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LABORATORY ECONOMICS

Competitive Market Analysis For Laboratory Management Decision Makers

Hospital Labs Cite Fast-Growing Employee Expenses

Sixty-five percent of hospital lab directors and managers cited "employee salaries and benefits" as their fastest-growing expense, according to a recent survey by *Laboratory Economics*. Reagent and supply costs were cited by 23% of survey respondents, followed by reference lab expenses (10%) and blood banking services (2%). The *LE* survey was completed by 147 hospital lab directors and managers in early June.
See pages 5-6 for more survey results.

What is the fastest-growing expense in your hospital lab budget?

Employee salaries & benefits	65%
Reagent & supply costs	23%
Reference lab expenses	10%
Blood banking services	2%

Source: *LE's Hospital Laboratory Survey* (June 2023; n=147)

Hospital Labs Expanding PCR-Based Test Menus

PCR-based testing for gastrointestinal profiles, gonorrhea/chlamydia, bacterial vaginosis panels, and herpes simplex virus (HSV) are the tests that most hospital labs plan to add to their test menus within the next 12 months, according to *LE's Hospital Laboratory Survey*. These choices are obviously related to the need to find work for excess PCR testing capacity due to the wind down of the pandemic.
More details on page 2.

Major Mexican Commercial Lab Buys Florida Laboratory

Grupo Diagnostico Aries (GDA) acquired Access Medical Laboratories (Jupiter, FL) in May. GDA, which is based in Mexico City, is one of the largest commercial labs in Mexico. Access is a family-owned independent lab that primarily serves cash paying alternative medicine providers throughout the United States. GDA has indicated that the acquisition is "only the first step" and that they may seek to acquire additional labs in the United States.
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MAJOR MEXICAN COMMERCIAL LAB BUYS FLORIDA LABORATORY

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Access Medical Labs was founded by the husband-and-wife team of Mohamed and Susan El-Hosseiny in 2003. Their three sons (Adam, Ryan and Sherif) each hold management positions. Initially, Access operated like a traditional independent lab serving physician office clients in Florida.

Labcorp acquired Access's physician office client list in 2017. Following this transaction, Access focused its lab testing services on non-traditional providers such as anti-aging clinics, nutrition and diet therapists, hormonal diagnosis, and naturopathic medicine centers.

Other lab competitors focused on this market include Genova Diagnostics (Asheville, NC), Mosaic Diagnostics (formerly Great Plains Laboratory), SpectraCell Laboratories (Houston, TX), US BioTek Laboratories (Shoreline, WA) and ZRT Laboratory (Beaverton, OR).

Access currently operates a 25,000-square-foot CAP-accredited lab in Jupiter (southeast coast of Florida). Access has more than 100 employees and estimated annual revenue of roughly $30 million. GDA is expected to keep the Access lab and management in place.

Over the past 10 years, GDA has acquired 14 labs in Mexico. GDA is majority-owned by Empresas Aries Group, a Mexican business investment group. In addition, the investment group Caisse de dépôt et placement du Québec (CDPQ) has a minority stake in GDA.

Crosstree Capital Partners (Tampa, FL) advised Access Medical Labs on the transaction.

HOSPITAL LABS EXPANDING PCR-BASED TEST MENUS (*cont'd from page 1*)

Twelve surveyed hospitals labs (or 8%) said they plan to add gastrointestinal panel testing by PCR. The majority of these labs specifically mentioned the BioFire GI Panel for 22 of the most common pathogens associated with gastroenteritis.

Another nine surveyed hospital labs (or 6%) cited plans to add PCR testing for gonorrhea/chlamydia (CPT 87591 & 87491).

Seven hospital labs (or 5%) indicated they will add PCR testing for vaginitis panels (CPT 87798). Most indicated their panel will include three tests: bacterial vaginosis, vulvovaginal candidiasis, and trichomoniasis.

Among the non-PCR tests that hospital labs plan to insource were procalcitonin (CPT 84145), free testosterone (CPT 84402), tuberculosis (CPT 86480) and Lyme disease antibody (CPT86618).

Top Tests that Hospital Lab will Bring In-House within Next 12 Months

CPT Code	Description	% Hospitals	2023 Medicare Rate
87507	Gastrointestinal pathogen panel by PCR (12-25 targets)	8%	$416.78
87491	Chlamydia trachomatis by PCR	6%	$35.09
87591	Neisseria gonorrhoeae by PCR	6%	$35.09
87798 (x3)	Vaginitis panel by PCR	5%	$35.09 (x3)
87529	Herpes simplex virus by PCR	4%	$35.09
84145	Procalcitonin (PCT)	4%	$27.22
84402	Free testosterone	4%	$25.47
86480	QuantiFeron-tuberculosis test	3%	$61.98
86618	Lyme disease antibody	3%	$17.03

Source: *LE's Hospital Lab Survey* (June 2023; n=147)

Spotlight Interview with PathologyBlawg's Adam Clapper, MD


Adam Clapper, MD

Adam Clapper, MD, 48, is the formerly anonymous pathologist who wrote PathologyBlawg.com from 2012 until he voluntarily chose to shut it down in late 2015 (see *LE*, November 2015). Over the course of its four-year existence and 1,000+ posts, PathologyBlawg.com developed a large following for its critical reporting on key business and legal issues facing labs and pathologists. Below we provide an update on what Dr. Clapper is doing today and his thoughts on current lab trends.

What made you start PathologyBlawg?
I was frustrated with the unethical and illegal practices having to do with client billing and referring docs making money off of fee splitting. At that time (2012-2015), the lab insourcing trend at urology and gastroenterology practices was near its peak. I started the PathologyBlawg as a form of screaming-in-the-dark self therapy.

Why did you choose to stop writing the PathologyBlawg?
It started as a hobby but by the end of 2015, it was taking up a tremendous amount of my time….as much as my full-time job as a practicing pathologist. I was also starting to get entangled legally with some companies issuing cease-and-desist demands, and also being on subpoena lists for a couple of federal lawsuits (thankfully just as a witness, not a defendant). It was getting too complicated, so I decided to stop posting.

What were some of your most popular posts?
Unfortunately, some of the grimmest topics got the most views. These included my posts concerning the murder of Texas pathologist Joseph Sonnier, MD, and my interview with Shawn Parcells regarding Dr. Michael Baden's forensic pathology work in the Michael Brown case in Missouri.

You were also one of the first skeptics of Theranos.
I wrote a blog post in December 2014 that, among other things, questioned a study that Theranos touted as proof-of-concept for its finger-prick blood testing technology. The study was published in Hematology Reports, an online-only journal that charges $500 to publish an article, and involved CRP test results from only six patients. It seemed like a very flimsy level of evidence and suggested that Theranos wasn't all it was putting itself out to be.

A few days after that post, Dr. Richard Fuisz reached out to me with some inside information regarding Theranos. Dr. Fuisz told me the reason he contacted me was because I was the first person he had seen to publicly state skepticism of Theranos' claims. After a few weeks of working with Dr. Fuisz, Dr. Phyllis Gardner and Rochelle Gibbons, I contacted John Carreyrou at the Wall Street Journal with what I had. I worked with John here and there for months while he investigated Theranos, which ultimately led to his series of articles and later a book that exposed Theranos on a national level. He did an amazing job.

Theranos' Elizabeth Holmes started an 11-year prison term on May 30. Your thoughts?
I feel bad for the patients that were negatively impacted by Theranos' flawed tests. And I also feel bad for her two young kids that will be without their mother for so long. Hopefully, the Theranos lesson will serve as a deterrent to any future potential frauds.

What are you doing nowadays?
I stepped back from full-time pathology in December 2022, after working 14 years for Boyce & Bynum Pathology as a hospital-based pathologist at Boone Hospital in Columbia, Missouri.

Over the last few months, I have signed out some cases from home as a digital pathologist for Diagnexia (Dublin, Ireland). Diagnexia connects scanned slides from hospital and independent lab clients to a network of subspecialty pathologists in Europe, Canada and the U.S. for digital reads. It has a very nice software system and network that makes signing out digital cases very easy. It also has several clients in severely financially disadvantaged areas for whom we sign cases out at markedly reduced rates, which is fulfilling to say the least.

Mainly I am pursuing non-pathology interests, including working toward an instrument rating on my private pilot certificate and running a sailboat charter company I own in the Caribbean. I am also a brown belt in Brazilian jiu jitsu and train several times per week.

What's the biggest barrier to widespread adoption of digital pathology?
It remains prohibitively expensive for many labs and pathology groups. It's my understanding that the cost for scanning a slide and hosting of the images on a server is in the range of $5 to $10 per slide depending on volume. This comes on top of histologic processing costs.

How do you see AI being used by pathologists over the next few years?
AI is progressing by leaps and bounds, and I know people are scared it will take away jobs in pathology. Currently it has been shown to be reliable for grading breast cancer and Gleason scoring of prostate cancer, which pathologists could use to their advantage in an augmentative capacity. However, its widespread adoption will be hindered by the fact that it will be very expensive to use. In addition, I believe referring doctors and their patients will still want a human pathologist to make crucial cancer diagnoses for the foreseeable future.

What is your view on Quest and Labcorp acquiring hospital outreach programs and taking over management of inpatient labs?
The national labs largely rely on acquisitions for most of their growth. Since the pool of available independent clinical labs has shrunk, the focus on acquiring hospital-based labs seems like a natural progression. It's probably cheaper for many hospitals to send out a larger portion of their testing, so it makes sense from the health system perspective as well.

What are your thoughts on how liquid biopsies will evolve?
It will definitely impact anatomic pathology over the long term, but not right away. The specificity and sensitivity levels for liquid biopsy tests are lacking, and I'm not sure they're good at distinguishing between different types of cancer at this time.

Do you think Quest or Labcorp will ever gain significant share in the anatomic pathology market?
I think if they ever decide they want to focus their efforts on AP, they absolutely will be able to gain significant market share given how much money both companies have at their disposal to purchase AP work from pathologists and hospitals.

What are your thoughts on the current state of in-office pathology labs at specialty groups?
The trend is mostly over, with only some very late adopters building their own in-office labs at this point.

Unfortunately, many pathologists have been left with no option but to provide pathology services for in-office labs. If the option is between providing professional services for a local in-office laboratory versus seeing all of the specimens sent out to a distant laboratory, it is probably better for the pathologist to hold their nose and work for the in-office laboratory.

It's better patient care for a local pathologist to provide medical services than some pathologist halfway across the country. A professional services contract can also provide at least some revenue for the local pathologist that would have otherwise been entirely lost.

HOSPITAL LABS CITE FAST-GROWING EMPLOYEE EXPENSES (*cont'd from page 1*)

LE's Hospital Laboratory Survey also showed that "technical staff shortages" are the biggest challenge that hospital labs expect to face over the next 3-5 years. Seventy-nine percent of survey participants cited it as a top challenge.

"The staffing shortage is forcing us to outsource more testing," according to a hospital lab executive from the Midwest.

"There's continued pressure from hospital administration and finance departments to lower costs in spite of reduced reimbursements and increased labor costs due to shortages," noted a hospital lab executive from Maryland.

Health Insurance Payer Challenges

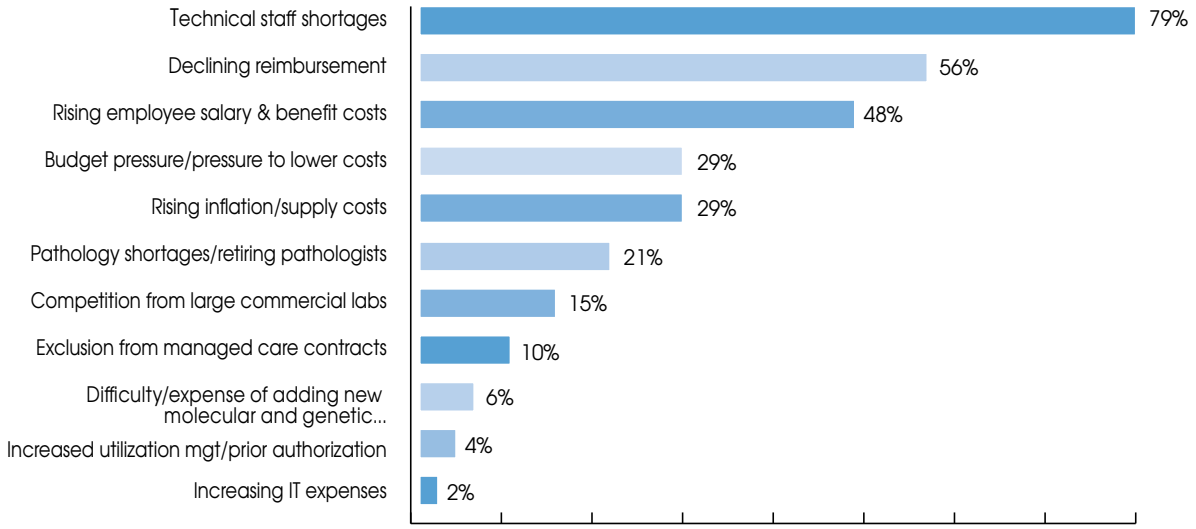
"Declining reimbursement" was cited by 56% of survey participants as a top challenge. Other health insurance related challenges include "exclusion from managed care contracts" (10%) and "prior authorization test order requirements" (4%).

"Our outreach lab fee schedule needs to be on even plane with commercial labs in order to compete," noted a hospital lab executive from California.

"Insurance network inclusion for outpatient/outreach testing is becoming more difficult," said a hospital lab executive from Washington.

"Hospital labs are at a disadvantage against the big commercial labs in that the insurance companies prefer them, in spite of the fact that hospital labs can provide a far better product," opined a hospital lab executive from New Jersey.

What are the biggest challenges that hospital labs will face over the next 3-5 years?*



*Survey participants were asked to pick their top three challenges. Source: *LE's Hospital Lab Survey* (June 2023; n=147)

Survey Demographics: The survey was e-mailed to approximately 8,000 lab directors, managers and pathologists in early June 2023. A total of 147 surveys were judged usable, yielding a response rate of 2%. Among the respondents, 26% were from small hospital labs (<500,000 tests per year), 19% from hospital labs (500,000 to 1,000,000 tests), 26% from hospital labs (1,000,001 to 5,000,000 tests), 12% from hospital labs (5,000,001 to 10,000,000 tests) and 17% from hospital labs (10,000,000+ tests). Overall, the average surveyed hospital lab had 294 employees and annual test volume of approximately 4 million.

Hospital Lab Outreach Trends

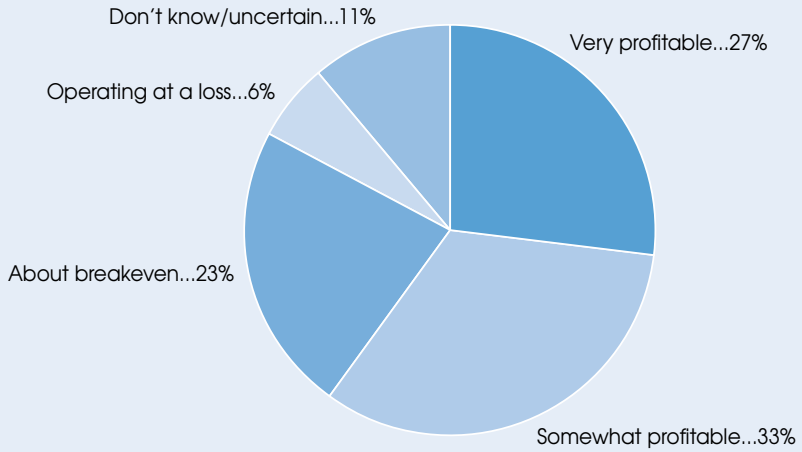
Overall, the average surveyed hospital lab reported total annual test volume of approximately 4 million. On average, 51% of test volume came from inpatients, 36% from outpatients and 13% from nonpatient outreach clients. Surveyed hospital labs reported average overall test volume growth of 7% in 2022 with expected growth of 5% for 2023.

Hospital laboratory outreach involves providing testing services to "non-hospital patients" that are neither registered as hospital inpatients or outpatients. Most hospital outreach labs are focused on providing testing to hospital-owned or affiliated physician offices and nursing homes.

Twenty-seven percent of surveyed hospital labs said their nonpatient outreach testing was "very profitable," while another 33% said it was "somewhat profitable." Twenty-three percent said their outreach business was "about breakeven," and only 6% said it was losing money. Eleven percent did not know if it was profitable or not.

Survey participants most frequently (60%) named "fast turnaround time" as the primary strength of their hospital outreach program. Other top strengths included "quality of test results" at 47%; "strong customer service" at 43%; and "access to hospital EMR" at 32%.

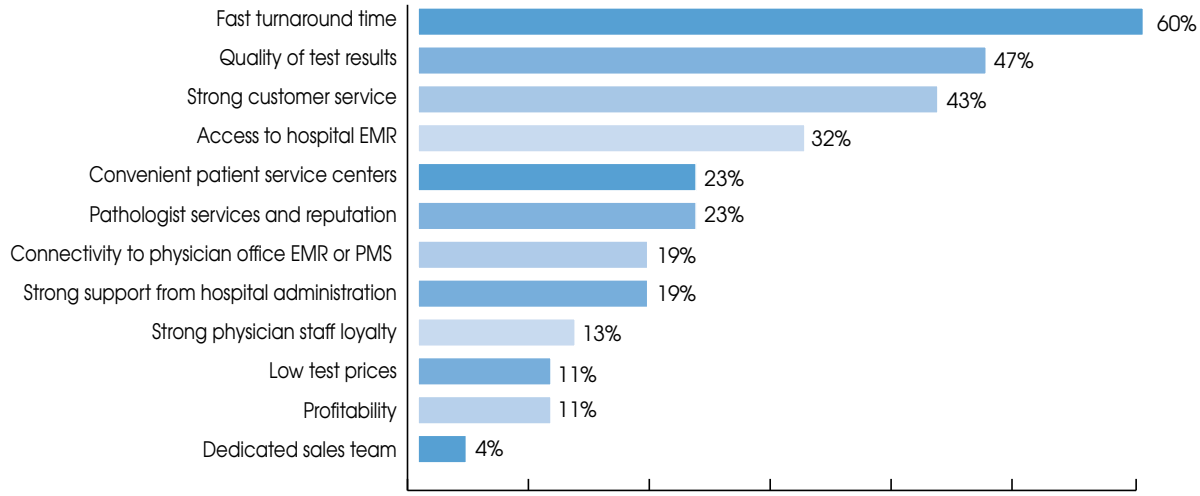
Is your hospital outreach lab testing profitable?



Source: *LE's Hospital Lab Survey* (June 2023; n=147)

The least frequently mentioned hospital outreach program strengths were "dedicated sales team" at only 4%. "Low test prices" and "profitability" were tied at 11% each.

What are the primary strengths of your hospital lab outreach program?*



*Survey participants were asked to pick their top three strengths. Source: *LE's Hospital Lab Survey* (June 2023; n=147)

Labcorp to Buy Providence Oregon's Outreach Lab Business

Labcorp has agreed to acquire select assets of Providence Oregon's clinical lab outreach business for an undisclosed amount. The transaction is expected to close later this year.

Providence Oregon has eight hospitals and nearly 200 primary care, specialty and urgent care clinics in the state. Providence Oregon is owned by Providence Health & Services (Renton, WA), which has a total of 51 hospitals and over 1,000 clinics in seven western states (AK, CA, MT, NM, OR, TX and WA).

Under the agreement, Labcorp will acquire Providence Oregon's clinical lab outreach business and other select assets in Oregon. Providence will maintain operation and ownership of certain anatomic pathology and genomics outreach testing as well as its hospital labs.

Providence Oregon's clinical lab outreach business (dba Providence Oregon Regional Labs) operates a core lab in Portland. Labcorp's nearest regional lab is located in Seattle, Washington.

Earlier this year (effective March 11), Providence Oregon transitioned its send-out tests to Labcorp (formerly it contracted with ARUP Labs). Labcorp has also been a long-time provider of lab management and send-out testing services to several Providence Swedish hospitals in the Seattle area.

"We routinely evaluate how to best deliver healthcare services to the communities we serve," William Olson, Chief Executive of Providence Oregon, said in a statement. "Labcorp will meet the rapidly changing needs of patients and providers through ongoing comprehensive, quality laboratory services."

The deal with Labcorp comes as Providence Health & Services is in the midst of a restructuring. Providence Health recorded an operating loss of $1.7 billion in 2022 vs. a $714 million operating loss in 2021; revenue was down 3% to $26.4 billion. Providence Health's financial results for 2022 were hurt by higher temp agency employee costs and overtime expenses of $547 million compared with 2021.

Portland Laboratory Market Share Estimates

The Portland-Vancouver-Hillsboro metropolitan area has 2.5 million residents with an estimated physician lab services market of $300 million per year.

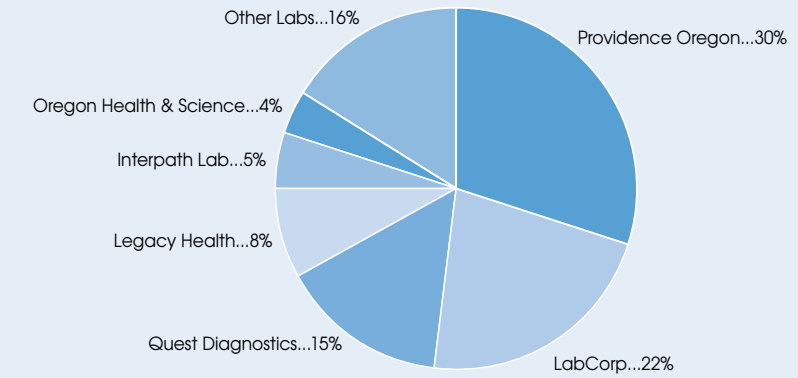
Providence Oregon Regional Labs has an estimated 30% share of the Portland MSA.

Labcorp has five patient service centers (PSCs) in Portland, including two located in Walgreens pharmacy stores. Its estimated market share in Portland is 22%.

Quest Diagnostics has eight PSCs in Portland, including five located in Safeway supermarket locations. Its estimated market share in Portland is 15%.

Legacy Health operates an outreach business under the name Legacy Laboratory Services. Its estimated market share in Portland is 8%.

Share of the Physician Lab Services Market in Portland Area



Source: *Laboratory Economics* based on Medicare Part B lab payment data for 2021

Pandemic Insights from Former BioReference CEO Jon Cohen, MD

Jon Cohen, MD, 69, left an executive officer position at Quest Diagnostics to become Executive Chairman and CEO of BioReference Laboratories in January 2019. One year later, Dr. Cohen led BioReference to national prominence to become one of the country's largest Covid-19 testing labs—ultimately performing more than 23 million PCR tests. Dr. Cohen resigned from BioReference in August 2022. He has since written a new book about the pandemic called ***SWAB***. Our Q&A with Dr. Cohen is summarized below.

Jon Cohen, MD

What compelled you to write the book?
I really wanted the story to be told about what the industry did, and the work that the employees did to get testing to the American public. I was sure the general public had no understanding of the effort it took to provide necessary testing to help people.

At what point in the pandemic did you realize this was going to be a major problem?
In late February 2020, when I had found out that the CDC's initial guidance for any lab performing Covid-19 tests would need to do so under Biological Safety Level Three (BSL-3) regulations.

These stringent test requirements showed that the CDC was worried about transmission and the lethality of the new virus. It conjured up images of the 1971 film *The Andromeda Strain*.

BLS-3 testing protocols are so severe that they could not be implemented in most labs, which typically operate under less stringent BSL-2 conditions. In early March 2020, the CDC revised its Covid-19 testing requirements to BSL-2 with personal protective equipment. But the gravity of the situation was not lost.

What was the biggest roadblock to PCR testing early in the pandemic?
It was more than just a supply chain/supplies issue. Hospitals were crammed and doctors' offices and clinics were shut down, so the traditional locations for collecting specimens were unavailable. It was a real challenge collecting specimens and then getting test results back to patients.

What was your biggest success strategy during the pandemic?
BioReference's ability to quickly develop a turnkey testing solution that could be adapted to the needs of any organization (e.g., state, county, city, etc.). We were able to offer a beginning-to-end solution that included sample collection location, swab staff, specimen transport, testing and results reporting. Most other labs could not offer the same boots-on-the-ground style deployment. We went in and did it all for our clients, which was the biggest differentiator, especially at the beginning of the pandemic.

Later in the pandemic, we were also the only major national lab to embrace point-of-care testing for Covid-19. We acquired thousands of Mesa Biotech's Accula rapid PCR analyzers (TAT 30 minutes) and placed them all over the country for onsite testing at schools, large employers, sporting events, cruise ships, etc. Once again, we provided a soup-to-nuts testing solution that helped us win contracts, including with the NBA, NFL, MLB and Royal Caribbean

I even kept a rapid PCR analyzer on my desk at BioReference for walk-in testing for office and lab workers.

Who was the most impressive politician or government official that you worked with throughout the pandemic (Birx, Cuomo, Pence, Redfield, et al.)?
It's a tie between former New York Governor Andrew Cuomo and former NYC Mayor Bill de Blasio. Both showed an ability to understand complex situations, stand up quickly, cut through red tape and get things done.

Could there be a rebound in Covid-19 cases this fall?
Covid will always be with us but at an endemic level like the flu. The next public health emergency is going to be a completely new virus, bacteria or fungus.

Your book outlines a plan for a dedicated testing infrastructure to combat the next pandemic.
I believe the federal government through the Department of Health and Human Services should create a new Office of Pandemic Diagnostic Services (OPDS) headed by a testing czar.

The OPDS should issue an RFP to build and staff five new large-scale molecular laboratories located in Chicago, Dallas, Los Angeles, Miami and New York City. These five labs would each be approximately 100,000 square feet and would each have the capacity to process one million tests per day.

It would cost roughly $100 million to build, equip and stock each of these labs. Ongoing costs of $10 million each per year would be needed to keep each facility in standby mode.

Employed together, these proposed testing facilities and oversight structure would ensure that the greatest number of tests were made available as soon as possible for the next pandemic.

Why did you choose to leave BioReference in August 2022?
Most of my management history has been focused on building and growing large businesses. This includes growing BioReference from 4,000 employees to 8,000 employees during the height of the pandemic. By mid-2022, it became clear the pandemic was ebbing and testing was winding down. And I'm not a restructuring, job loss, take things apart kind of guy.

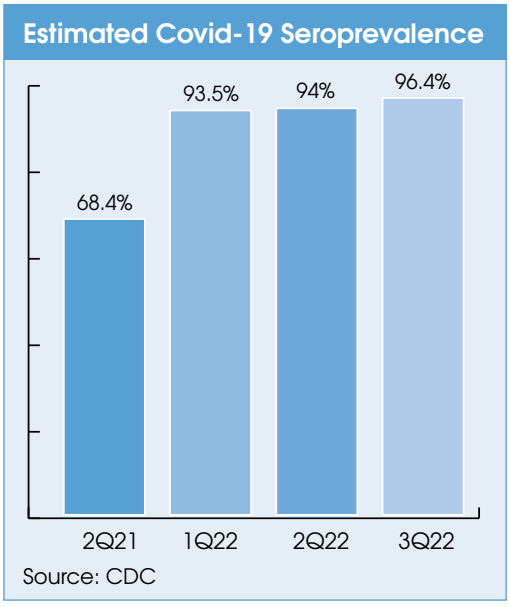
You are now CEO at TalkSpace. Please describe.
I accepted the CEO position in November 2022. TalkSpace is a publicly traded company that connects patients to licensed mental health professionals through text messaging, video conferencing, and telephone. We have 4,000 contracted therapists and the service is an in-network benefit currently available to 112 million Americans. It may sound odd, but text messaging has been proven to be helpful in delivering quick counseling, especially before a telephone call or video chat can be scheduled.

96% of Americans have Covid-19 Antibodies

By the fall of 2022, an estimated 96.4% of U.S. blood donors had antibodies against Covid-19 from a previous infection or vaccination, according to a study published on June 2 in CDC's *Morbidity and Mortality Weekly Report*. The total includes 22.6% of donors with antibodies from infection alone, 26.1% from vaccination alone, and 47.7% having both (hybrid immunity). Only 3.6% of U.S. blood donors were found to not have antibodies.

The CDC study involved antibody testing of blood samples from 72,748 donors aged 16 and older collected from July through September 2022. The CDC has been tracking these same 72,748 donors since the second quarter of 2021 when 68.4% had Covid-19 antibodies.

A total of 1.1 million Americans died due to Covid-19 from January 1, 2020 through June 8, 2023. This represents nearly 10% of the total 11.4 million American deaths from all causes that have occurred over the same time period, according to the CDC.



How to Negotiate Better Paying Pathology Rates from Commercial Payers

Many independent pathology labs have legacy commercial payer contracts that have not been updated in more than 10 years. All contracts and payment rates should be reviewed at least once every three years, according to James John, Founder and CEO of Commit Services (New York City), which provides revenue cycle management and business consulting services to 25 lab clients. Below we provide the 10 steps that John recommends for renegotiating commercial insurance rates.

10 Steps for Renegotiating Commercial Insurance Rates

1. Review your current contracts from your top 10 commercial payers. Identify the two or three lowest paying contracts. For example, commercial insurance plans in the northeast generally pay independent labs roughly 60% to 80% of Medicare rates for pathology services. Low-ball contracts in the range of 20% to 40% of Medicare should be renegotiated.
2. Reach out to the network managers for the contracts you have targeted. It may take more than 10 phone messages and emails before you get a response from a network manager. Don't give up after only a few tries.
3. Explain to each network manager that your lab wants to remain in-network, but cannot breakeven on payment rates of only 20% to 40% of Medicare. Compare their rates to other payers and Medicare.
4. Things that give you leverage in a discussion with a network manager include: 1) the length of time you have been contracted; 2) the volume of members your lab serves; and 3) it helps to have a broad test menu, including higher-complexity tests.
5. Ask the network manager for a new proposed fee schedule.
6. Review the new proposed fee schedule paying special attention to high-volume pathology services (e.g., CPT 88305, 88341, 88342, 88312 & 88313). Often times, network managers will initially offer increased rates for lower-volume codes while keeping the high-volume codes unchanged.
7. If the initial offer was less than 80% of Medicare, then make a counteroffer based on 80%.
8. If the second proposal is still inadequate, then make another counteroffer. This time show them a detailed cost analysis for each of the five high-volume codes or, at the very least, for CPT 88305. The cost analysis should be prepared by the lab's chief financial officer.
9. Be prepared to accept the second proposal. There is only so much back-and-forth negotiating that can take place before a network manager loses patience.
10. Expect the whole process—from initial request to final new contract—to take between six and twelve months to complete.

John says that over the past few years, Commit has used this process to help its pathology lab clients negotiate rate increases for their worst-paying contracts by an average of 30% to 40% for high-volume pathology service codes.

Finally, John says that he does not recommend dropping a contract and going out-of-network, even if a commercial payer refuses to negotiate. A better strategy would be to build up market share and then try negotiating again in a year or two, according to John.

America's Fastest-Growing Labs

Genetworx (Glen Allen, VA) was the fastest-growing lab from 2018-2021, according to an *LE* analysis of newly released Medicare Part B payment data for 2021. Genetworx's Medicare payments rocketed from $1.2 million in 2018 to $22.7 million in 2021 for a compound annual growth rate (CAGR) of 168%. Genetworx specializes in PCR and pharmacogenomic testing.

Alliance Dx (Houston, TX) received $16.6 million in Medicare Part B payments in 2021, an increase of 138% per year from $1.2 million in 2018. Alliance Dx was acquired by Tesis Biosciences (Phoenix, AZ) in January 2021.

Guardant Health (Redwood, CA) received $97.9 million in Medicare Part B payments in 2021, an increase of 118% per year from $9.4 million in 2018. Guardant is a publicly traded lab company that specializes in genetic tests for cancer screening and recurrence.

Overall, some 3,300 independent labs saw their Medicare Part B Carrier payments increase by 9% per year to $6.9 billion from 2018 to 2021.

Top 25 Fastest-Growing Labs by Medicare Part B Carrier Payments*

Laboratory Name	City & State	2021 Part B Payment Amount	2018 Part B Payment Amount	3-Year CAGR
RCA LabServices (dba Genetworx)	Glen Allen, VA	$22,668,938	$1,179,173	168%
Alliance Dx	Houston, TX	16,624,546	1,235,474	138%
Guardant Health	Redwood City, CA	97,877,410	9,439,245	118%
Ispm Labs (dba Capstone Diagnostics)	Atlanta, GA	19,473,676	2,235,073	106%
Veracyte Labs	San Diego, CA	38,928,015	4,691,265	102%
Advanced Biomedical	Santa Ana, CA	8,479,996	1,260,956	89%
Simple Laboratories	Harwood Heights, IL	7,983,734	1,264,915	85%
Brookside Clinical Laboratory	Aston, PA	17,383,478	2,815,664	83%
Matias Clinical Laboratory	Baldwin Park, CA	16,298,210	2,849,252	79%
Convergent Diagnostics	Allen, TX	6,178,461	1,098,584	78%
Cirrus Dx	Rockville, MD	8,393,634	1,700,092	70%
Proteus Molecular and Clinical Lab	Homewood, AL	5,274,081	1,091,101	69%
Labcorp	Rsrch Triangle Park, NC	15,966,956	3,410,967	67%
CareDx	Brisbane, CA	178,471,534	39,012,032	66%
Tempus Labs Inc.	Chicago, IL	8,420,582	1,868,616	65%
Beach Tox LLC	Torrance, CA	5,102,657	1,133,552	65%
Biocept Inc.	San Diego, CA	4,820,584	1,085,398	64%
Healthlink Diagnostic Labs	Largo, FL	5,389,832	1,217,886	64%
Qualitox Laboratories	Pittsburgh, PA	5,587,784	1,295,793	63%
Castle Biosciences	Phoenix, AZ	48,009,005	11,603,050	61%
University of Washington	Seattle, WA	5,941,068	1,476,230	59%
Luminus Diagnostics	Tifton, GA	5,823,022	1,497,583	57%
Mako Medical Labs	Raleigh, NC	24,776,872	6,466,787	56%
Enigma Management Corp. (dba Alliance Laboratory)	Brooklyn, NY	5,422,133	1,487,960	54%
Mayo Collaborative Services	Rochester, MN	14,012,451	3,938,147	53%
Total for top 25 labs		593,308,659	106,354,795	77%
Grand Total (all 3,300+ labs)		$6,921,563,001	$5,395,539,446	9%

*The top 25 were calculated from all independent clinical labs that had Medicare Part B Carrier payments of at least $1 million in 2018. Source: *Laboratory Economics* from Medicare Part B Carrier utilization files, 2018 & 2021

Lab Stocks Up 8% Year-to-Date In 2023

Twenty-four lab stocks have risen by an unweighted average of 8% year to date through June 16. In comparison, the S&P 500 Index is up 15% year to date. The top-performing lab stocks thus far in 2023 are Exact Sciences, up 89%; NeoGenomics, up 81%; and Myriad Genetics, up 58%. Labcorp is down 1% and Quest Diagnostics is down 11%.

Company (ticker)	Stock Price 6/16/23	Stock Price 12/30/22	2023 Price Change	Enterprise Value ($ millions)	Revenue for Trailing 12 mos. ($ millions)	Enterprise Value/ Revenue
Exact Sciences (EXAS)	$93.42	$49.51	89%	18,740	2,200	8.5
NeoGenomics (NEO)	16.72	9.24	81%	2,330	530	4.4
Myriad Genetics (MYGN)	22.91	14.51	58%	1,920	695	2.8
DermTech Inc. (DMTK)	2.76	1.77	56%	37	14	2.6
Enzo Biochem (ENZ)	2.01	1.43	41%	119	71	1.7
Guardant Health (GH)	37.09	27.20	36%	4,770	482	9.9
Exagen (XGN)	3.25	2.40	35%	38	46	0.8
Fulgent Genetics (FLGT)	37.48	29.78	26%	282	365	0.8
Natera (NTRA)	50.25	40.17	25%	5,380	868	6.2
Opko Health (OPK)	1.55	1.25	24%	1,330	913	1.5
Sonic Healthcare (SHL.AX)*	35.07	29.97	17%	18,800	8,646	2.2
Interpace Biosciences (IDXG)	1.21	1.04	16%	62	34	1.8
Veracyte (VCYT)	26.09	23.73	10%	1,730	311	5.6
Labcorp (LH)	234.27	235.48	-1%	26,740	14,755	1.8
Psychemedics (PMD)	4.63	4.90	-6%	25	25	1.0
Quest Diagnostics (DGX)	138.60	156.44	-11%	20,090	9,603	2.1
GeneDx (formerly Sema4)[1]	6.71	8.71	-23%	45	224	0.2
ProPhase Labs (PRPH)	7.31	9.63	-24%	121	94	1.3
CareDx (CDNA)	7.96	11.41	-30%	180	320	0.6
Biodesix (BDSX)	1.54	2.30	-33%	135	41	3.3
Invitae (NVTA)	1.24	1.86	-33%	1,560	510	3.1
Aspira Women's Hlth (AWH)[2]	3.02	4.95	-39%	21	9	2.5
Castle Biosciences (CSTL)	13.18	23.54	-44%	133	152	0.9
Biocept (BIOC)[3]	1.93	15.90	-88%	7.6	7	1.2
Totals & Averages			**8%**	**$104,595**	**$40,914**	**2.6**

1) GeneDx had a 1-for-33 reverse stock split on May 4. 2) Aspira had a 1-for-15 reverse stock split on May 11.
3) Biocept had a 1-for-30 reverse stock split on May 16.
*Sonic Healthcare's figures are in Australian dollars

Source: *Laboratory Economics* from SeekingAlpha.com

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