Item 1. Business

Quest Diagnostics Incorporated is the world's leading provider of diagnostic testing, information and services. We provide insights that enable patients, physicians and others to make decisions to improve health.

Quest Diagnostics was incorporated in Delaware in 1990; its predecessor companies date back to 1967. We conduct business through our headquarters in Madison, New Jersey, and our laboratories, patient service centers, offices and other facilities around the United States and in selected locations outside the United States. Unless the context otherwise requires, the terms "Quest Diagnostics," the "Company," "we" and "our" mean Quest Diagnostics Incorporated and its consolidated subsidiaries.

During 2008, we generated net revenues of $7.2 billion and processed approximately 150 million test requisitions. Additional financial information concerning Quest Diagnostics, including our consolidated subsidiaries, for each of the years ended December 31, 2008, December 31, 2007 and December 31, 2006 is included in the consolidated financial statements and notes thereto in "Financial Statements and Supplementary Data" in Part II, Item 8.

OUR STRATEGY AND STRENGTHS

Our mission is to be the undisputed world leader in diagnostic testing, information and services. Our vision is that we are dedicated people improving the health of patients through unsurpassed diagnostic insights and innovation. We focus on patients, growth and people to help achieve our goals.

We offer high value diagnostic testing services and products attractive to patients, physicians, payers, and others and have become the provider of choice in key areas of the diagnostic testing market. We believe that successful execution of our strategy will drive continued growth of our business. Additionally, we believe that, over the long term, we will be able to grow at a rate above the U.S. clinical laboratory industry growth rate, to expand margins and to increase international revenues to 10% of consolidated revenues. We plan to do this by gaining more customers, selling more services and products to existing customers and by continuously improving the efficiency of our operations. The elements of our growth strategy are described below.

- *Deliver a superior patient experience*. The patient is at the center of everything we do. Increasingly, patients have a choice when it comes to selecting a healthcare provider and we strive to give patients compelling reasons to put their trust in us. We have made significant investments in training our employees to provide a superior patient experience. We believe that this will drive patient and physician loyalty. Additionally, we have deployed automated patient appointment scheduling for our patient service centers. This enables patients to schedule appointments at times that are convenient for them while essentially eliminating their waiting time. We believe that we are the only national clinical test provider that offers this service in almost all of its patient service centers. We also collaborated with Google to launch Google Health™, which allows patients to share, save, organize and manage online their medical records and personal health information, including diagnostics laboratory data.
- *Continuously drive Six Sigma quality*. We strive to provide the highest quality in all that we do, including: phlebotomy and specimen transport services; analytical testing processes in our laboratories; accurate and timely lab reports; and accurate and timely billing. We use Six Sigma and Lean processes to continuously reduce defects, enhance quality and further increase the efficiency of our operations. Six Sigma is a management approach that utilizes a thorough understanding of customer needs and requirements, root cause analysis, process improvements and rigorous tracking and measuring to enhance quality. Lean is a management approach that seeks to streamline processes and eliminate waste. We also use Six Sigma and Lean principles to help standardize operations and processes across our Company and identify and adopt company best practices. We believe our focus on continuously driving Six Sigma quality in all aspects of our business results in superior service to our customers and drives customer loyalty.
- *Leverage our unparalleled assets and capabilities.* We are the world leader in the clinical testing business and the leading cancer diagnostic testing provider. We have the most extensive clinical testing network in the United States, offering national access to testing services. We operate a nationwide network of over 2,000 of our own patient service centers where we collect patient specimens, and laboratories in most major metropolitan areas. We provide anatomic pathology services, including inpatient anatomic pathology and medical director services at hospitals, throughout the country. We have a leading medical and scientific staff of approximately 900 M.D.s and Ph.D.s, primarily located in the United States. We serve approximately half of the physicians and half of the hospitals in the United States. We also operate approximately 75 locations in the United States and Canada where we coordinate the provision of paramedical examinations related to life insurance applications. We offer the broadest test menu, with

more than 3,000 tests, and are the leading provider in the United States of gene-based and other esoteric testing. We have strong logistics capabilities, such as approximately 3,500 courier vehicles and 25 airplanes that make approximately 90,000 stops daily. We believe that customers and payers prefer providers that offer a comprehensive range of tests and services and the most convenient access to those services and that, by offering such services, we will be able to profitably enhance our market position.

- *Continue to lead in medical innovation and information technology solutions.* We are a leading innovator in the clinical testing market with unmatched medical and technical expertise. We have the most comprehensive test menu and leading medical and scientific experts available for consultation. Over the past several years, we have expanded our business in more complex and faster-growing testing areas, including gene-based and esoteric testing, anatomic pathology services and point-of-care testing, reducing the percentage of our revenues from routine testing services. We remain a leading innovator in the clinical testing industry by continuing to introduce new tests, technology and services, including in the evolving area of personalized and targeted medicine. As an industry leader with the largest and broadest U.S. network and expanding presence outside the United States, we believe we are the channel of choice for developers of new tests to introduce their products to the marketplace. Through our relationships with the academic medical community and pharmaceutical and biotechnology firms, we believe that we are a leader in bringing technical innovation to the market. For example, in 2008, we expanded our growing menu of plasma-based Leumeta™ tests to 22.

  We empower healthcare organizations and clinicians with information technology solutions that can improve patient care and medical practice. We develop products, such as ChartMaxx®, and the Care360™ Physician Portal, and a clinical portal that are designed to support the creation and management of electronic patient records, by bringing together, in one patient-centric view, information that includes physician's records and laboratory and hospital data. Our Care360™ products, which can be accessed by more than 140,000 physicians, enable physicians to order diagnostic tests and review test results online. In addition, the Care360 Physician Portal enables physicians to electronically prescribe medication, view clinical and administrative information from various sources, file certain documents into a patient-centric health record maintained in our repository and share confidential information with medical colleagues. We believe that these products enhance the value we provide to our customers and result in increased customer loyalty.

- *Expand our geographic reach*. In addition to growth opportunities in the United States, we see opportunities to expand our presence in Ireland and Mexico and to bring our experience and expertise in diagnostic testing to other international markets, particularly to developing countries where the testing markets are highly fragmented and less mature. During 2008, we began offering services and products in the growing market in India. Our product offering in India includes clinical testing for life insurance companies, clinical trials testing for global pharmaceutical companies, advanced esoteric testing for hospitals, physicians and patients, point-of-care products and wellness testing.

- *Expand our diagnostic scope*. Technology advances are enabling testing to move closer to the patient and are becoming increasingly available and reliable. This enables more timely and effective decisions, with the opportunity to improve patient care and reduce medical costs. Since July 2006, we have acquired three businesses that offer point-of-care, or near patient, testing: HemoCue, Focus Diagnostics and Enterix. We intend to expand their product menus, develop novel technology platforms and systems to meet the needs of our clients and pursue potential additional acquisitions to supplement our offering. Results of their tests can be entered into our Care360 system, enabling the integration of tests performed in a near patient setting with those performed in our laboratories. We are well positioned to offer choice and integrated solutions to physicians, hospitals, clinics and retail customers for the testing methods that are most appropriate for each patient and practice.

In support of our strategy, in recent years we have undertaken several acquisitions. These acquisitions enable us to expand our capabilities, further leverage our assets and differentiate our Company from our competition, diversify our revenues and accelerate our growth. We expect to continue to selectively evaluate acquisitions in the United States and in select international markets.

BUSINESS OPERATIONS

Quest Diagnostics is the world's leading provider of diagnostic testing, information and services, providing insights that enable patients, physicians and others to make decisions to improve health. We offer U.S. patients and physicians the broadest access to diagnostic testing services through our nationwide network of laboratories and Company-owned patient service centers. We provide interpretive consultation through the largest medical and

scientific staff in the industry, with approximately 900 M.D.s and Ph.D.s, primarily located in the United States. We are the leading provider of clinical testing, including gene-based and other esoteric testing, anatomic pathology services, including dermatopathology and testing for drugs-of-abuse, and the leading provider of risk assessment services for the life insurance industry. We are also a leading provider of testing for clinical trials. Our diagnostics products business manufactures and markets diagnostic test kits and specialized point-of-care testing. We empower healthcare organizations and clinicians with robust information technology solutions. Our activities are described below.

Patients are at the center of everything that we do. We are leveraging our diagnostic testing capabilities and our assets to serve multiple customer bases. In 2008, our clinical testing business accounted for greater than 90% of our net revenues, with the balance derived from insurer services, clinical trials testing, diagnostic products and healthcare information technology. Most of our services are provided in the United States. Clinical testing includes routine testing, anatomic pathology, gene-based and esoteric testing, and drugs-of-abuse testing, which generated approximately 52%, 16%, 20% and 3%, respectively, of our 2008 net revenues. Risk assessment services for the life insurance industry, clinical trials testing, diagnostic products and healthcare information technology combined generated approximately 9% of our 2008 net revenues. In 2008, we derived approximately 3% of our net revenues from foreign operations and held approximately 7% of our long-lived assets outside the United States.

Clinical Testing. We are the world's largest commercial clinical testing company. We offer customers the broadest access to the most extensive test menu of clinical and anatomic pathology tests in the United States. Clinical testing is an essential element in the delivery of healthcare services. Physicians use clinical tests to assist in the detection, diagnosis, evaluation, monitoring and treatment of diseases and other medical conditions. Clinical testing is generally categorized as clinical laboratory testing and anatomic pathology services. Clinical laboratory testing generally is performed on blood and body fluids, such as urine. Anatomic pathology services are performed on tissues, such as biopsies, and other samples, such as human cells. Clinical tests which can be performed by most clinical laboratories are considered routine. Esoteric tests are clinical tests that are not routine, require highly skilled personnel and generally require more sophisticated equipment. Esoteric tests, including gene-based tests, generally are performed in several of our laboratories. As testing methods become more complex, we believe that providing sound medical and scientific consultation regarding tests and test results will help spur the adoption of new tests, improve patient outcomes and enhance customer satisfaction. To this end, we have in-house medical directors, scientific directors and genetic counselors available for consultation with our customers.

Routine clinical testing. We are the leading provider of routine clinical testing, including testing for drugs-of-abuse. We perform routine testing through our network of major laboratories and rapid response laboratories. We also perform routine testing at the hospital laboratories we manage. Rapid response laboratories are smaller facilities where we can quickly perform an abbreviated menu of routine tests for customers that require rapid turnaround times. We also perform routine testing at hospital laboratories that we manage. We operate 24 hours a day, 365 days a year, performing and reporting most routine tests within 24 hours. The majority of test results are delivered electronically.

Routine tests measure various important bodily health parameters such as the functions of the kidney, heart, liver, thyroid and other organs. Commonly ordered tests include:

- blood chemistries, including cholesterol levels;
- complete blood cell counts;
- urinalyses;
- pregnancy and other prenatal tests;
- routine microbiology testing;
- alcohol and other substance-abuse tests; and
- allergy tests such as the ImmunoCap® test.

Anatomic Pathology. We are the leading provider of cancer diagnostics, including anatomic pathology services in the United States. Anatomic pathology involves the diagnosis of cancer and other diseases and medical conditions through examination of tissue and cell samples taken from patients. We provide anatomic pathology and other cancer diagnostics testing, including inpatient anatomic pathology and medical director services at hospitals, throughout the country, including through our major laboratories. We have a substantial presence in select areas and strong relationships with ordering physicians.

We significantly strengthened our anatomic pathology services offering through our May 2007 acquisition of AmeriPath Group Holdings, Inc. ("AmeriPath"). We provide a full-range of cancer diagnostic services to all specialties including: dermatopathology, gastroenterology, hematology, urology and oncology. We have approximately 700 board-certified pathologists, including luminaries in their field, with a passion for and dedication to serving patients with the highest quality service.

We have a strong history of leadership and innovation in cancer diagnostics. We introduced the Leumeta™ family of tests for leukemia and lymphoma. These proprietary plasma-based molecular tests may some day eliminate the need for painful bone marrow biopsies. We offer Pap testing using liquid-based technology in addition to conventional Pap testing and provide physicians the option of computer assisted Pap screening. We were one of the industry leaders educating physicians about molecular testing for human papilloma virus ("HPV"), the leading cause of cervical cancer. During 2008, the National Cancer Screening Service of the Republic of Ireland selected the Company to provide cervical cancer screening testing for women age 25 to 60 participating in Ireland's first nationwide cytology-screening program.

Gene-Based and Other Esoteric Testing. Gene-based and other esoteric tests increasingly are ordered by physicians to assist in the diagnostic process, to establish a prognosis and to choose or monitor a therapeutic regimen. Esoteric tests include procedures in the areas of molecular diagnostics, protein chemistry, cellular immunology and advanced microbiology. Commonly ordered esoteric tests include viral and bacterial detection tests, drug therapy monitoring tests, autoimmune panels and complex cancer evaluations. Esoteric tests typically require professional "hands-on" attention from highly-skilled technical personnel, generally require more sophisticated technology, equipment or materials and may be performed less frequently than routine tests. Consequently, esoteric tests are generally reimbursed at higher levels than routine tests. It is not practical, from a cost-effectiveness or infrastructure perspective, for most hospitals, independent laboratories or physician office laboratories to develop and perform a broad menu of esoteric tests, or to perform low-volume esoteric testing in-house. Such tests generally are outsourced to an esoteric clinical testing laboratory, such as our Nichols Institute or Focus Diagnostics, which specializes in performing these complex tests.

We are the leading provider in the United States of gene-based and other esoteric testing, with net revenues of over $1.4 billion, or 20% of consolidated net revenues, in 2008. We conduct complex and specialized testing, including molecular diagnostics, in our two world renowned Nichols Institute laboratory facilities (one on each U.S. coast), and in a number of other locations.

Our esoteric laboratories provide reference testing services to physicians, large academic medical centers, hospitals and other commercial laboratories. Our esoteric testing laboratories perform hundreds of complex tests that are not routinely performed by our regional laboratories, including but not limited to the following fields:

- endocrinology and metabolism (the study of glands, their hormone secretions and their effects on body growth and metabolism);
- genetics (the study of chromosomes, genes and their protein products and effects);
- hematology (the study of blood and bone marrow cells) and coagulation (the process of blood clotting);
- immunogenetics and human leukocyte antigens (HLA) (solid organ and bone marrow transplantation; eligibility for vaccines; selection of pharmacotherapeutic agents and immunotherapy);
- immunology (the study of the immune system, including antibodies, cytokines, immune system cells and their effect, receptor systems and autoimmune diseases);
- microbiology and infectious diseases (the study of microscopic forms of life, including parasites, bacteria, viruses, fungi and other infectious agents);
- oncology (the study of abnormal cell growth, including benign tumors and cancer);
- serology (a science dealing with body fluids and their analysis, including antibodies, proteins and other characteristics); and
- toxicology (the study of chemicals and drugs and their adverse effects on the body).

We believe that offering a full range of gene-based and other esoteric tests strengthens our market offering and market position and enhances our reputation as the nation's leading test provider.

Scientific Innovation. We are a leading innovator in the clinical testing industry, with the ability to develop technologies from the earliest discovery stage to a commercially validated clinical test. We develop tests at our laboratories, such as Quest Diagnostics Nichols Institute and Focus Diagnostics, and develop innovative techniques in anatomic pathology. We are a leader in transferring technical innovations to the market through our relationships with technology developers, including the academic community and pharmaceutical and

biotechnology firms, as well as through collaborations with emerging medical technology companies that develop and commercialize novel diagnostics, pharmaceutical and device technologies. We search for new opportunities and continue to build a robust pipeline of new tests in screening, diagnosis, prognosis and treatment choice, which assists in early detection of diseases and may reduce healthcare costs. Through our strengths in assay development, distribution and commercialization, we believe that we are the best partner for developers of new technologies and tests to introduce their products to the marketplace.

We focus our resources on key disease states and technologies to help doctors care for their patients through better screening, monitoring, diagnosis, prognosis and treatment choices. We also look for tests that are less invasive than currently available options. With these priorities in mind, in 2008, we introduced a number of new tests. A representative sampling of recent new tests is set forth below.

- Oncology.
  - We expanded to 22 our growing menu of plasma-based Leumeta™ tests. These tests are useful in determining many different types of hematological disorders, and in particular, use qualitative findings to assist in the diagnosis of certain hematological disorders in patients who lack the *JAK2* mutation. Plasma-based assays are an effective and less invasive way of diagnosing and monitoring leukemia and lymphoma patients and allows for more frequent disease progression monitoring, compared to other laboratory diagnostic methods that require patients to undergo painful procedures, such as bone marrow biopsies.
  - We introduced *KRAS* Mutation Analysis, a molecular test that helps to determine if patients with metastatic colorectal or lung cancer are eligible for treatment with EGFR-targeted therapy.
  - We introduced HE4, a new serum-based test exclusively licensed from Fujirebio. HE4 is the first test in the last 20 years to receive clearance from the U.S. Food and Drug Administration ("FDA") for monitoring woman with ovarian cancer. This test provides valuable information in determining patient prognosis and is selected in certain instances by physicians who traditionally order the CA125 test for monitoring.
  - We introduced InScape™ Virtual Pathology which is a novel Immunohistochemistry (IHC) that allows pathologists to access their cases through a secured HIPAA compliant website. This supports a pathologist's ability to remotely review stained slides and provide information back to treating physicians more quickly and reduce the anxious waiting time of patients.
  - We licensed the Septin 9 biomarker. Methylation of the Septin 9 gene is a marker in blood plasma of colorectal cancer patients. We plan to develop plasma-based colorectal cancer screening tests using the Septin 9 marker to act as a supplement to conventional methods of colorectal cancer screening, including colonoscopy and fecal occult blood tests. Too often, patients fail to undergo a colonoscopy or conduct other types of colorectal cancer screenings because they find these methods invasive, unpleasant or costly. A blood test for detecting colorectal cancer, once developed, will be a convenient option that complements other screening methods.
  - We also licensed and are developing additional oncology applications for our ClariSure™ CGH (Comparative Genomic Hybridization) Assay.
- Urology.
  - We acquired exclusive rights to and launched the UroRisk™ Diagnostics Profile and the StoneRisk™ Diagnostics Profile. These tests are considered to be the gold standard for kidney stone risk assessment and monitoring of recurrence and help determine lifestyle changes needed to avoid further stone development.
- Infectious Disease.
  - We continued to expand our menu of tests focused on esoteric infectious diseases, drawing on our expertise and strength in this field. Our Focus Diagnostics subsidiary was the first CLIA-approved service laboratory in the United States to develop and introduce a test for detecting the mosquito-borne Chikungunya virus. Commercial availability of this molecular polymerase chain reaction (PCR) test enables physicians to test patients who may have contracted the virus while traveling to endemic areas.
  - We also introduced a PCR-based test which detects virtually all known enterovirus strains, along with multiple parecho virus strains that cause infections that can be especially severe in infants and young children.

- Genetics and Personalized Medicine. Increasingly, tests will be introduced that determine a patient's genotype or gene expression profile associated with a particular disease. These tests can help physicians to determine a patient's susceptibility to disease or to tailor medical care to an individual's needs – such as determining if a medication might be more or less effective for a particular person, or which of several medications might work better, and tailoring the right dosage once the proper medicine is prescribed. A few examples are set forth below:

  - Carbamazepine is a common anti-seizure and pain medication, which has the potential for a severe and sometimes fatal dermatologic reaction. This risk is 10-fold higher in Asians. We introduced the HLA (Human Leukocyte Antigen) test to screen Asian patients, thus helping physicians identify which patients should not be given carbamazepine.

  - The leading cause of vision loss in older individuals is age-related macular degeneration, which typically starts showing symptoms, such as blurring in one's central vision, in the fifth decade of life. We introduced the Macular Degeneration Mutation Analysis that helps determine one's risk of developing age-related macular degeneration.

  - Aspirin therapy is often prescribed to prevent atherothrombosis. However, sometimes aspirin does not work, and there may be issues with patient compliance and the correct dosage. We introduced the Corgenix AspirinWorks® test, a urine test that helps identify patients that do not respond to aspirin therapy.

In addition, we recently acquired additional biomarker capabilities to advance our efforts to develop companion diagnostics for new therapies that will enable personalized patient treatment.

Clinical Trials Testing. We believe that we are the second largest provider of central laboratory testing performed in connection with clinical research trials on new drugs and vaccines. Clinical research trials are required by the FDA and other international regulatory authorities to assess the safety and efficacy of new drugs and vaccines. We see opportunities to develop pharmacogenetic tests to help speed drug approval processes for our clinical trials customers and, capitalizing on the trend to personalized medicine, better focus patient therapy based on patient genetic markers.

We have clinical trials testing centers in the United States, the United Kingdom and India, and we provide clinical trials testing in Australia, China and Singapore through affiliated laboratories. While we serve most of the major pharmaceutical companies, approximately 40% of our net revenues from clinical trials testing in 2008 represented testing for GlaxoSmithKline plc (GSK). We are the primary provider of central laboratory testing to support GSK's clinical trials testing requirements worldwide.

Life Insurer Services. We are the largest provider of risk assessment services to the life insurance industry in the United States and Canada. We also provide risk assessment services for insurance companies doing business in many countries outside the United States. In 2008, we began providing risk assessment services in India.

Our risk assessment services comprise underwriting support services to the life insurance industry including teleunderwriting, specimen collection and paramedical examinations, clinical testing, medical record retrieval, case management, motor vehicle reports, telephone inspections, prescription histories and credit checks. The clinical tests that we perform and data we gather are designed specifically to assist insurance companies in objectively evaluating the mortality and morbidity risks posed by policy applicants. The majority of the testing is performed on specimens of life insurance applicants, but also includes specimens of applicants for other types of insurance. Factors such as the number of applications for fully-underwritten life insurance policies can affect the utilization of clinical testing and other services we provide to our insurance customers. Most of our specimen collections and paramedical examinations are performed at the applicant's home or workplace. We operate approximately 75 locations other than patient service centers in the United States and Canada where we provide paramedical examinations. We have been actively performing paramedical examinations in select patient service centers and during the first quarter of 2009, we plan to offer paramedical examinations through 500 of our patient service centers, bringing to approximately 575 the total number of sites where we provide these examinations. We also contract with third parties at over an additional 125 locations across the United States and Canada to coordinate providing these exams.

We seek to grow our insurance revenues by increasing our market share and by offering new and innovative clinical tests and other services. Our life insurance customers have been consolidating, which has resulted in increased individual customer purchasing power. We expect that this trend will continue. We charge our life insurance customers on a fee-for-service basis, typically under multi-year agreements.

Employer Services. We believe that we are the leading provider of clinical testing to employers for drugs-of-abuse. Our Drug Testing Index, which is an annual report of our aggregate drug testing results, is used nationally by employers, the federal government and the media to help identify and quantify drug abuse among the nation's workforce.

As healthcare costs have increased, so has the value of preventative care. Employers grappling with increased healthcare costs are considering wellness testing as a key tool to reduce their healthcare costs. We provide wellness testing to employers to enable their employees to take an active role in improving their health and empower employers with aggregated health information. Our Blueprint for Wellness™ program offers employers actionable data to power their health improvement and cost containment programs. We are leveraging our patient service centers and paramedical network to deliver wellness screening nationwide. Additionally, in the fourth quarter of 2008, we began to offer Blueprint for Wellness™ directly to individuals through our partnership with Google Health™.

Diagnostic Products, Including Point-of-care, or Near Patient, Testing. Technology advances are enabling testing to move closer to the patient and are becoming increasingly available and reliable. Over time, some testing that is now done in clinical laboratories will cease to be performed in clinical laboratories and will be performed closer to the patient. We believe that our point-of-care testing strategy will strengthen our relationship with our customers by enabling us to offer more solutions that improve the effectiveness of our customers and the care of their patients by enabling faster diagnosis and treatment. We are well positioned to offer options and integrated solutions to physicians, hospitals and clinics for the testing methods that are most appropriate for each patient and practice.

We develop and manufacture products that enable healthcare professionals to make healthcare diagnoses, including products for point-of-care, or near patient, testing for the professional market. Since July 2006, we have acquired several companies, including Focus Diagnostics, Enterix, and HemoCue, that enhance our offerings and better enable us to serve these markets. We will consider additional acquisitions or licenses of selective products to complement the products and services we provide. The results of the InSure® Quik FIT™ point-of-care test and HemoCue hemoglobin, glucose, urine albumin and white blood cell tests, as well as tests performed by our laboratories, can be entered into our Care360™ Physician Portal so that they all are available in one electronic medical record. We intend to offer additional data links in the future. This will differentiate our point-of-care test products from other products that are not integrated into an electronic repository.

Focus Diagnostics is a leading provider of infectious disease testing that has established a reputation for being first to introduce new tests to the market, including diagnostic tests for Lyme disease, West Nile Virus and SARS. Focus Diagnostics develops, manufactures and markets diagnostic products, such as HerpeSelect® ELISA tests that detect patient antibodies to specific types of Herpes Simplex Virus, which can be performed on a variety of instrument platforms. Focus received FDA 510(k) clearance to sell in the United States its new multiplexed Plexus™ product to detect type specific antibodies to herpes simplex virus. Focus has also submitted an application to the FDA for 510(k) clearance to allow U.S. sales of Plexus™ products for the detection of antibodies specific to Epstein-Barr virus. Both the Plexus™ products have received the CE mark and are available for purchase in European Union countries. Focus Diagnostics sells its diagnostic products to large academic medical centers, hospitals and commercial laboratories globally.

HemoCue, headquartered in Angelholm, Sweden, specializes in point-of-care testing. HemoCue is the leading global provider in point-of-care testing for hemoglobin, with a growing market share for glucose, microalbumin and white blood cell testing. The measurement of hemoglobin is important for blood donors and for patients being considered for transfusion therapy, or undergoing dialysis or chemotherapy, where instant test results can lead to immediate treatment decisions. The HemoCue handheld systems are used in physician's offices, blood banks, hospitals, diabetes clinics and public health clinics. In developing countries, these systems are used as the primary means to screen for anemia. Approximately one-half of HemoCue products are sold outside the United States. We believe that HemoCue has a strong product development pipeline, based on its pioneering use of its patented microfluidic systems.

In October 2007, HemoCue received FDA 510(k) clearance for its White Blood Cell Analyzer, a whole-blood test performed on finger-stick samples that can assist physicians by providing a total white blood cell count (WBC). Changes in WBC may be indicative of infection, inflammation, bone marrow failure, autoimmune diseases and many other medical conditions. The WBC can be useful to physicians in helping to diagnose a patient's disease state and determine at the point of care what, if any, treatment may be appropriate for the patient in conjunction with other clinical signs and symptoms. WBC is a test routinely performed by most laboratories. In addition, Focus Diagnostics received FDA 510(k) clearance for its HerpeSelect® Express™ HSV-2, which is used for aiding in the diagnosis of herpes simplex type-2 virus, the primary cause of genital herpes.

With 510(k) clearance for marketing, physicians who operate CLIA-certified moderately complex laboratories may now use these two products to quickly produce results in a single office visit. These two tests can help physicians quickly determine the possible presence of an infection and allow physicians to make more informed and immediate treatment decisions for their patients. We have applied for CLIA-waived status for these two products which, if granted, would permit physicians to use these products in a much larger segment of physician offices. In 2008, a CLIA waiver was granted for our urine albumin test.

Enterix, an Australia-based company, manufactures the InSure® fecal immunochemical test (FIT™) for screening for colorectal cancer and has developed the InSure® Quik FIT™ test for processing by the physician in his or her office.

International. We have laboratory facilities in Mexico City, Mexico; San Juan, Puerto Rico; Gurgaon, India; and Heston, England. These laboratories support our clinical trials business and clinical testing in their local markets. In India, our laboratory also supports our risk assessment services and sales directly to employers and consumers. We also have sales representatives dedicated to offering our point-of-care test products in countries outside the United States. We see opportunities to bring our experience and expertise in diagnostic testing and point-of-care products to international markets, particularly developing countries where the testing markets are highly fragmented and less mature.

Healthcare Information Technology. We empower healthcare organizations and clinicians with information technology solutions that can improve patient care and medical practice. We develop differentiated products that are designed to support the creation and management of patient records, by bringing together, in one patient-centric view, information from various sources, including physician's records and laboratory and hospital data. We believe that these products enhance the value we provide to our customers and result in increased customer loyalty by providing more convenient ordering and reporting of clinical tests and better access to patient-centric information.

We develop and integrate clinical connectivity and data management solutions for healthcare organizations, physicians and clinicians primarily through our Care360 suite of products and the ChartMaxx® electronic document management system for hospitals. The Care360 products, including our Care360 Physician Portal, enable physicians to order diagnostic tests and review test results from Quest Diagnostics online. In addition, the Care360 Physician Portal enables physicians to electronically prescribe medication, view clinical and administrative information in a patient-centric record maintained in our repository and share confidential information with medical colleagues in a HIPAA-compliant manner. Demand has been growing for our information technology solutions as physicians have expanded their usage of the Internet. By the end of 2008, approximately 140,000 physicians had access to Care360 products. Excluding our AmeriPath business, over 70% of our test orders and approximately 85% of our test results were being transmitted electronically. E-prescribing medications processed through Care360 in 2008 more than doubled compared to 2007. The annualized rate as we exited 2008 was 4.5 million. We believe that recent e-prescribing incentives promulgated by the Centers for Medicare and Medicaid Services ("CMS") will foster increased demand for our information technology solutions.

Additionally, in 2007 we acquired the capabilities to deploy a health information exchange system comprised of proprietary technologies that enable healthcare providers to access and manage a range of patient data from multiple sources at the point-of-care. These capabilities will enable us to provide solutions to the many health information exchanges that are being developed.

In 2008, we collaborated with Google to launch Google Health™. Google Health™ enables patients and physicians to share diagnostic laboratory data online, and allows users to save, organize and manage their medical records and personal health information online. Using our Care360 connectivity products, physicians can securely provide diagnostic data with a brief explanation of test results to a patient's Google Health™ account.

THE UNITED STATES CLINICAL TESTING MARKET

Most clinical tests are performed by one of three types of laboratories: commercial clinical laboratories; hospital-affiliated laboratories; and physician-office laboratories. We believe that hospital-affiliated laboratories account for approximately 60% of the market, commercial clinical laboratories approximately one-third and physician-office laboratories the balance.

Key Trends. There are a number of key trends that we expect to have a significant impact on the clinical testing business in the United States and on our business. These trends present both opportunities and risks. The recent economic slowdown may temporarily reduce industry growth rates. However, because clinical testing is an essential healthcare service and because of the key trends discussed below, we believe that the industry will