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# Quest Diagnostics, University to Develop Diagnostic Tools

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By **JOSEPH WALKER** [CONNECT](#)

Jan. 8, 2014 2:28 p.m. ET

[Quest Diagnostics](#) Inc., DGX -0.52% shaken by falling prices for its laboratory-testing services, has struck a partnership with the University of California, San Francisco to develop new diagnostic tools that Quest hopes can help jump-start its sagging sales.

The agreement is the first broad research partnership Quest has struck with an academic institution—a trend increasingly widespread among health-care companies seeking to boost their innovation.

Quest and UCSF will work on identifying genetic mutations and other biological markers that can be used to predict patients' responses to different treatment regimens. They aim to package this genetic data with family history information and tests like magnetic-resonance-imaging scans to help physicians guide their treatment decisions, said Jay G. Wohlgenuth, senior vice president for science and innovation at Quest. The company hopes such integrated tests can command higher prices than Quest's traditional biopsy and blood-testing services do, he said.

Research into new diagnostic tools is booming as health-care companies attempt to tailor treatments to each patient's genetic profile or disease type, a practice known as personalized medicine. The market for diagnostic tests and services related to personalized medicine could grow to \$6 billion by 2018 from \$2.5 billion today, according to McKinsey & Co.

The pact underscores Quest's efforts to develop more sophisticated product offerings to help offset declines in insurers' reimbursement rates for many of the company's core testing services, which include routine cholesterol tests, cancer biopsies and DNA tests. Reimbursement for such tests is falling because of greater competition from hospitals performing the screens in-house, and efforts by insurers to reduce unnecessary testing, said Bret Jones, a health-care analyst at Oppenheimer & Co.

One initial Quest-UCSF project is aimed at identifying patients with a genetic subtype of

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autism who can benefit from behavioral therapy, and another at developing a test that will predict whether certain patients with brain cancer will respond to a particular drug.

Quest will provide UCSF access to its patient database, which includes anonymized results from millions of diagnostic tests carried out on patients at doctors' offices or hospitals. Quest also will provide grants to UCSF researchers ranging from \$100,000 to \$500,000 per project, said Dr. Wohlgemuth.

"We both need each other," Dr. Wohlgemuth said. "Quest needs first-rate academic centers with research expertise in identifying biomarkers, and UCSF needs a developer to pull it together and bring it into clinical use."

Quest, the largest U.S. provider of lab-testing services, has said reimbursement pricing pressure would cost it \$200 million in sales in 2013. The company also has been hurt by health insurers' and employers' efforts to shift more health-care costs to consumers, which has resulted in fewer doctor visits and testing procedures.

Quest's sales fell 1.9% in the third quarter from a year earlier, and the company lowered its full-year 2013 revenue guidance twice last year. Shares in the company, meanwhile, have dropped 7% in the past 12 months, according to data provider FactSet.

In one project, UCSF and Quest will analyze brain-tissue samples and radiographic brain images from patients with glioma tumors to search for the presence of biomarkers, or biological substances that may predict patients' response to the cancer drug everolimus, which is made by [Novartis AG](#) (NOVN.VX +0.69%) and known by the brand name Afinitor.

"This is a test case of whether merging all this different data can be done in such a way that we end up with a useful clinical pathway," said June Lee, director of early translational research at UCSF, who will help oversee the partnership with Quest.

Write to Joseph Walker at [joseph.walker@wsj.com](mailto:joseph.walker@wsj.com)

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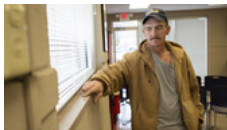
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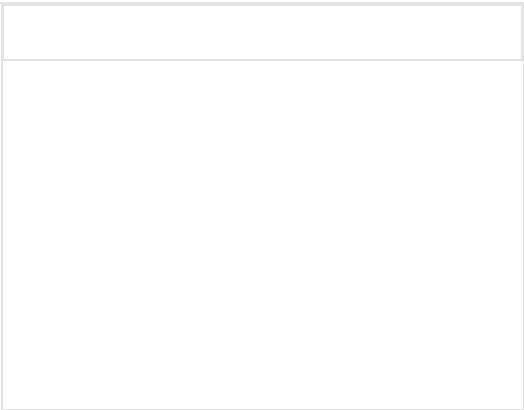
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