

LABORATORY



ECONOMICS

Competitive Market Analysis For Laboratory Management Decision Makers

NATION'S LARGEST GASTRO GROUP BRINGING PATHOLOGY SERVICES INHOUSE

Digestive Health Associates of Texas (DHAT-Dallas), a 70-doctor gastroenterology group with 30 office locations in Dallas/Fort Worth, is moving forward with plans to bring its pathology services inhouse, *Laboratory Economics* has learned. The giant group plans to open its own histology lab early next year. The move will result in millions of dollars of lost business for several commercial labs and local hospitals. *More details on Page 8.*

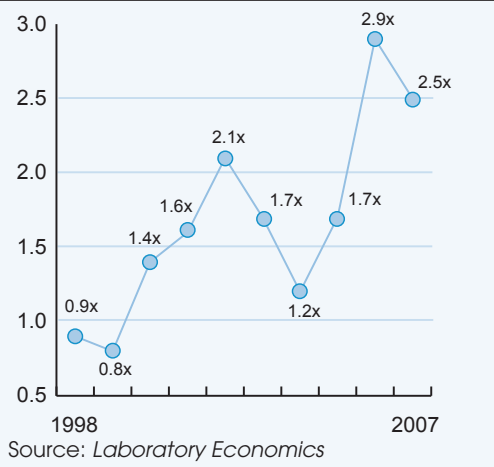
LAB ACQUISITION PRICES GETTING "STUPID"

For any lab with more than \$5 million in annual revenue, now is the time to sell because the multiples have gotten stupid and the cost to compete, especially in the area of information technology, is going to rise," a lab industry deal maker tells *LE*.

Since the late nineties, the average purchase price/revenue multiple for lab and pathology companies has climbed from below 1x to well above 2x. Most recently, LabCorp agreed to buy DSI Laboratories for about 3.2x revenue, while Sonic Healthcare USA bought Sunrise Medical Labs for 2.2x and Quest paid 2.6x for AmeriPath.

Private equity firms are helping to drive up prices and creating an urgency to close deals fast. The new venture-capital-backed Laboratory Partners Inc. recently acquired two Midwest independent labs, while Aurora Diagnostics has acquired eight pathology labs in the past year. For full details on the latest transactions, *see pages 5-7.*

Average Purchase Price/Revenue for Lab Acquisitions



LAB BIDDING DEMO TO BEGIN IN SPRING 2008

The Centers for Medicare & Medicaid Services has declared a rough time table for implementation of its demonstration project for lab competitive bidding: 1) the bidders package will be finalized this summer; 2) the demonstration site will be revealed in late summer; 3) bids will be due this Fall; 4) the winning bidders will be notified this winter; and 5) the project will begin in Spring 2008.

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