

LABORATORY ECONOMICS

Competitive Market Analysis For Laboratory Management Decision Makers

QUEST TO BUY ATHENA FOR \$740 MILLION

Quest Diagnostics has agreed to purchase Athena Diagnostics (Worcester, MA) from Thermo Fisher Scientific for \$740 million in cash. Athena recorded revenue of \$110 million in 2010, so the purchase price is equal to 6.7x revenue. This represents an all-time record high for a lab acquisition in terms of purchase price/annual revenue. The previous record was General Electric's recent purchase of Clariant Inc. for \$585 million (5.0x revenue). *Continued on page 2.*

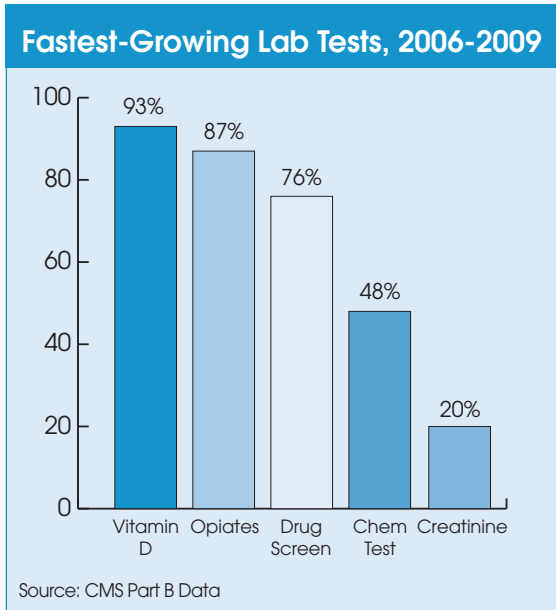
QUEST TO BUY CELERA FOR \$671 MILLION

Quest is also acquiring Celera Corp. (Alameda, CA) for \$8 per share, or \$671 million. The deal values Celera at \$344 million after taking into account Celera's \$327 million in cash and short-term investments. The adjusted purchase price is equal to 2.7x annual revenue. The deal was announced on March 18, the same day that Celera reported a net loss of \$26.4 million on an 18% decline in revenue to \$128.2 million for full-year 2010. *Continued on page 3.*

VITAMIN D IS FASTEST-GROWING LAB TEST

Medicare spending on vitamin D testing (CPT 82306) grew by an average annual rate of 93.4% between 2006 and 2009, according to an analysis of Medicare claims data by *Laboratory Economics*. This made vitamin D the fastest-growing test among the top 30 clinical lab tests ranked by Medicare Part B carrier spending. Part B spending on vitamin D testing totaled \$156.8 million in 2009.

The second fastest-growing test was opiates (CPT 83925), which grew by 86.9% per year between 2006 and 2009. This test is typically performed to monitor patients on chronic pain medication, including codeine, dihydrocodeine, morphine, 6-acetylmorphine, hydrocodone, hydromorphone, oxycodone and oxymorphone. A related test—drug screening (CPT 80101)—was also fast growing, up 76% per year during the same period. *Continued on page 9.*



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QUEST TO BUY ATHENA FOR \$740 MILLION (*cont'd from page 1*)

Athena operates a laboratory in Worcester, Massachusetts, that specializes in genetic testing for neurological conditions such as Alzheimer's, Huntington's, and multiple sclerosis. The company offers 350+ tests, and holds over 200 patents.

On a February 24 conference call, Quest chairman and chief executive Surya Mohapatra, PhD, said that Athena will operate as a separate unit. Athena has been growing its revenue by approximately 15% annually for the past five years. Mohapatra said that Athena's specialized sales force will remain intact. He said Quest will seek to augment Athena's growth through its own 1,000+ sales reps. Reimbursement pressure is not expected because most of Athena's clients are hospitals and reference labs, not Medicare or managed care. Furthermore, Mohapatra noted that 75% of Athena's revenue comes from patent-protected tests.

However, *LE* notes that \$740 million is a rich price to pay despite Athena's strong business.

Ownership of Athena has changed hands several times since the company was founded in 1988. The Irish drugmaker Elan Corp. purchased Athena in 1996. The private equity firm Behrman Capital then bought Athena in a deal valued at approximately \$150 million (~3.75x revenue) in 2002. In March 2006, Fisher Scientific bought Athena from Behrman for \$283 million (~5x revenue). And now Quest is paying 6.7x revenue.

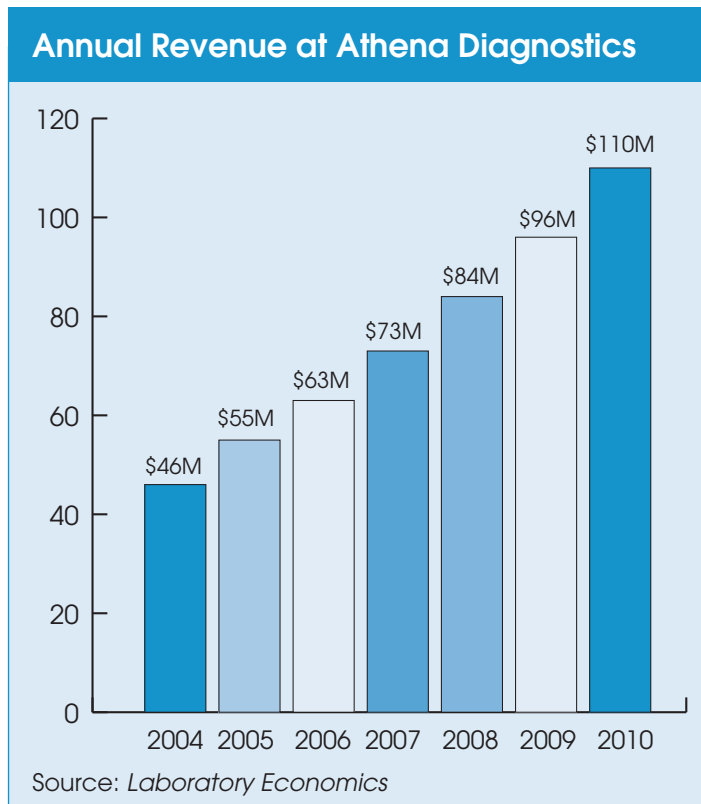
From a return on investment perspective, Kemp Dolliver, analyst at Avondale Partners, estimates that Quest's purchase of Athena will generate "paltry" returns of 3-4% per year.

Thermo Fisher is the Winner

The big winner in the transaction is Thermo Fisher, which was formed by the merger of Fisher Scientific and Thermo Electron Corp. in November 2006. Thermo Fisher has earned a 21% per year return on its initial \$283 million investment in Athena.

In a separate transaction, Thermo Fisher also announced plans to sell Lancaster Laboratories (Lancaster, PA) to Belgium-based Eurofins Scientific for \$200 million. Lancaster provides contract lab testing services to pharmaceutical, biotech and medical device manufacturers. The sales price is equal to 1.7 times Lancaster's annual revenue of \$115 million.

Thermo Fisher says it's selling its two labs—Athena and Lancaster—to focus on its laboratory



QUEST TO BUY CELERA FOR \$671 MILLION *(continued from page 1)*

Celera is a publicly traded genetics company. Its largest business is Berkeley HeartLab, which performs specialized lipid testing. Celera acquired BHL in October 2007 for approximately \$193 million in cash.

Over the past few years, BHL has suffered from competition from Health Diagnostics Lab (Richmond, VA), which was created by former BHL executives (see *LE*, February 2010, page 8). Other competitors include Atherotech, LipoScience, Boston Heart Lab and Cleveland HeartLab.

In 2010, BHL recorded \$77.5 million of revenue, down 14% from \$89.6 million in 2009. BHL processed 220,000 patient samples and performed 1.9 million tests in 2010. Medicare represents 53% of BHL's revenue, 10% is covered under contracts with UnitedHealthcare and Aetna, and about 37% comes from out-of-network.

Celera has a total of 490 employees, including 288 at BHL. On February 16, 2010, BHL's clinical laboratory scientists (21 employees) elected to be represented by the Office & Professional Employees International Union, Local 29 (see *LE*, March 2010, pp. 1-2). Celera says it is in the process of negotiating with the union for the terms of a collective bargaining agreement.

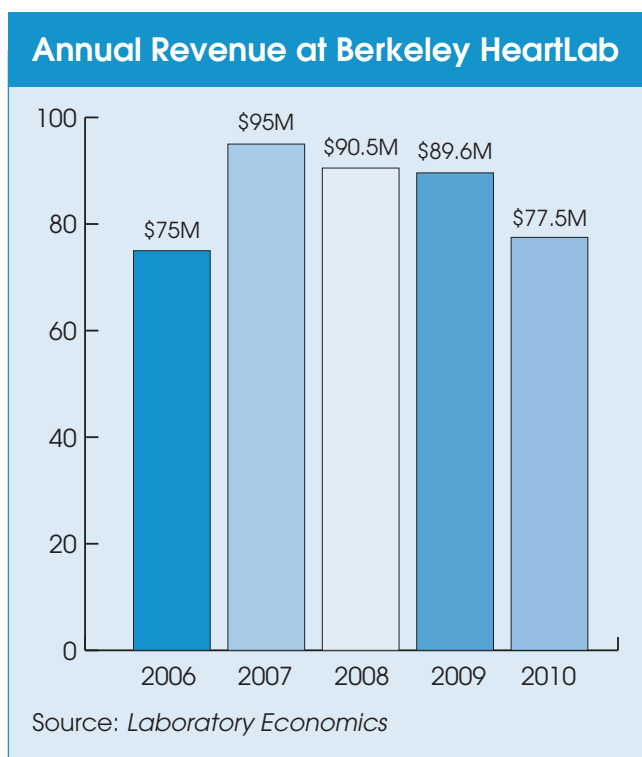
Quest says that it plans to operate Celera as a separate business unit. The acquisition of Celera is not expected to add to Quest's earnings this year or in 2012.

Fitch Lowers Outlook on Quest

On February 25, Fitch Ratings lowered its outlook on Quest. The credit rating agency now has a negative outlook on Quest's credit, meaning a downgrade of its current investment grade rating of BBB+ is more likely than an upgrade. The rating applies to Quest's \$2.99 billion of outstanding debt.

Fitch cited recent spending by Quest, including its recently announced plan to buy back \$835 million of stock held by GlaxoSmithKline and its \$740 million acquisition of Athena. Fitch also noted that Quest may have to pay \$241 million as part of a settlement with the California Department of Health Services. Furthermore, on March 18, Quest agreed to purchase Celera Corp. in a transaction valued at \$344 million after taking into account Celera's \$327 million in cash and short-term investments (see pages 1, 3).

With the acquisition of Athena and Celera, the recent GSK share buyback, and likely settlement in California, Quest is committed to spend more than \$2 billion in capital in the first half of this year. The new spending will raise Quest's debt to approximately \$5 billion.



SONIC HEALTHCARE USA GROWING BY 5%

Australian-based Sonic Healthcare says that its U.S. lab operations generated revenue of \$346 million in the six months ended December 30, 2010 versus \$341 million for the same period a year earlier. *Laboratory Economics* estimates that Sonic's growth rate in the United States was approximately 5% after adjustments for currency changes and the impact of acquisitions.

Expansion in United States

Slow growth and pricing pressure in Australia continue to push Sonic to expand in faster-growing markets like the United States. In the past six months, Sonic acquired CBLPath (Rye Brook, NY), Physicians Automated Lab (Bakersfield, CA) and Central Coast Pathology Lab (San Luis Obispo, CA). In December 2010, Sonic raised \$250 million from the sale of 10-year bonds to private investors in the United States. The company says it now has a "war chest" of \$500 million to make more acquisitions.

Executive Changes

Robert Connor, MD, retired as chief executive of Sonic Healthcare USA in December 2010. Connor, age 57, was chairman and one of the founding partners of Clinical Pathology Labs (CPL-Austin, TX). CPL was acquired by Sonic in 2005. Connor retires with 1.6 million shares of Sonic Healthcare, which trades on the Australian Stock Exchange. His shares are currently worth approximately \$18 million.

David Schultz, president of Sonic Healthcare USA, has taken on the additional title and responsibilities of chief executive.

In addition, Charles Miraglia, MD, has been hired as chief medical officer for Sonic Healthcare USA. Miraglia was formerly chief executive of PA Labs (Muncie, IN), which was acquired by LabCorp in 2007.

New Laboratory in Memphis

American Esoteric Laboratories, a division of Sonic Healthcare USA, recently moved into a new 70,000-square-foot lab and headquarters in Northwest Memphis. The new facility cost \$16.3 million to build and equip. It has about 460 employees and will serve as the core lab for Sonic in Tennessee, Arkansas, Mississippi and Kentucky.

Sonic Ranks #3 in the United States

Sonic Healthcare USA currently generates annual revenue of about \$700 million, ranking it the third largest lab company in the United States after Quest Diagnostics and LabCorp. Spectra Laboratories, which provides testing services to patients with chronic kidney failure, is fourth largest. Bio-Reference Labs rounds out the top five.

Top 10 U.S. Lab Companies by Annual Revenue (\$ millions)

1. Quest Diagnostics	\$7,369
2. LabCorp	5,004
3. Sonic Healthcare USA	700
4. Spectra Laboratories	600
5. Bio-Reference Labs	458
6. Mayo Medical Labs	400
7. Myriad Genetics	385
8. Solstas Lab Partners	350
9. ARUP Laboratories	300
10. Aurora Diagnostics	215

Source: *Laboratory Economics*

CALIFORNIA JUDGE SAYS LABCORP CAN BUY WESTCLIFF

Judge Andrew Guilford of the U.S. District Court for the Central District of California has ruled that LabCorp will be allowed to complete its purchase of Westcliff Medical Labs (Santa Ana, CA). The transaction has been pending since LabCorp paid \$57.5 million to buy Westcliff in June 2010.

The Federal Trade Commission had challenged the deal and argued that the acquisition would lead to higher prices for capitated lab test contracts with physician groups in southern California.

The court ruling allows LabCorp to proceed with the integration of Westcliff. LabCorp had been required to operate Westcliff separately since June—a requirement that was costing LabCorp approximately \$1 million per month.

The court flatly rejected the FTC's assessment of the lab market in southern California. The FTC had viewed capitated lab test contracts as a distinct market. However, the court said that a product market limited to capitated services incorrectly excludes fee-for-service testing. Moreover, the court found that at least 16 other companies provided clinical lab services in southern California on a capitated basis.

Separately, *LE* has learned that LabCorp has acquired Clinical Laboratory Management (Union, NJ). CLM Labs is a small lab located in northern New Jersey.

GENOPTIX SALE TRIGGERS BIG PAYDAYS FOR TOP EXECS

Swiss drugmaker Novartis completed its purchase of Genoptix (Carlsbad, CA) at the end of February (see *LE*, February 2011, pp. 1, 10). Novartis has \$10 billion in annual oncology sales and has 20 cancer drugs under development. Genoptix is expected to help Novartis with the development and distribution of companion diagnostics for new drugs.

Close of the deal triggered big paydays for the top executives at Genoptix, according to disclosure filings with the Securities & Exchange Commission (Schedule 14D-9, January 28, 2011).

- ❑ Tina Nova, PhD, age 57, president and chief executive, will receive a total of \$9.6 million. This includes \$7.8 million from cashed in stock and options plus \$960,800 for restricted stock that has been converted into shares in Novartis. In addition, Nova is entitled to potential severance payments worth \$875,350, if she resigns or is fired within the next 12 months.
- ❑ Sam Riccitelli, 51, executive vice president and chief operating officer, will receive \$4.5 million, including \$3.5 million from stock and options, \$447,500 from restricted stock and potential severance of \$485,572.
- ❑ Douglas Schuling, 50, executive vice president and chief financial officer, will receive \$3.5 million, including \$2.7 million from stock and options, \$325,825 from restricted stock and potential severance of \$385,572.

It should be noted that investors that purchased shares of Genoptix at its IPO price of \$17 in October 2007 and held on until the Novartis buyout at \$25 per share, earned a 12% annual return.

CLARIANT EXECES CASH IN ON SALE TO GE HEALTHCARE

As previously reported, General Electric's healthcare division completed its acquisition of Clariant Inc. (Aliso Viejo, CA) for \$5 per share in early December. The deal valued Clariant at \$585 million—an amount equal to five times Clariant's estimated revenue of \$116.5 million for 2010.

The transaction greatly benefited Clariant's shareholders, who earned an 89% return in full-year 2010 (see *LE*, January 2010, page 11).

Clariant's top executives were also richly rewarded:

- ❑ Ron Andrews, age 51, chief executive and vice chairman, received a total of more than \$15 million as a result of the takeover. This included the value of his 1.6 million common shares of Clariant worth \$8 million plus 500,000 shares of restricted stock valued at \$2.5 million. In addition, Andrews received a retention bonus of \$3.75 million plus \$1 million to help pay for the “excess parachute payment” taxes he will owe. Andrews is staying with GE as head of the Clariant business unit. However, he is eligible for severance payments of \$1.575 million if he is terminated or resigns within the next year.
- ❑ Michael Pellini, MD, 44, president and chief operating officer, collected approximately \$10 million. This included the \$5.35 million value of his common stock and \$1.5 million from restricted stock. In addition, Pellini received a retention bonus of \$2.2 million plus \$600,071 to pay for the associated taxes. Furthermore, Pellini is eligible for severance payments of \$973,000 if he is terminated or resigns from GE/Clariant within the next year.
- ❑ David Daly, 49, senior vice president of commercial operations, collected approximately \$5.5 million. This included the \$2 million value from his common shares plus \$791,670 from restricted stock. Daly also received a retention bonus of \$2.1 million plus \$555,263 to pay for the associated taxes. Daly is also eligible for severance payments of \$513,000 if he is terminated or resigns from GE/Clariant within the next year.

Source: Securities & Exchange Commission: Schedule 14D-9, November 5, 2010

LABCORP GETS EXCLUSIVE CONTRACT WITH BCBS OF DELAWARE

Effective February 1, 2011, LabCorp, including Dianon Systems, became the exclusive non-hospital commercial lab provider for BlueCross BlueShield of Delaware. Quest Diagnostics, AmeriPath and CBLPath have become out-of-network labs. This change does not impact hospitals or physicians that are in-network providers for BCBSD.

BCBSD covers approximately 400,000 members in Delaware, or nearly one-half of the state's total population of 900,000.

BCBSD says it made the change to “help control costs” and “more effectively manage costs.” In other words, *LE* notes, this was a decision based on price.

LabCorp operates 20 PSCs in the Wilmington area, while Quest has 36 PSCs.

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MOST BIG UROLOGY GROUPS NOW HAVE IN-OFFICE LABS

Laboratory Economics contacted 20 big urology groups (i.e., 5+ doctors per group) to try to determine the infiltration rate of in-office histology labs. Fifteen urology groups from our mini-survey indicated they had opened their own histology lab. These 15 groups employ 205 urologists, or more than three-quarters of the total 250 urologists from the 20 groups.

Our survey suggests that the in-office histology lab trend is at a late stage for big urology groups. Unless the Stark in-office exception rule is changed, *LE* expects that nearly all big urology groups will bring their pathology services in-house. Smaller groups will follow suit as they merge into larger practices.

Specific groups building in-office histology labs include The Urology Center (New Haven, CT). TUC has contracted with a pathologist to perform professional services at their practice. Slide preparation services are currently provided by Plus Diagnostics, which will continue to provide the group with molecular testing services and second opinions. The group’s practice administrator tells *LE* that an in-house lab will reduce turnaround time and improve continuity of care. He also noted the financial benefits. TUC hopes to have the histology lab open by the end of March.

In-Office Histology Lab Survey for Urology Groups			
<i>Location</i>	<i>Number of Urologists</i>	<i>In-office Pathology Lab</i>	<i>Primary Cancer-Testing Lab</i>
Tucson, AZ	15	Yes	NA
New Haven, CT.....	6	Yes*	Plus Diagnostics
Bonita Springs, FL.....	16	Yes	NA
Sarasota, FL.....	6	Yes	NA
Atlanta, GA.....	37	Yes	NA
Stockbridge, GA.....	7	Yes	NA
Lake Barrington, IL.....	6	Yes	NA
Fall River, MA	5	Yes	NA
Grand Rapids, MI	8	No	Spectrum Pathology Lab
Columbia, MO.....	7	No	Boyce & Bynum
Charlotte, NC	13	No	various
Fair Lawn, NJ.....	15	Yes	NA
Buffalo, NY.....	23	Yes	NA
Syracuse, NY	16	Yes	NA
Eugene, OR.....	15	Yes	NA
Nashville, TN	13	Yes	NA
Amarillo, TX.....	8	Yes	NA
Austin, TX	17	Yes	NA
Houston, TX.....	12	No	Uropath in San Antonio
Charlottesville, VA	5	No	various
Total.....	250		

*The Urology Center (New Haven, CT) is in process of building an in-office histology lab.
 Source: *Laboratory Economics*

ACCELPATH TO MARKET DIGITAL PATH TO SPECIALTY GROUPS

AccelPath LLC (Westwood, MA) has partnered with the in-office lab consulting firm Triangle Biomedical Sciences (TBS-Durham, NC) and begun marketing digital pathology services to urology, gastroenterology and dermatology groups. Under the partnership, TBS will help specialty groups build in-office labs and AccelPath will install digital slide scanners. Digitized slide images will be sent electronically to AccelPath, which has contracted with the Pathology Department at the Lahey Clinic (Burlington, MA) for professional interpretations.

Under this business plan, the specialty group will perform and bill for technical services. Digitized slide images will be stored at a data center maintained by AccelPath. The Lahey Clinic's pathologists will have electronic access to the slide images and interpret patient cases via their computer monitors. AccelPath says it has been testing this workflow system at one customer site and plans to expand its marketing efforts in the near future.

AccelPath says its system eliminates the cost and delays involved with shipping slides and blocks. The company says it also eliminates the need to recruit, hire and retain pathologists.

AccelPath was formed in October 2008 by Shekhar Wadekar, PhD, chief executive, and H. Lance Evans, MD, head of medical affairs. Wadekar has a PhD in engineering from the University of Delaware and an MBA from New York University. Evans is a board-certified pathologist and practiced hematopathology at Impath (now part of LabCorp/Genzyme Genetics).

AccelPath was recently acquired by Technest Holdings Inc. (Bethesda, MD). Technest is a penny-stock company that trades on the OTC Bulletin Board at a current price of about 8 cents per share (as of March 15). Technest issued 86 million shares valued at roughly \$6.5 million to purchase AccelPath. As a result of this reverse-buyout transaction, AccelPath members now own approximately 72.5% of Technest and Wadekar has become chief executive.

Laboratory Economics notes that the transaction has created the first publicly-traded company focused on two key trends in anatomic pathology (i.e., digital pathology and in-office histology labs).

NEW STUDY WILL SHOW OVER-UTILIZATION AT IN-OFFICE LABS

Preliminary results from a study commissioned by three pathology organizations, ASCP, CAP and ACLA, show that specialty groups that in-source histology services over-utilize pathology services, according to Jeff Jacobs, vice president-public policy and advocacy, at the American Society for Clinical Pathology (ASCP).

Final results from the study, which was prepared by Jean Mitchell, PhD, an economist and professor in the Georgetown Public Policy Institute, will be released in the next few months. The study examined Medicare claims data in markets where a significant number of urology groups had built in-office histology labs.

Jacobs says the preliminary results show a dramatic increase in claims in geographic areas, such as southern Florida, with a high penetration of in-office labs. He says the data will be used to try to convince Congress to outlaw in-office histology labs. Meanwhile, the American Urological Association says that preserving the in-office ancillary exception to the Stark Law is among its top lobbying priorities for 2011: "We believe that attempts by other groups (e.g., radiology, pathology, radiation oncology) to remove this critical exception are misguided. The AUA continues to strongly advocate that the integration of in-office services improves quality and safety; reduces complications; and saves Medicare money by enhancing access to minimally invasive procedures.

VITAMIN D IS FASTEST-GROWING LAB TEST (cont'd from page 1)

Other fast-growing tests included chemistry test (CPT 84999), up 47.5% per year; creatinine (CPT82570), up 20.1% per year; and vitamin B12 (CPT 82607), up 17.7% per year. Overall, Medicare Part B carrier spending on the top 30 clinical lab tests grew by 9.2% to \$3.1 billion between 2006 and 2009.

MEDICARE PART B CARRIER SPENDING ON TOP 30 CLINICAL LAB TESTS

CPT Code	2009	2006	3-Year CAGR*
85025 (CBC)	\$357,330,198	\$326,626,736	3.0%
84443 (TSH)	349,204,024	298,862,318	5.3%
80053 (metabolic panel)	317,379,162	273,942,184	5.0%
80061 (lipid panel)	314,754,100	288,598,183	2.9%
83970 (parathormone)	203,005,766	146,896,175	11.4%
83036 (A1C)	168,861,577	147,686,036	4.6%
82306 (vitamin D)	156,847,953	21,673,046	93.4%
80101 (drug screen)	153,933,678	28,257,793	76.0%
85610 (prothrombin time)	124,513,055	117,062,501	2.1%
84153 (PSA)	97,941,713	86,872,560	4.1%
80048 (metabolic panel)	97,387,097	97,469,219	0.3%
82728 (ferritin)	82,814,287	60,068,322	11.3%
82607 (vitamin B12)	68,340,407	41,948,460	17.7%
83880 (BNP)	54,480,538	38,453,578	12.3%
87086 (urine culture)	52,455,382	43,306,239	6.6%
83550 (TIBC)	51,295,993	38,730,807	9.8%
84439 (thyroxine, free)	48,671,754	36,558,963	10.0%
83540 (iron)	48,437,738	37,881,408	8.5%
82746 (folate)	41,110,668	26,146,911	16.3%
84999 (chemistry test)	32,587,411	10,154,263	47.5%
87186 (MIC)	29,937,189	20,254,895	13.9%
81001 (urinalysis)	29,888,773	24,434,035	6.9%
82570 (creatinine)	29,232,002	16,869,701	20.1%
80076 (hepatic function panel)	27,250,873	31,145,145	-4.4%
87340 (HBsAg)	27,225,339	24,522,968	3.6%
87088 (urine culture)	27,211,873	22,598,806	6.4%
85027 (CBC)	26,056,598	25,747,887	0.4%
84403 (testosterone, total)	25,400,873	15,608,914	17.6%
83925 (opiates)	23,408,337	3,587,356	86.9%
86235 (nuclear antigen antibody)	22,899,835	18,595,905	7.2%
Total, 30 Tests	\$3,089,864,193	\$2,370,561,314	9.2%

*CAGR=compound annual growth rate

Source: *Laboratory Economics* from CMS's Part B Extract and Summary System (BESS), 2006-2009.

Note: The BESS files include data for outpatient laboratory services billed by independent labs, physician offices, a limited number of hospital outpatient labs, and any other provider whose claims are processed by Medicare Part B carriers. It does not include claims processed and paid by Medicare Part A intermediaries to facilities such as hospitals and nursing homes.

NEW IN-OFFICE TECHNOLOGY MIGHT REPLACE PAP TEST

The LightTouch Cervical Spectroscopy system, if approved by the FDA, might cut into the traditional Pap testing market. LightTouch requires no patient samples or laboratory analysis; therefore, it could potentially take the money out of the pockets of labs and pathologists that perform Pap testing.

LightTouch was developed by Guided Therapeutics (Norcross, Georgia), a publicly-traded company that was formerly named SpectRx. The system scans the cervix with light to detect chemical and structural changes. Light that is reflected from the cervix is analyzed by a spectrometer. Information from the spectrometer is then used to generate a computer image of the cervix, distinguishing healthy tissue from diseased. The procedure takes less than five minutes, provides immediate results, and can be performed in-office by a nurse or technician.

Initially, Guided Therapeutics plans to market LightTouch to women whose Pap test comes back with an abnormality. This represents roughly 3.5 million tests per year in the United States, according to the American Society for Colposcopy and Cervical Pathology. “It’s a triage that would be used before the colposcopy or biopsy,” says Bill Wells, director of communications for Guided Therapeutics.

LightTouch is currently in the premarket approval stages of the FDA process. The company’s FDA pivotal trial analyzed 1,607 subjects at seven centers, including Orange Coast/Saddleback Women’s Medical Group (Laguna Hills, CA), which is the largest OB/GYN group in California. The trial results indicated that LightTouch can detect 91% of CIN2+ compared with 61% for the standard Pap, HPV and biopsy. The trial also showed that LightTouch can detect 86% of disease cases missed by Pap, HPV and biopsy.

Guided Therapeutics hopes to have LightTouch on the U.S. market by year-end 2011 or early 2012. Wells estimates that the base instrument for LightTouch will cost around \$15,000 to \$20,000. The single patient-use disposable tests will sell for roughly \$30 to \$35 each. He says Guided Therapeutics will market LightTouch directly to OB/GYNs and hospital physicians.

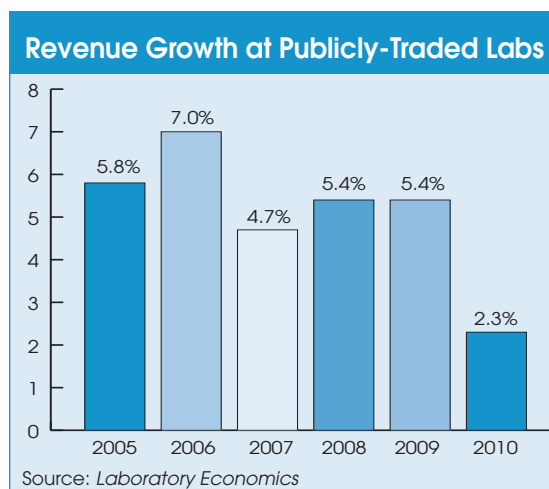
LE notes that development of LightTouch has been lengthy and costly. Since Guided Therapeutics was founded in 1992, the company has accumulated losses of \$78 million.

Medicare Reimbursement* Comparison for Pap Testing for 2011 vs. 2010

CPT Code (description)	2011	2010
88164 (conventional Pap test)	\$14.87	\$15.13
88142 (liquid-based preparation)	28.51	29.02
88174 (liquid-based preparation with automated screening)	30.06	30.60
88175 (liquid-based preparation with automated screening and manual rescreening)	37.28	37.94
87621 (DNA-based HPV testing for high-risk types)	49.39	50.27
Colposcopy		
57452 (exam of cervix with scope)	\$109.06	\$107.30
*National reimbursement limit unadjusted for geography		Source: CMS

PUBLICLY-TRADED LABS GREW 2.3% IN 2010

Fourteen publicly-traded labs grew their revenue by 2.3% to \$14.8 billion in 2010 (after adjustments for acquisitions), according to financial reports collected by *Laboratory Economics*. This rate of growth is less than one-half the growth rate for the previous few years. Over the past five years, growth has ranged between 4.7% and 7%. Last year, revenue growth was fastest at three cancer-testing lab companies—CombiMatrix (up 38%), Clariant (up 27%) and Bio-Reference Labs (up 26%). Excluding Quest and LabCorp, 12 publicly-traded labs grew by 11.5% last year.



REVENUE GROWTH AT 14 PUBLICLY-TRADED LAB COMPANIES (\$'000)

Company	Revenue 2010	Revenue 2009	Reported Change	Pro Forma Change*
Quest Diagnostics	\$7,368,925	\$7,455,243	-1.2%	-1.2%
LabCorp	5,003,900	4,694,700	6.6%	3.5%
Sonic Healthcare USA ¹	788,592	742,073	6.3%	6.3%
Bio-Reference ²	458,024	362,654	26.3%	26.3%
Myriad Genetics ³	362,648	326,527	11.1%	11.1%
Genoptix ⁴	195,000	184,378	5.8%	5.8%
Genomic Health	178,101	149,548	19.1%	19.1%
Clariant Inc. ⁵	116,500	91,599	27.2%	27.2%
Prometheus RxDx (lab services)	81,291	84,422	-3.7%	-3.7%
Celera/Berkeley HeartLab	77,500	89,600	-13.5%	-13.5%
Medtox Scientific (lab services)	77,047	65,851	17.0%	17.0%
Enzo Clinical Labs ⁶	44,178	39,604	11.5%	11.5%
NeoGenomics	34,371	29,469	16.6%	16.6%
Psychemedics	20,109	16,955	18.6%	18.6%
Combimatrix	3,554	2,573	38.1%	38.1%
Total, 14 companies	\$14,809,740	\$14,335,196	3.3%	2.3%
Total, 12 companies (excluding Quest and LabCorp)	\$2,436,915	\$2,185,253	11.5%	11.5%

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

¹Sonic Healthcare USA's revenue is for fiscal year ended June 30, 2010; ²Bio-Reference's revenue is for fiscal year ended October 31, 2010; ³Myriad Genetics' revenue is for fiscal year ended June 30, 2010; ⁴Genoptix's revenue for 2010 is estimated; ⁵Clariant's revenue for 2010 is estimated; ⁶Enzo's revenue is for lab services only for fiscal year ended July 30, 2010.

Source: *Laboratory Economics* from company reports

LAB STOCKS UP 3% YEAR TO DATE

Eleven lab stocks have risen by an unweighted average of 3% so far this year. The combined market capitalization for the group is currently \$22 billion. In comparison, the S&P 500 Index is up 2% and the Nasdaq is flat. The top-performing lab stock so far this year is Celera, up 29%, which is being acquired by Quest Diagnostics (see page 1). Meanwhile, the stock price of LabCorp is down 1% and Quest Diagnostics is flat.

Company (ticker)	Stock Price 12/31/10	Stock Price 3/21/11	2011 Price Gain	Market Capitalization (\$ millions)	Earnings Past 12 Months	Price-to-Earnings Ratio
Bio-Reference (BRLI)	\$22.18	\$22.00	-1%	\$614	\$1.09	20.2
CombiMatrix	2.15	2.20	2%	17	-1.72	NA
Celera (CRA)	6.30	8.11	29%	666	-0.30	NA
Enzo Biochem (ENZ)	5.28	3.51	-34%	134	-0.32	NA
Genomic Health (GHDX)	21.39	23.60	10%	687	0.14	168.6
LabCorp (LH)	87.92	87.03	-1%	8,699	5.29	16.5
Medtox Scientific (MTOX)	13.10	16.05	23%	143	0.34	47.2
Myriad Genetics (MYGN)	22.84	19.48	-15%	1,753	1.22	16.0
Neogenomics (NGNM)	1.30	1.40	8%	60	-0.10	NA
Psychemedics (PMD)	8.20	9.23	13%	48	0.51	18.1
Quest Diagnostics (DGX)	53.97	53.82	0%	9,209	4.05	13.3
Averages			3%	22,030		42.8

Source: Bloomberg

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