

Q3-2017 Laboratory Services Update



Market Overview

The laboratory services market continues to be dominated by two global providers; LabCorp and Quest Diagnostics. With the Centers for Medicare and Medicaid releasing a draft of 2018 reimbursement rates in September, the industry could see as much as a 10% hits to reimbursement rates across the board. While a decrease was anticipated, this outcome is far worse than anyone expected. The ability to leverage size and scale has allowed the industry's largest providers to capitalize on this news. This is represented by Quest's four acquisitions made in the third quarter. As smaller providers see greater risk amidst an uncertain reimbursement environment, we expect to see additional small to medium sized laboratories seek refuge in partnering with industry heavy weights, LabCorp and Quest Diagnostics.

SELECT TRANSACTIONS:

Date	Acquirer	Target	Description
September 2017	Quest Diagnostics	Hartford HealthCare (outreach lab services operations)	Quest Diagnostics, the world's largest provider of diagnostic information services, acquired the outreach lab services operations of two hospitals owned by Hartford HealthCare. The acquisition will enable physicians and patients in Connecticut to directly access Quest's broader range of testing services, including several proprietary advanced diagnostic services, as well as an expanded network of patient service centers. Financial terms of the deal were not disclosed.
September 2017	Quest Diagnostics	Shiel Medical Laboratory	Quest Diagnostics, the world's largest provider of diagnostic information services, acquired Shiel Medical Laboratory business from Fresenius Medical Care. The transaction is structured as a purchase of assets. Shiel is a clinical laboratory provider serving the New York-New Jersey metropolitan area. Financial terms of the deal were not disclosed.
August 2017	Genesis Biotechnology Group	4path	Genesis Biotechnology Group, a provider of diagnostic and drug discovery products, acquired the assets of 4path. Based in the Chicago metropolitan area, 4path is a laboratory providing Anatomic Pathology services to clients in the Great Lakes Region. 4path specializes in highly personalized diagnostic services in Podiatry, Gastroenterology, Urology, Dermatology, Breast, Gynecology, Orthopedics and other specialties. Financial terms of the deal were not disclosed.
July 2017	Quest Diagnostics	Clear Point	Quest Diagnostics, a company that uses data to improve patient outcomes, has completed its previously announced acquisition of Clear Point. Clear Point provides physicians with routine and STAT laboratory tests through collaboration with Pathologists BioMedical Laboratories and med fusion, a local reference laboratory. The company's focus is on providing efficient pre- and post-analytical support to physicians in the North Texas community to help decrease the costs associated with the episode of care, and to improve the quality of patient outcomes. Financial terms were not disclosed.
July 2017	Quest Diagnostics	Med Fusion	Quest Diagnostics, a company that uses data to improve patient outcomes, has completed its previously announced acquisition of Med Fusion. Med Fusion is an integrated full-service laboratory and clinical trials service organization. The company's focus is on commercial, medical, scientific, and clinical trials. Financial terms of the deal were not disclosed.