Marketplace Consolidations & Acquisitions
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Thinklab 07
March 25, 2007
Scope of Discussion

◆ “Marketplace Consolidations and Acquisitions” allows for a broad scope that goes beyond a focus on operating laboratory companies

◆ If one reviews the news releases for our industry, there seem to be four primary topics for this presentation:

  ♦ Acquisition & consolidation trends for clinical laboratories
  ♦ Acquisition of health care product or service companies by global enterprises to create a broader healthcare product line
  ♦ Consolidation of lab service providers by health insurance companies
  ♦ Consolidation of clinical laboratory, radiology/imaging and cardiology into “diagnostic services” functions
Clinical Laboratories

◆ Apax Partners
  ◆ Spectrum Laboratory Network

◆ Sonic Healthcare
  ◆ Clinical Pathology Labs, American Esoteric Laboratory

◆ LabCorp
  ◆ DynaCare, Dianon, USLabs/Esoterix

◆ Quest
  ◆ Focus Diagnostics

◆ Ameripath/Specialty Labs merger

◆ Carilion Labs
  ◆ Presbyterian Reference Laboratory

◆ Some smaller acquisitions, including path groups

◆ New global players in the U.S. market

◆ Some health systems are implementing laboratory consolidation strategy

◆ Some evidence that a few regional lab owners are looking to implement their “exit” strategy

◆ Regional labs/networks have captured key contracts where national strategy was being employed
Global Enterprises

◆ Apax Partners – global private equity firm
  ♦ Healthcare division (1 of 5) includes clinical laboratory, hospital/diagnostic center management, pharmaceuticals, surgical/wound care

◆ Sonic Healthcare – 32 operating companies, 4 countries
  ♦ Pathology & Radiology as primary focus today

◆ Siemens – German company, diversified
  ♦ DPC and Bayer Diagnostics ($5.3B) acquisitions

◆ GE – GE Medical well known
  ♦ Triple G (LIS), Abbott Diagnostics & i-STAT ($8.13B)

◆ Quest Diagnostics
  ♦ Hemocue ($423M)
Insurance Consolidation

◆ United Health national contract
  ◆ LabCorp award, but many regional labs also win

◆ Aetna national contract
  ◆ Quest award, many regional labs will also win

◆ “45% of Medicare” is the rumor
  ◆ No lab can be profitable at this global rate
  ◆ Must be exclusions/carve outs, but the detail?

◆ Duopoly has allowed the pricing war to start, again!
  ◆ Are you one of their customers?
Diagnostic Centers

◆ Clinical laboratory is not only a core service, it is “mission critical”

◆ Diagnostic services are brought closer to patients

◆ Regional Diagnostic Centers being created that include clinical laboratory, radiology/imaging and cardiology

◆ Who will lead these?

◆ Are you being proactive or reactive?
Summary

◆ Clinical laboratory acquisition continues as a general strategy

◆ Health system consolidation of laboratory services is a continuing activity

◆ Regional laboratories/networks are continuing to meet with success, even in light of insurance company strategy to consolidate providers for price advantage

◆ Global companies have entered into healthcare as an investment or diversification strategy

◆ Diagnostic Centers are a current/future trend, be prepared and be involved

◆ Insurance company strategy has initiated a price war (again) and the “duopoly” has enabled this to occur