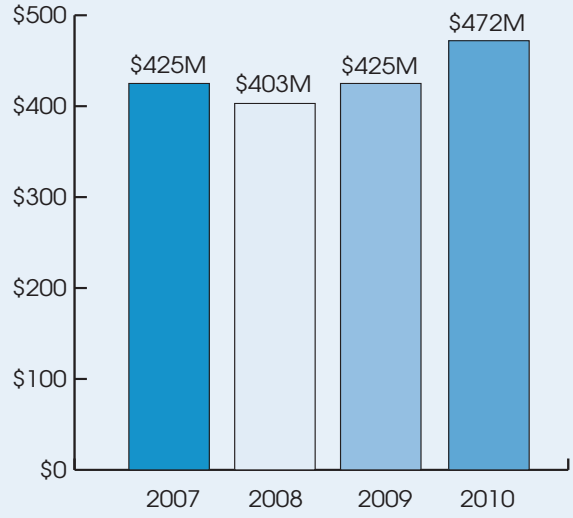
Dermatologists have also been hurt by the weak economy. Demand for cosmetic surgery, which is paid out-of-pocket, has slowed. At the same time, dermatology groups are facing increased competition from cosmetic spa chains that offer laser hair removal and skin rejuvenation services.

"Given their residency training, dermatologists are uniquely qualified to read their own slides," notes Mickie Johnson, HTL (ASCP), president of Mohs Histology Consulting Services (Spokane, WA). "The real question is 'Why has it taken dermatologists so long to bring histology inhouse?'"

Routine dermatology excisions (unlike Mohs surgery) include separate billing for the surgery procedure and the pathology service.

Kemler says opening a full-service histology lab at a dermatology practice requires about 300 square feet of space and a

Medicare Carrier Expenditures on Mohs Surgery*



*Medicare Part B carrier allowed charges for CPT 17311-17315
Source: *Laboratory Economics* from CMS

$100,000 to $125,000 investment for renovations, a tissue processor and other equipment and services. Hiring a full-time histotechnologist costs about $70,000 per year, including salary and benefits. Kemler says a dermatology group can earn back its initial investment within six months. "It's found money for the dermatology group and better service for the patient," according to Kemler.

Johnson says the average dermatologist generates about 2,000 to 3,000 billable CPT 88305s per year. He says that some dermatologists generate up to 5,000 billable 88305s by employing physician assistants and nurse practitioners to increase efficiency.

Assuming an average of 2,500 billable 88305s per dermatologist per year means that a four-physician practice can generate about $650,000 per year from slide preparation fees (10,000 billable 88305s x $65 each=$650,000). Reading their own slides or hiring a dermatopathologist adds another $350,000 in revenue (10,000 billable 88305s x $35 each=$350,000). That's a total of $1 million of annual pathology revenue.

Last year, approximately 146 derm groups opened CLIA-certified high-complexity path labs, including Mohs and full-service histology labs. This was up from 113 labs in 2010.

Dermatology groups that opened full-service histology labs last year included:

Marietta Dermatology (Marietta, GA), with 10 derms; Mid Florida Dermatology Associates (Orlando, FL), with 10 derms; Fort Wayne Dermatology Associates (Fort Wayne, IN), with 7 derms; Gulf Coast Dermatology (Panama City, FL), with 4 derms; Kessel Dermatology (Hamilton Square, NJ), with 2 derms; and Moeller Dermatology (Wichita, KS), one dermatologist.

The largest dermatology practice in the nation, Advanced Dermatology & Cosmetic Surgery (ADCS), has 56 dermatologists at 50 offices, primarily in Florida and Texas. ADCS operates a big pathology lab in Delray Beach, Florida, that is headed by dermatopathologist Steven Glanz, MD. Nationwide, ADCS's dermatologists generate an estimated $14 million worth of pathology service (technical and professional services) per year.

Top 10 Dermatology Groups with In-Office Pathology Labs

Name of Group	*Location*	*#Docs*	*Estimated # 88305s*	*Pathology Revenue*
Advanced Derm & Cosmetic Surgery	Delray Beach, FL	56	140,000	$14,000,000
Skin and Cancer Associates	Aventura, FL	45	112,500	$11,250,000
West Dermatology	Placentia, CA	30	75,000	$7,500,000
Dermatology Associates of Wisconsin	Manitowoc, WI	28	70,000	$7,000,000
Advanced Dermatology PC	Ridgewood, NJ	23	57,500	$5,750,000
California Skin Institute	San Francisco, CA	21	52,500	$5,250,000
Palm Beach Dermatology	W. Palm Beach, FL	19	47,500	$4,750,000
Dermatology Consultants	Eagan, MN	18	45,000	$4,500,000
Associated Skin Care Specialists	Fridley, MN	18	45,000	$4,500,000
Associates in Dermatology	Louisville, KY	15	37,500	$3,750,000
Total for 10 Derm Groups		**273**	**682,500**	**$68,250,000**

Source: *Laboratory Economics*

PATHOLOGY INSTITUTE 2012

Dear Valued Subscribers,

You must join *Laboratory Economics* and G2 Intelligence for the inaugural Pathology Institute: Pathology Under Attack! Practice Models and Business Strategies for a New Era. The program for this fast-paced two-day conference was developed by me and my good friend Dennis Weisman, Founder and Executive Editor at G2 Intelligence. Dennis and I handpicked engaging topics and straight-talking speakers.

The Pathology Institute means business. This conference will focus on all the key trends hitting the pocketbooks of pathologists today, including insourcing by urology, gastro and derm groups, managed care contracting, sales and marketing techniques, digital pathology and molecular diagnostics.

Keynote presentations will be given by **Ben Davis, MD,** Chairman and CEO, **PathGroup**; **Cory Roberts, MD,** Chairman and President, **ProPath**; and **Michael Laposata, MD, PhD,** Pathologist-in-Chief, **Vanderbilt University Hospital**.

We've also lined up more than a dozen speakers that will share their experience and advice on hot-button topics, including:

How Pathologists Should Deal with In-Office Labs Joe Plandowski, Principal, In-Office Pathology LLC	**Tips for Making Money from Digital Pathology** Amanda Lowe, President, Digital Pathology Consultants
How to Negotiate Better Managed Care Contracts Mick Raich, President, Vachette Pathology	**Expanding Your Practice with Molecular Diagnostics** Deborah Payne, PhD, VP of Molecular Dx, UniPath
Developing a Professional Sales and Marketing Staff Christian Stevens, Marketing Director, SkinPath Solutions	**Business Models for In-Sourcing AP Services** Al Parker, Administrator, KWB Pathology Associates
Business Issues for Pathologist-Hospital Relationships Jane Pine Wood, Member, McDonald Hopkins	**The Future of Pathology** Jared Schwartz, MD, PhD, Medical Director, Aperio Technologies

Plus the conference will feature a special Mergers & Acquisition Workshop designed to help pathologists and administrators better understand all the details, documentation and legal requirements that go into a successful M&A transaction. Our panel of six experts will review the process from every angle—start to finish.

If you like my newsletter *Laboratory Economics*, then you're gonna love Pathology Institute. And it will all take place at the beautiful Westin Beach Resort in Fort Lauderdale.

Time is running out. Go to **www.laboratoryeconomics.com** and register today!

Best regards,

Jondavid Klipp

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LAB STOCKS ROSE 1% IN 2011

Twelve lab stocks rose by an unweighted average of 1% in 2011. The combined market capitalization for the group was also up 1% to $22.1 billion. In comparison, the S&P 500 Index was unchanged and the Nasdaq was down 2% in 2011. The top-performing lab stocks in 2011 were Genoptix (which was acquired by Novartis in February 2011), up 31%, followed by Celera (which was purchased by Quest Diagnostics in May 2011), up 27%.

Company (ticker)	Stock Price 12/31/10	Stock Price 12/30/11	2011 Price Change	Market Capitalization ($ millions)	Earnings Past 12 Months	Price-to-Earnings Ratio
Bio-Reference (BRLI)	$22.18	$16.27	-27%	$455	$1.29	12.6
Celera (CRA)*	6.30	8.00	+27%	665	NA	NA
CombiMatrix (CBMX)	2.15	2.00	-7%	21	-0.81	NA
Enzo Biochem (ENZ)	5.28	2.24	-58%	86	-0.43	NA
Genomic Health (GHDX)	21.39	25.39	+19%	750	0.23	110.4
Genoptix (GXDX)**	19.02	25.00	+31%	470	NA	NA
LabCorp (LH)	87.92	85.97	-2%	8,520	5.73	15.0
Medtox Scientific (MTOX)	13.10	14.05	+7%	125	0.49	28.7
Myriad Genetics (MYGN)	22.84	20.94	-8%	1,774	1.16	18.1
Neogenomics (NGNM)	1.30	1.40	+8%	61	-0.06	NA
Psychemedics (PMD)	8.20	9.10	+11%	48	0.66	13.8
Quest Diagnostics (DGX)	53.97	58.06	+8%	9,160	2.96	19.6
Averages			**+1%**	**$22,135**		**31.2**

*Celera was acquired by Quest Diagnostics in May 2011 for $8 per share.
**Genoptix was acquired by Novartis in February 2011 for $25 per share.
Source: Bloomberg

Jondavid Klipp, Editor and Publisher Jennifer Kaufman, Associate Editor