LABORATORY CORP OF AMERICA HOLDINGS
Form 10-K
February 25, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2013
or
[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission file number - 1-11353

LABORATORY CORPORATION OF AMERICA HOLDINGS
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-3757370 (I.R.S. Employer Identification No.)
358 South Main Street, Burlington, North Carolina (Address of principal executive offices)	27215 (Zip Code)

(Registrant's telephone number, including area code) 336-229-1127

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, $0.10 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ].

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes [ ] No [X].

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ].

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ].

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ].

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “small reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated Filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [ ] No [X].

As of June 30, 2013, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $9.7 billion, based on the closing price on such date of the registrant’s common stock on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 85.3 million shares as of February 20, 2014.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K into which the document is incorporated:
Portions of the Registrant’s Notice of Annual Meeting and Proxy Statement to be filed no later than 120 days following December 31, 2013 are incorporated by reference into Part III.

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PART I

Item 1. BUSINESS

Laboratory Corporation of America® Holdings and its subsidiaries (the “Company”), headquartered in Burlington, North Carolina, is the second largest independent clinical laboratory company in the United States based on 2013 net revenues. Since the Company’s founding in 1971 as a Delaware corporation, it has grown into a national network of 44 primary laboratories and approximately 1,700 patient service centers (“PSCs”) along with a network of branches and STAT laboratories (which are laboratories that have the ability to perform certain core tests and report the results to the physician quickly). Through its national network of laboratories, the Company offers a broad range of clinical laboratory tests that are used by the medical profession in core testing, patient diagnosis, and in the monitoring and treatment of disease. In addition, the Company has developed specialty testing operations, such as oncology testing, HIV genotyping and phenotyping, diagnostic genetics, cardiovascular disease risk assessment, HCV diagnosis and monitoring and clinical trials.

With over 34,000 employees worldwide, the Company processes tests on approximately 490,000 patient specimens daily and provides clinical laboratory testing services to clients throughout the United States and other countries including Mexico, the Bahamas, Belgium, Germany, Italy, Spain, the United Kingdom, China, Hong Kong, Singapore, Japan, South Korea, and three provinces in Canada. Its clients include physicians, hospitals, managed care organizations, governmental agencies, employers, pharmaceutical companies and other independent clinical laboratories that do not have the breadth of its testing capabilities. The Company offers a menu of several hundred tests that are frequently used in general patient care by physicians to establish or support a diagnosis, to monitor treatment or to search for an otherwise undiagnosed condition. The most frequently-requested of these tests include blood chemistry analyses, urinalyses, blood cell counts, thyroid tests, Pap tests, Hemoglobin A1C, PSA, STD tests (Ct, Ng, Tv, HIV), HCV tests, Vitamin D, microbiology cultures and procedures, and alcohol and other substance-abuse tests. The Company performs this core group of tests in its major laboratories using sophisticated and computerized instruments, with most results reported within 24 hours. In addition, the Company provides specialty testing services in the areas of allergy, clinical trials, diagnostic genetics, women's health, cardiovascular disease, identity, forensics, infectious disease, endocrine sciences, oncology, occupational testing and pain management.

The Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports are made available free of charge through the Investor Relations section of the Company’s Website at www.labcorp.com as soon as practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission. Additionally, the Securities and Exchange Commission ("SEC") maintains an Internet Website at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including the Company. The public may also read and copy any materials that the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

The matters discussed in this "Business" section should be read in conjunction with the Consolidated Financial Statements found under Item 8 of Part II of this annual report, which include additional financial information about the Company's total assets, revenue, measures of profit and loss, and other important financial information.

The Company is committed to providing the highest quality laboratory services to its clients in full compliance with all applicable laws and regulations. The Company’s Code of Business Conduct and Ethics outlines ethics and compliance policies adopted by the Company to meet this commitment. These policies apply to all employees of the Company as well as the Company’s Board of Directors. The Code of Business Conduct and Ethics, as well as the

Charters for the Audit, Compensation, Quality and Compliance, and Nominating and Corporate Governance Committees, and the Company's Corporate Governance Guidelines, are posted on the Company's Website www.labcorp.com. The Company has established a Compliance Action hotline (1-800-801-1005), which provides a confidential and anonymous method to report a possible violation of a LabCorp compliance policy or procedure, or an applicable law or regulation; a HIPAA Privacy hotline (1-877-234-4722), which provides a confidential and anonymous method to report a possible violation of a HIPAA privacy, security or billing policy or procedure; an Accounting hotline (1-866-469-6893), which provides a confidential and anonymous method to report a possible violation of internal accounting controls or auditing matters; and a global hotline (1-800-1-777-9999), which provides a confidential and anonymous method for non-US based employees to report, in local languages, a possible violation of LabCorp compliance policy or procedure or applicable law or regulation.

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The Clinical Laboratory Testing Industry and Competition

Laboratory tests and procedures are used generally by hospitals, physicians and other health care providers and commercial clients to assist in the diagnosis, evaluation, detection, therapy selection, monitoring and treatment of diseases and other medical conditions through the examination of substances in the blood, tissues and other specimens. Clinical laboratory testing is generally categorized as either clinical pathology testing, which is performed on body fluids including blood, or anatomical pathology testing, in which a pathologist examines histologic or cytologic samples (e.g., tissue and other samples, including human cells). Clinical and anatomical pathology procedures are frequently ordered as part of regular physician office visits and hospital admissions in connection with the diagnosis and treatment of illnesses. Certain of these tests and procedures are used in the diagnosis and management of a wide variety of medical conditions such as cancer, infectious disease, endocrine disorders, cardiac disorders and genetic disease. It is estimated that although laboratory services account for less than 3% of total U.S. healthcare spending (and less than 2% of Medicare expenditures), they influence 60% to 70% of physician medical decisions.

The clinical laboratory industry consists primarily of three types of providers: hospital-based laboratories, physician-office laboratories and independent clinical laboratories, such as those operated by the Company. The Company believes that in 2013, the U.S. clinical laboratory testing industry generated revenues of approximately $60 billion based on Washington G-2 reports and other industry publications. The Centers for Medicare and Medicaid Services (“CMS”) of the Department of Health and Human Services ("HHS") has estimated that in 2013 there were more than 8,800 hospital-based laboratories, 118,900 physician-office laboratories and 5,700 independent clinical laboratories in the U.S.

The clinical laboratory business is intensely competitive. There are presently two major national independent clinical laboratories: the Company and Quest Diagnostics® Incorporated ("Quest"), which had approximately $7.1 billion in revenues in 2013. In addition, the Company competes with many smaller independent clinical and anatomical laboratories as well as laboratories owned by hospitals and physicians. The Company believes that health care providers selecting a laboratory often consider the following factors, among others:

- accuracy, timeliness and consistency in reporting test results;
- reputation of the laboratory in the medical community or field of specialty;
- contractual relationships with managed care companies;
- service capability and convenience offered by the laboratory;
- number and type of tests performed;
- connectivity solutions offered; and
- pricing of the laboratory’s services.

The Company believes that ongoing consolidation in the clinical laboratory testing business will continue. In addition, the Company believes that it and the other large independent clinical laboratory testing companies will be able to increase their share of the overall clinical laboratory testing market due to a number of factors, including cost efficiencies afforded by large-scale automated testing, reimbursement reductions and managed health care entities that require cost efficient testing services and large service networks. In addition, legal restrictions on physician referrals and their ownership of laboratories, as well as increased regulation of laboratories, are expected to contribute to the continuing consolidation of the industry.

Effect of Market Changes on the Clinical Laboratory Business

The clinical laboratory business is undergoing significant change. Medicare (which principally serves patients 65 and older), Medicaid (which principally services low-income patients) and insurers have increased their efforts to control the cost, utilization and delivery of health care services. Measures to regulate health care delivery in general and clinical laboratories in particular have resulted in reduced prices, added costs and decreased test utilization for the clinical laboratory industry by increasing complexity and adding new regulatory and administrative requirements. From time to time, Congress has also considered changes to the Medicare fee schedules, and the Company believes that pressure to reduce government reimbursement will continue. In March 2010, comprehensive health care reform legislation, the Patient Protection and Affordable Care Act (“ACA”), was enacted. Among its provisions were reductions in the Medicare clinical laboratory fee schedule updates, one of which is a permanent reduction and the other to be applied in 2011 through 2015. On February 17, 2012, Congress passed legislation that reduced payment rates under the Medicare Clinical Laboratory Fee Schedule ("CLFS") by 2%, effective January 1, 2013. This reduction was applied after the adjustment of the fee schedule by the annual CPI update as reduced by the productivity adjustment (0.9%) and the 1.75% reduction under the ACA, and before the scheduled 2% sequestration reduction mandated by the Budget Control Act of 2011, which became effective April 1, 2013. The 2% sequestration reduction applied to both the Clinical Lab Fee Schedule, which represents approximately 11.7% of the Company's revenue, and the Physician Fee Schedule ("PFS"), which represents

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approximately 1.1% of the Company's revenue. During 2013, the Company also faced significant payment reductions to certain surgical pathology procedures and a variety of other government reimbursement reductions. During 2014, the Company faces a 0.75% payment reduction to the CLFS and an estimated $6.6 million payment reduction to the PFS, assuming Congress acts to prevent further reductions mandated under the Sustainable Growth Rate (SGR) formula. On November 27, 2013, CMS finalized its proposal to begin annual evaluations of reimbursement rates for CLFS codes based on technological changes, volume, growth in utilization, cost and time on the CLFS. Under this proposal, test codes for which CMS is contemplating a payment adjustment will be listed in the Proposed PFS Rule each year, and the first adjustments to payment rates are scheduled to begin January 1, 2015. CMS is proposing to conduct its initial evaluation of all 1,250 codes on the CLFS over a five-year period ending December 31, 2019.

In addition, there are continuing market-based changes in the clinical laboratory business as diagnostic testing continues to shift away from traditional, fee-for-service medicine to managed care. The growth of the managed care sector and consolidation of managed care companies present various challenges and opportunities to the Company and other independent clinical laboratories. In 2006, the Company signed a ten-year agreement with UnitedHealthcare® to become its exclusive national laboratory. This agreement represented an industry first in terms of its length and exclusivity at a national level. In September 2011, the Company extended this agreement for an additional two years through the end of 2018. The various managed care organizations (“MCOs”) have different contracting philosophies, which are influenced by the design of their products. Some MCOs contract with a limited number of clinical laboratories and engage in direct negotiation of rates. Other MCOs adopt broader networks with generally uniform fee structures for participating clinical laboratories. In addition, some MCOs use capitation to fix the cost of laboratory testing services for their enrollees. Under a capitated reimbursement mechanism, the clinical laboratory and the managed care organization agree to a per member, per month payment for all authorized laboratory tests ordered during the month, regardless of the number or cost of the tests performed. For the year ended December 31, 2013, capitated contracts with MCOs accounted for approximately $187.3 million, or 3.2% of the Company’s net sales. The Company's ability to attract and retain managed care clients will become even more important as the impact of various health care reform initiatives continue, including expanded Health Insurance Exchanges and Accountable Care Organizations ("ACOs" or "ACO").

Despite the potential market changes discussed above, the Company believes that the volume of clinical laboratory testing will be positively influenced by several factors, including an expanded insured population under ACA, increased knowledge of the human genome leading to an enhanced appreciation of the value of gene-based diagnostic assays and the development of new therapeutics that have a “companion diagnostic” to help identify the subset of the population for whom it is effective or that may suffer adverse events.

The Company believes its enhanced esoteric menu, geographic footprint and operating efficiency provide a strong platform for growth. Additional factors that may lead to future volume growth include an increase in the number and types of tests that are readily available (due to advances in technology and increased cost efficiencies) for testing and diagnosis of disease and the general aging of the population in the U.S. The impact of these factors is expected to be partially offset by declines in volume as a result of increased controls over the utilization of laboratory services by Medicare, Medicaid, and other third-party payers, particularly MCOs. In addition, movement by patients into consumer driven health plans may have an impact on the utilization of laboratory testing.

Company Mission and Strategy

The Company's mission is to be a trusted knowledge partner for stakeholders, leading to growth in its businesses and continued creation of shareholder value. The Company will achieve this plan through the disciplined execution of a five-pillar strategy.

- Deploy capital to investments that enhance its business and return capital to shareholders,
- Enhance IT capabilities to improve the physician and patient experience,
- Continue to improve efficiency to remain the most efficient and highest value provider of laboratory services,
- Continue scientific innovation to offer new tests at reasonable and appropriate pricing, and
- Develop knowledge services

The Company believes that the successful execution of this five-pillar strategy will fulfill its core mission of becoming a trusted knowledge partner for stakeholders, by offering the highest quality laboratory testing and most compelling value to its customers.

Pillar One: Deploy capital to investments that enhance the Company's business and return capital to shareholders

The Company remains committed to growing its business through strategic acquisitions and licensing agreements. Since 2008, the Company has invested approximately $2.4 billion in strategic business acquisitions. These acquisitions have strengthened the Company's geographic presence and expanded its specialty testing operations. The Company believes the acquisition market

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remains attractive with a number of opportunities to strengthen its scientific capabilities, grow esoteric testing and increase presence in key geographic areas.

The Company believes it has some of the premier genetics, oncology and infectious disease businesses in the laboratory industry. With its acquisition of Genzyme Genetics[1] in December of 2010, combined with its existing genomic capabilities, the Company offers prenatal genetic testing and access to novel testing technologies such as the SMA molecular genetics assay, and the entire Reveal® family of SNP Microarrays, the Inheritest® carrier testing assays and a complete suite of BRCA mutation tests. As market demand for prenatal genetics increases, the Company believes it is well positioned to provide the broadest range of offerings, including the services of approximately 150 genetic counselors. In oncology, the Company's broad molecular oncology test menu and specialized sales force complement the strong pathology expertise of Genzyme Genetics and two of the Company's earlier acquisitions - Accupath Diagnostic Laboratories, Inc. dba US Labs[2] and Dianon Systems, Inc.[3] In the area of Infectious Disease, with the acquisition of Monogram Biosciences, Inc. ("Monogram Biosciences") in 2009, the Company expanded its offerings around HIV and HCV detection and monitoring for enhanced management of these diseases.
In 2013, the Company continued to deploy cash and return value to shareholders through share repurchase. During the year, the Company acquired approximately 10.4 million LabCorp shares for $1,015.6 million. Since 2003, the Company has repurchased approximately $5.6 billion in shares at an average price of approximately $68 per share.

1. Genzyme Genetics and its logo are trademarks of Genzyme Corporation and used by Esoterix Genetic Laboratories, LLC, a wholly-owned subsidiary of LabCorp, under license. Esoterix Genetic Laboratories and LabCorp are operated independently from Genzyme Corporation. The reproductive genetics services of Esoterix Genetic Laboratories are now offered through the Company’s Integrated Genetics business.
2. The oncology services of Accupath Diagnostic Laboratories and Esoteric Genetic Laboratories are now offered through the Company's Integrated Oncology business.
3. The services of Dianon Systems are now offered through the Company's Dianon Pathology business.

Pillar Two: Enhance IT capabilities to improve the physician and patient experience

The Company is committed to becoming a trusted knowledge partner, as new developments in analytics and trending are changing existing ordering and workflow processes in the clinical laboratory industry. The Company's LabCorp Beacon® platform is a series of assets and functionalities that enhance the customer experience and provide an end-to-end lab solution. These assets and functionalities include:

- Physician, patient and payer portals
- Express electronic ordering for essentially all of the Company's brands and services
- Integrated results viewing and enhanced reports
- Lab analytics that provide one-click trending of patient, test and population data
- Clinical decision support tools at the point of ordering and resulting
- AccuDraw® which assists phlebotomists in improving accuracy, workflow and turnaround time
- Online appointment scheduling
- LabCorp Beacon®: Mobile solutions for market leading mobile devices
- Services-oriented architecture with rules-based engines, content aggregation and seamless integration with practice workflow

In 2013, the Company introduced its new population health analytics programs, called LabCorp Beacon®: Analytics, which provide healthcare business intelligence tools to hospitals, physician practices and ACOs. These tools assist customers in their compliance and reporting requirements with respect to efficient management of their productivity, quality and patient outcome metrics. The Company's robust rules engine maintains more than 600 clinical quality measures that are highly customizable and provide full compliance with Meaningful Use requirements and ACO, Joint

Commission and Physician Quality Reporting System ("PQRS") reporting requirements. Real time clinical alerts highlight gaps in care for patients and patient populations. These industry-leading, data driven services position LabCorp as a trusted partner to healthcare stakeholders, providing the knowledge to optimize decision making, improve health outcomes, and reduce treatment costs.

The Company continues to see steady adoption of LabCorp Beacon®: Patient, a tool that was launched in the fourth quarter of 2012. This Patient Portal is a secure and easy-to-use online solution that enables patients to receive and share lab results, make lab appointments, pay bills, set up automatic alerts and notifications and manage health information for the entire family.

LabCorp Beacon: Mobile allows health care providers to review lab test results as they become available via their iPhone®, iPad®, or Android™ mobile digital devices. Providers can view patient lab results, patient demographics, and contact information related to those results. LabCorp Beacon: Mobile also offers the capability to search the Company's Directory of Services or view contact information for the Company's scientific/medical experts by discipline directly from within the application.

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The Company continues to improve its Electronic Medical Record (“EMR”) connectivity, interfacing to more than 650 different EMR partner solutions. The Company is working closely with leading EMR partners to streamline connectivity and enhance lab workflow, ensuring that clients can take advantage of these solutions. Over 8,500 new client EMR interfaces were added during 2013, bringing its total EMR interfaces to over 38,000. The Company remains committed to its open platform strategy, allowing customers to connect seamlessly to LabCorp directly or via their EMR of choice.
In 2014, the Company will continue to improve the physician and patient experience by enhancing LabCorp Beacon, LabCorp Beacon: Analytics, LabCorp Beacon: Patient, LabCorp Beacon: Mobile and EMR connectivity solutions. Additional key enhancements will include decision support, enhanced results reporting, and services aimed at further optimizing the lab ordering and resulting processes, to ensure LabCorp's position as a trusted knowledge partner.
Pillar Three: Continue to improve efficiency to remain the most efficient and highest value provider of laboratory services

The Company maintains a constant focus on improving productivity and lowering costs throughout all phases of its operations from specimen collection to processing and testing, result reporting and billing. The Company's automation initiatives, improvements to its logistics network and enhancements to its supply chain operations have increased its per-employee throughput in primary laboratories more than 50% since the beginning of 2008. The Company has also focused on its call center operations by improving call response time while enhancing efficiency by reducing the number of call center facilities by over 65%. Further, the Company's service metrics, customer satisfaction ratings and turnaround times consistently exceed expectations.

In 2013, the Company completed construction of a new 147,000 square-foot testing hub in Phoenix, Arizona. This location offers the Company excellent logistical synergies and access to a quality labor pool. The facility began testing operations in September 2013 and will be used to consolidate a number of the Company's laboratories, including the Company's regional primary laboratory, and laboratories for its Integrated Oncology, Colorado Coagulation and Endocrine Sciences businesses.

In 2013, the Company began installation of its Propel™ robot in its Burlington, North Carolina primary laboratory. The Company plans to deploy Propel throughout its major laboratories and expects these robotics to enhance efficiency and quality by replacing the manual splitting and sorting process. The Company has commenced installation of Propel in its Tampa laboratory, and the robot should be operational in the second quarter of 2014. Propel complements LabCorp Touch ™ accessioning, which provides leading-edge automation at the Company's PSCs and allows the Company to reduce the amount of accessioning that is performed in its primary laboratories.

The Company's expansion of the Center for Esoteric Testing ("CET") and its Burlington, N.C. primary laboratory, completed in 2011, leverages LEAN principles to conduct testing more efficiently and consolidate satellite locations. The Company has consolidated a number of specialty testing businesses into this facility, including ViroMed Laboratories, and infectious disease testing from its Center for Molecular Biology and Pathology (“CMBP”) laboratory. LEAN strategies have also proved to be effective in creating process improvements in the Company's billing and collection operations. The Company will continue to examine and adjust its test menu and facility testing matrix to optimize service and efficiency. As part of an ongoing commitment to efficiency, the Company has also begun a comprehensive enterprise-wide review of its cost structure.

Pillar Four: Continue scientific innovation to offer new tests at reasonable and appropriate pricing

Innovative tests continue to be an important growth driver for the Company. In 2013, the Company introduced 152 new assays, collaborating with leading companies and academic institutions to provide physicians and patients with the most scientifically advanced testing in the industry.

The Company is playing an important role in many aspects of the emerging model of personalized healthcare in which treatments and therapeutics are tailored to an individual, often based on his or her genetic signature (or that of a particular tumor/strain of virus). LabCorp was a leader in HIV genotyping, one of the first major advances in personalized medicine, which was used to test for resistance to specific drugs. The Company continues to build on this legacy through publications and the development of new tests and/or resources such as the QIAGEN therascreen®KRAS RGQ PCR Kit, which is a new FDA-approved companion diagnostic for certain colorectal cancer patients that the Company introduced in 2013. The Company's other significant offerings in 2013 include an expanded testing menu to help clinicians diagnose, treat and monitor the course of Inflammatory Bowel Disease (IBD), a 4th generation HIV assay for earlier detection of acute HIV infection, a suite of BRCA 1/2 Breast Cancer Mutation tests, Hepatitis C Virus Q80k polymorphism screening for the drug OLYSIO™ (simeprevir) and the COBAS® AmpliPrep/COBAS® TaqMAN® HCV Test, v2.0. COBAS AmpliPrep is a quantitative viral load assay for Hepatitis C (HCV) patients that enables more accurate assessments of response to antiviral therapy.

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Through its clinical trials division, the Company has taken a leadership role in working with pharmaceutical, biotechnology and in vitro diagnostics companies, providing innovative laboratory services to support drug and device development. This includes a strong focus on the development of companion diagnostics, such as the genetic tests for ALK, BRAF, EGFR, KRAS and others linked to targeted therapy options. The Company's capabilities in assay development, its access to a broad spectrum of testing platforms, and its experience with clinical trials has positioned LabCorp as a market leader. The Company continues to add capabilities to strengthen this companion diagnostics offering. The Company opened a new state-of-the-art biorepository for sample storage and retention in 2009. In 2011, the Company acquired Clearstone® Central Laboratories, a global central laboratory specializing in drug development and pharmaceutical services. This acquisition provided the Company with access to a global network of labs, including sites in Asia and Europe. The pharmaceutical industry is increasingly conducting work outside of North America and the Company is expanding its ability to perform work internationally.

Beyond clinical trials, there are also many examples where companion diagnostics have moved into the commercial setting and are helping improve care, such as: (1) assisting in determining the efficacy of a drug for an individual; (2) helping the physician select the correct dosage; and (3) reducing adverse events. The Company will continue to play an important role in both bringing new companion diagnostics to the market and making them commercially available once the drug has been approved, leveraging its experience from supporting the clinical trials that demonstrate the safety and efficacy of such products.

Pillar Five: Develop knowledge services

The Company recognizes that fundamental changes are taking place in the U.S. healthcare system and the clinical laboratory industry and anticipates the continued movement of healthcare delivery toward large health systems, integrated delivery networks, ACOs, patient-centered medical homes, and mega-physician practices. The Company believes that its capabilities provide an end-to-end lab solution for these customers, meeting the requirements of new care models with population health management tools, decision support programs, patient counseling, integrated clinical reports and patient-centric data solutions. These offerings are focused around IT, but it is the completeness of these solutions for lab needs that differentiates LabCorp and provides value for its customers.

The Company's BeaconLBS® Platform is a point-of-care decision support service that interfaces with test ordering systems to assist physicians in lab and test selection, helping them to order the right test for the patient at the right time. Physicians, patients healthcare delivery systems and payers will benefit from this innovation, which will improve quality and more effectively manage costs without disrupting physician work flow. The Company's rules engine interfaces with payer policies for ordering, utilization, adjudication and payment.

In 2013, BeaconLBS signed an agreement with UnitedHealthCare to implement its products in Florida. The Company anticipates implementation to begin in the latter half of 2014.

Laboratory Testing Operations and Services

The Company has a national network of primary testing laboratories, specialty testing laboratories, branches, PSCs and STAT laboratories. A branch is a central facility that collects specimens in a region for shipment to one of the Company's laboratories for testing. A branch is also frequently used as a base for sales and distribution staff. Generally, a PSC is a facility maintained by the Company to serve the patients of physicians in a medical professional building or other strategic location. The PSC staff collects the specimens for testing if requested by the physician. Most patient specimens are collected by the customer's staff. The specimens, and any accompanying documents including test request forms if the test order was not placed electronically, are collected from customer locations or PSCs and sent, principally through the Company's in-house courier system (and, to a lesser extent, through

independent couriers), to one of the Company's primary testing facilities for testing. Test requests are completed by the client or transcribed by a Company patient service technician from a client order to indicate the tests to be performed and provide the necessary billing information. Some of the Company's PSCs also function as STAT labs, which are laboratories that have the ability to perform certain core tests and report results to the physician quickly.

Each specimen and related request form is checked for completeness and then given a unique identification number. The unique identification number assigned to each specimen helps to ensure that the results are attributed to the correct patient. The test request forms are sent to a data entry operator who ensures that a file is established for each patient and the necessary testing and billing information is entered. Once this information is entered into the software system, the tests are performed and the results are entered through an electronic data interchange interface or manually, depending upon the tests and the type of equipment involved. Most of the Company's automated testing equipment is connected to the Company's information systems. Most core testing is completed by early the next morning and test results are in most cases electronically delivered to clients via LabCorp Beacon, smart printers, personal computer-based products or electronic interfaces.

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Testing Services

Core Testing

The Company offers a broad range of clinical laboratory tests and procedures. Several hundred of these are frequently used in general patient care by physicians to establish or support a diagnosis, to monitor treatment or medication, or to search for an otherwise undiagnosed condition. The most frequently-requested of these core tests include blood chemistry analyses, urinalyses, blood cell counts, thyroid tests, Pap tests, Hemoglobin A1C, PSA, STD tests (Ct, Ng, Tv, HIV), HCV tests, microbiology cultures and procedures, and alcohol and other substance-abuse tests. These core procedures are most often used by physicians in their outpatient office practices. Physicians may elect to send such procedures to an independent laboratory (including hospital laboratories) or they may choose to establish their own laboratory to perform some of the tests.

The Company performs this core group of core tests in each of its primary laboratories. This testing constitutes a majority of the tests performed by the Company. The Company generally performs and reports most core procedures within 24 hours, utilizing a variety of sophisticated and computerized laboratory testing instruments.

Specialty Testing

The Company’s Specialty Testing Group performs esoteric testing, cancer diagnostics, clinical trials central lab services and other complex procedures. The Company's specialty testing businesses and their areas of expertise are summarized in the chart below.