Accelerate Growth:
Partnering with Health Plans and Hospital Health Systems

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Quest Diagnostics™

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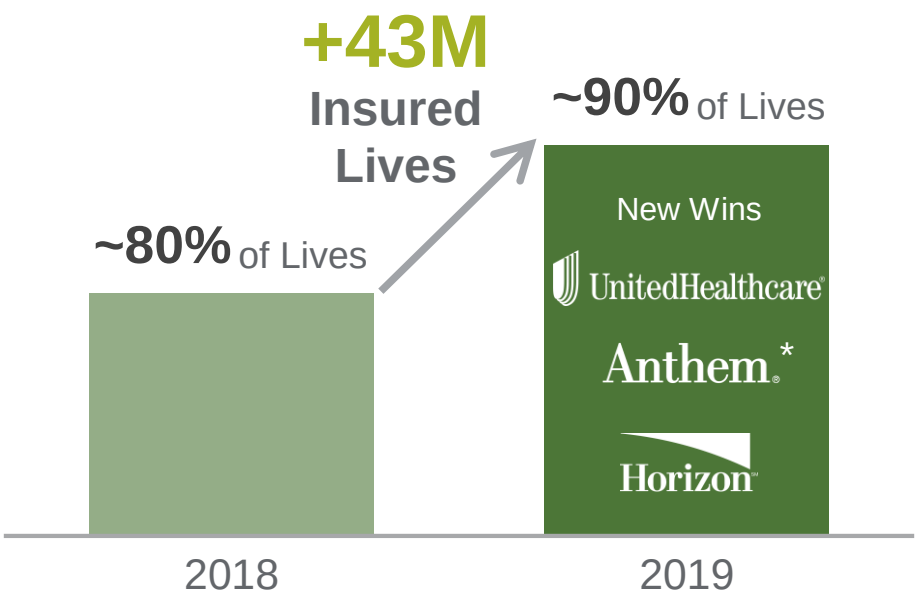


Health Plan Access and the Physician Marketplace

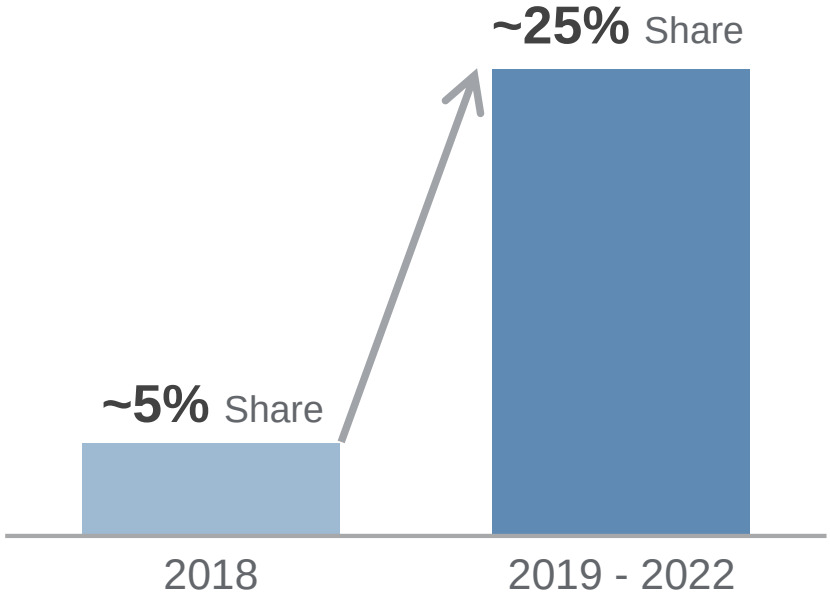
Hospitals and Health System Marketplace

We will convert our new access into strong growth

Best Access in a Decade



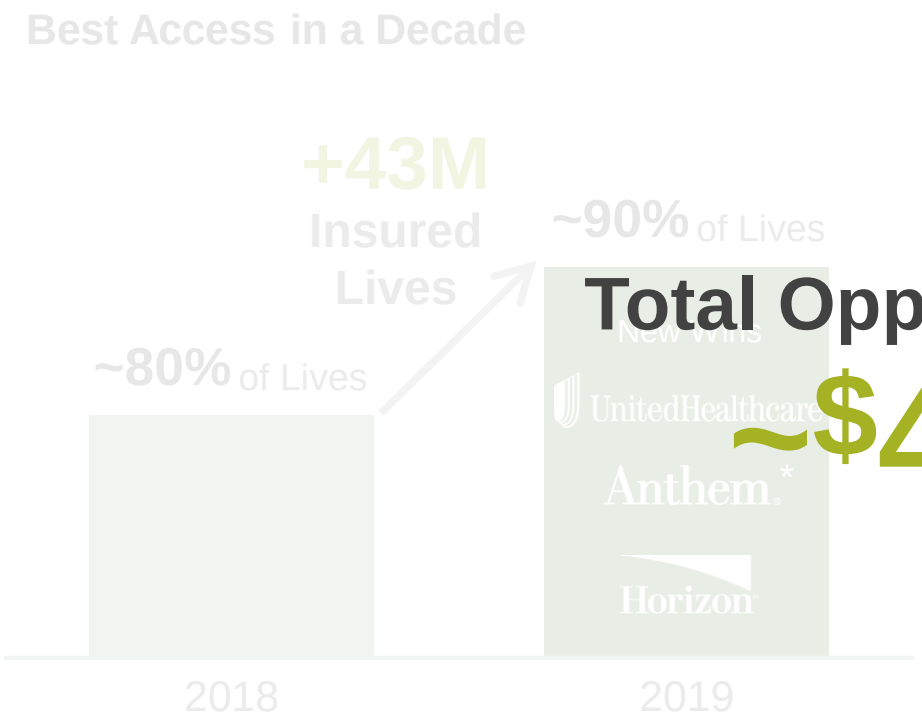
New Access: Current and Expected Share of Lives

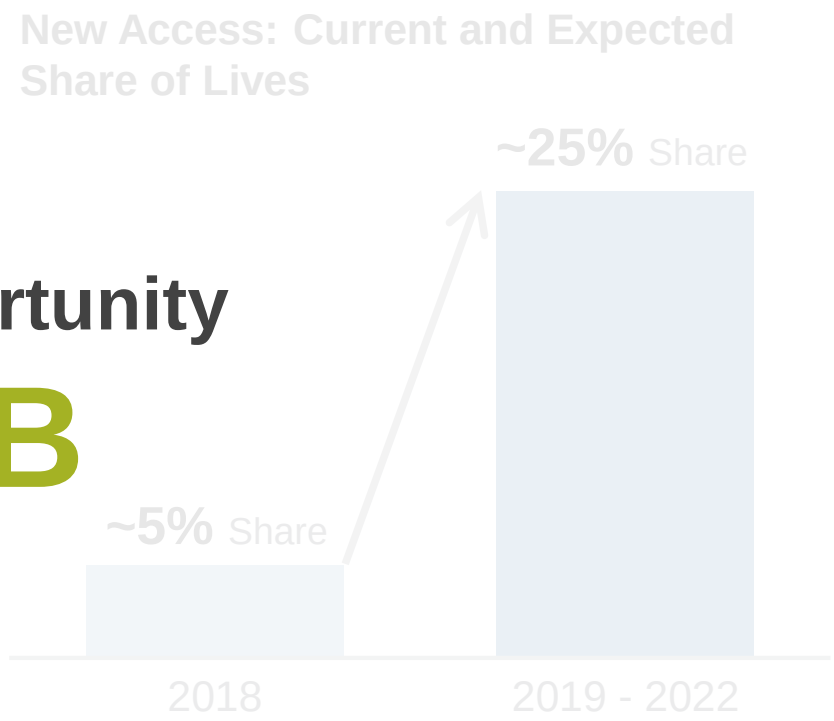


* BlueCross BlueShield of Georgia, an Anthem Company.

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We will convert our new access into strong growth





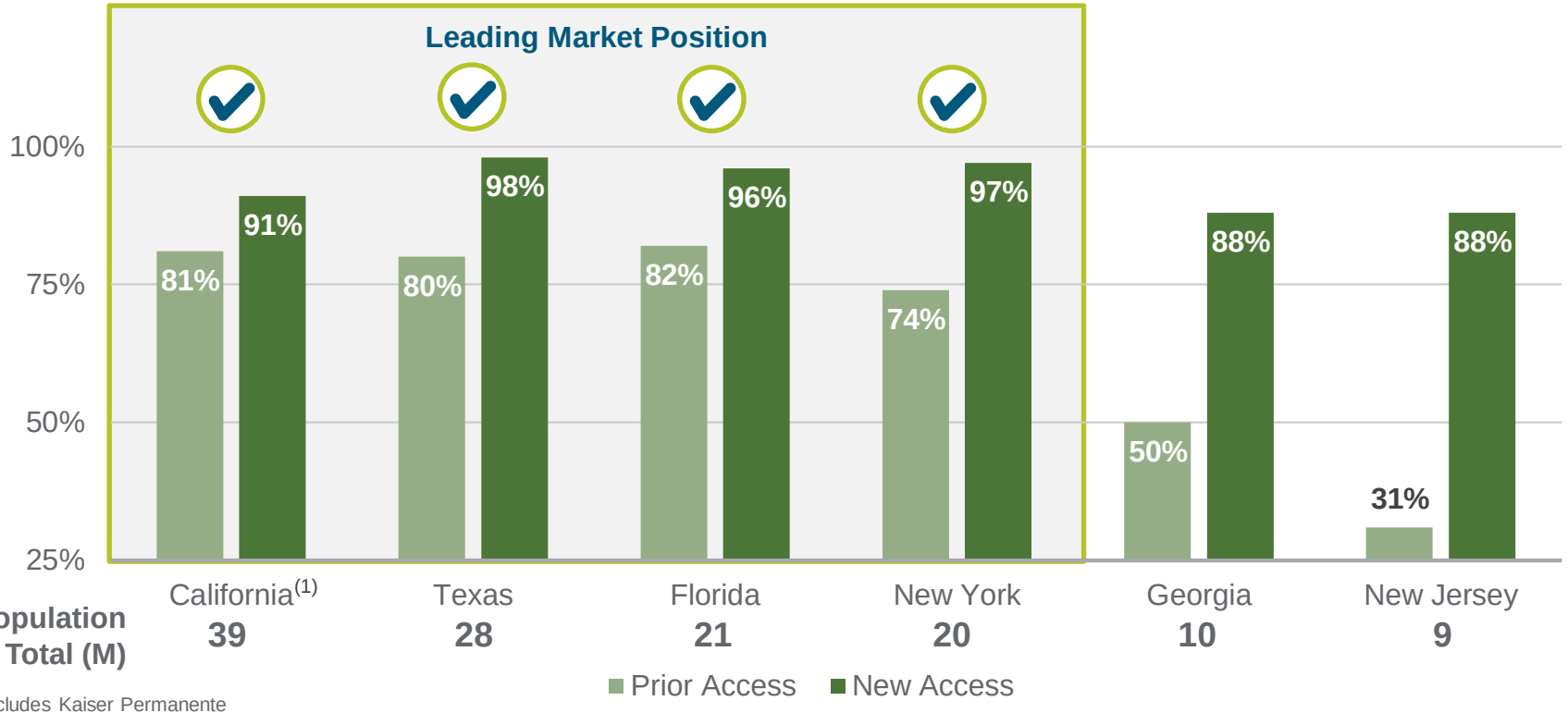
Total Opportunity

~$4B

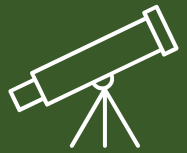
* BlueCross BlueShield of Georgia, an Anthem Company.

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Our leading market position will be enhanced with our new market access



(1) Excludes Kaiser Permanente



VISION

We believe physicians and patients will **choose Quest.**

Quest Diagnostics™

Quest's strong partnership with **health plans starts with engagement**

Quest Diagnostics™ + **Health Plans**

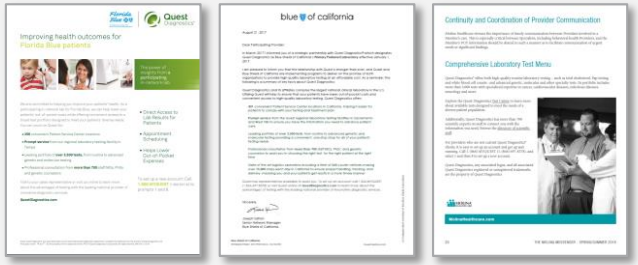
Employer Engagement



Member Engagement



Physician Engagement



Lower cost for payers | **Lower cost for patients** | **Greater ease for physicians**

Quest Diagnostics™

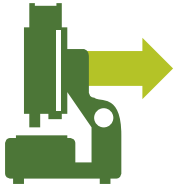
Driving value with **employers**

Drug Testing



Performs drug testing for more than 2/3 of the **Fortune 500**

Lab Redirection



Proven to **save 30-60%** on outpatient laboratory claims

Wellness



Largest health and wellness screening company in the U.S., with more than 3M people screened annually

CRC Testing



InSure® ONE™ results **in lower false positives** and **fewer unnecessary colonoscopies**

Quest's strong value proposition for **patients**

Convenient Access





Digital Enablement





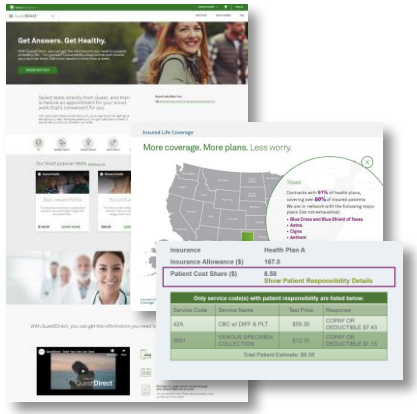
Quick Service | Personal Touch





Affordable Price





Quest Diagnostics™

Quest's strong value proposition for **physicians**

Ease

- Quanum™ solutions suite
- Streamlined experience and office flow



Simplicity

- Comprehensive health plan coverage
- No hassles for patients



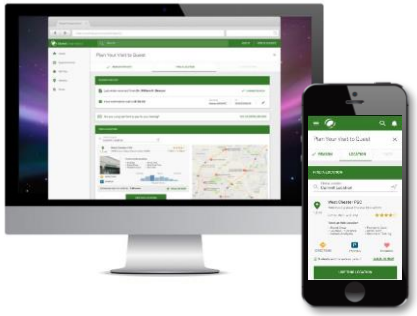
Expertise

- Comprehensive test menu
- Medical expertise



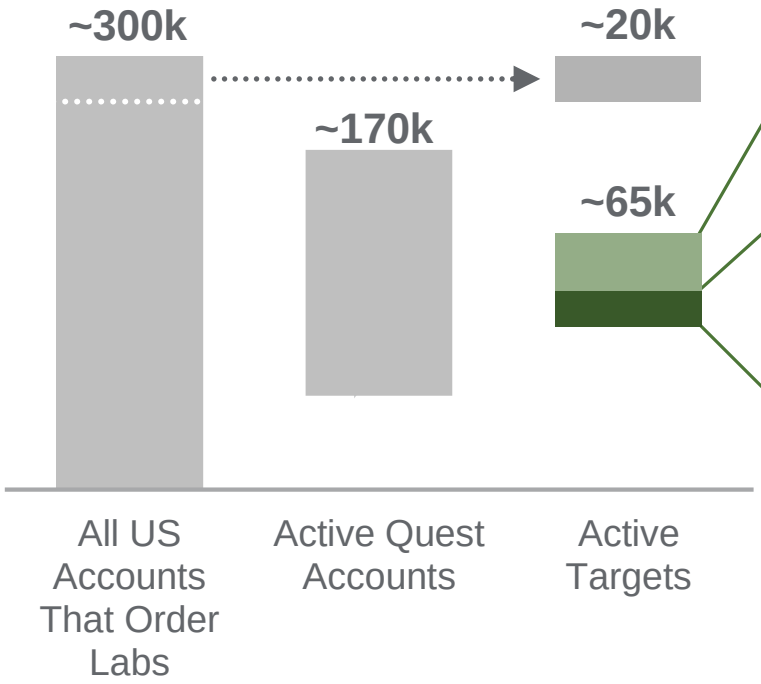
Patient Experience

- Proactive communication
- Timely problem resolution



Quest Diagnostics™

We have strong line-of-sight to top ~25,000 accounts which hold the new access opportunity



Long-Term = **20,000** accounts **~$300M**

Medium-Term = **40,000** accounts **~$750M**

Short-Term = **25,000** accounts **~ $700M**

Loyalist = ***11,000***

Mixed = ***14,000***

Since June 1st

100% Reach

Touched 5x

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Quest Diagnostics



Health Plan Access and
the Physician Marketplace



**Hospitals and
Health System Marketplace**



Health Systems are consolidating in response to market forces and will need to re-think the role of laboratory in their strategy

Decelerating Revenues

Steady Cost Growth

Shrinking Profit Margins

Growing challenges are forcing Hospitals to reconsider their lab strategy



COST CONTAINMENT

- **Lab costs**: supplies, equipment, personnel
- **Utilization management**: manage ordering of high-priced tests
- **Clinical pathways**: standardization to ensure quality & efficiency



REVENUE PRESSURES

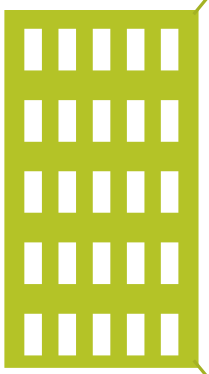
- **Reimbursement:** continued payment declines (PAMA, etc.)
- **Inpatient decline:** more patient interactions occurring in outpatient
- **Outreach growth**: pressure and challenges to grow outreach profit

Hospital lab represents a significant cost center

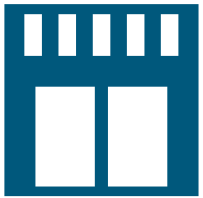
Hospital costs (n=2,900)



~14%
Outpatient

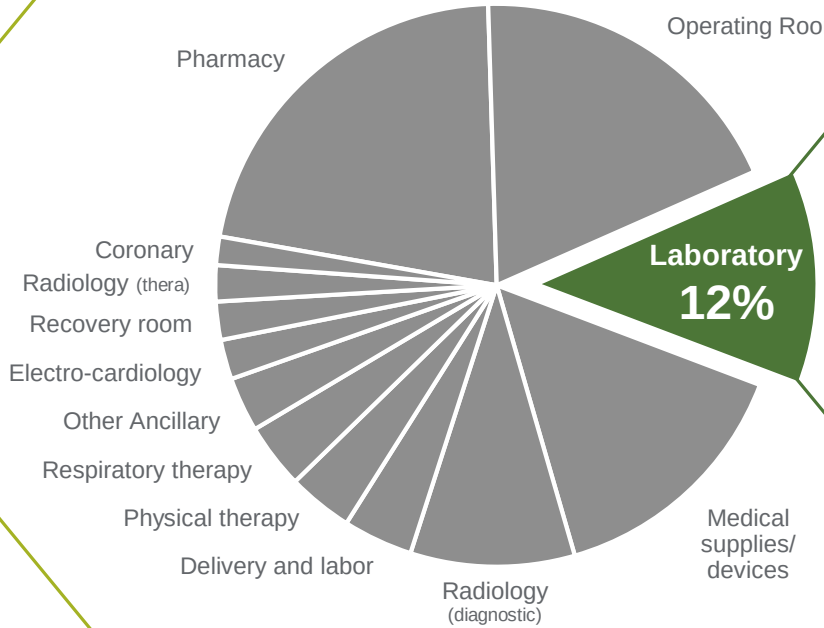


~56%
Ancillary Department



~30%
Inpatient (room + board)

Ancillary department costs



Laboratory costs

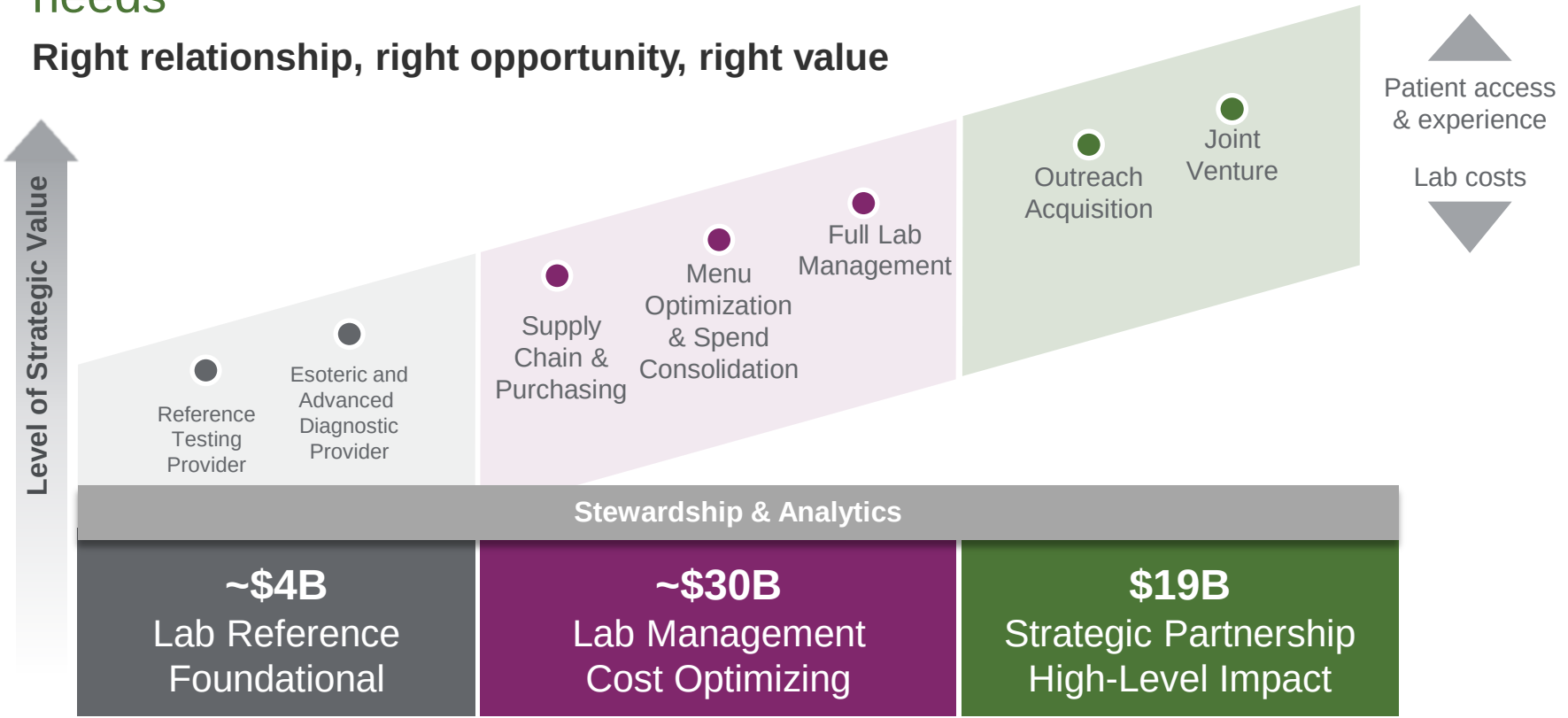
45%	**FTEs**
25%	**Supplies & reagents**
10%	**Equipment**
10%	**Reference testing**
10%	**Blood component**

Source: CMS

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We have a range of proven models to meet our customers' distinct needs

Right relationship, right opportunity, right value



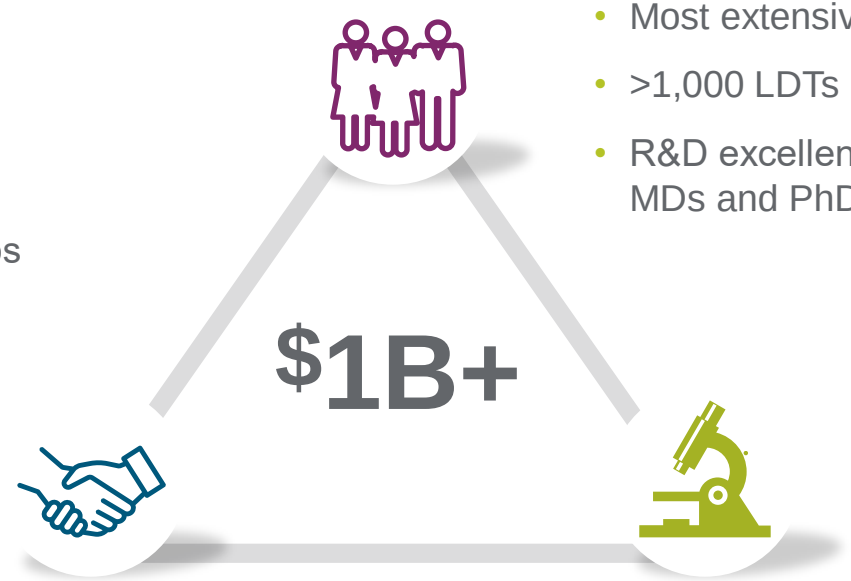
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Why hospitals choose Quest for Reference Services

Clinical leadership

- Most extensive test menu
- >1,000 LDTs
- R&D excellence…50 dedicated MDs and PhDs

- Rapid turnaround times … Esoteric labs in each major region of the country
- ~200 dedicated service reps
- ~35 genetic counselors



Customer experience

Advanced solutions

- Benchmarking services
- Utilization management services

Note: $1B+ is Quest's hospital reference revenue

Quest Diagnostics™

Our Professional Lab Services offering **saves hospitals 10-20%** on their laboratory costs



Reference Testing Services

- Reference consolidation
- Advanced Diagnostics



Lab Optimization

- Test menu optimization
- Network optimization
- Standardization
- Supply chain scale
- Automation
- Quality Process/Metrics

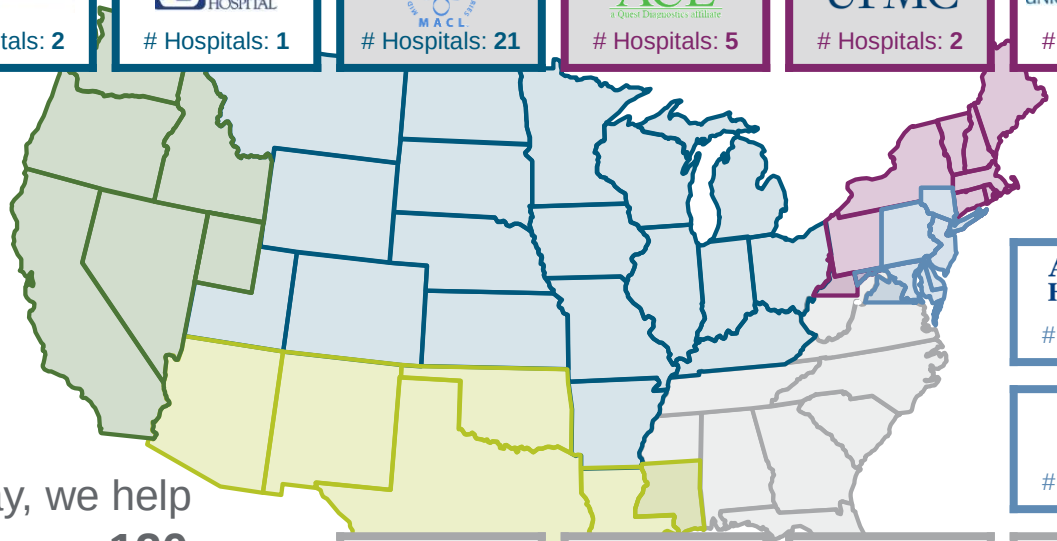


Advanced Data Solutions

- Lab Stewardship
  - Data Collection / Analytics
  - Benchmarking
  - Utilization Review
  - Management Services
- Blood Utilization Management

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New prospects expected to add ~50+ bps of consolidated revenue growth each year



HCA # Hospitals: 6

HaysMed # Hospitals: 2

Norwegian American Hospital # Hospitals: 1

MACL # Hospitals: 21

ACL # Hospitals: 5

UPMC # Hospitals: 2

Uniontown Hospital # Hospitals: 1

Central Maine Healthcare # Hospitals: 3

PeaceHealth # Hospitals: 11

Charlotte Hungerford Hospital # Hospitals: 1

Sonora Quest Laboratories # Hospitals: 20

Adventist HealthCare # Hospitals: 5

Montefiore # Hospitals: 5

DLO # Hospitals: 10

Providence # Hospitals: 7

Barnabas # Hospitals: 7

EJGH East Jefferson General Hospital # Hospitals: 1

RMC Regional Medical Center # Hospitals: 2

Infirmary Health # Hospitals: 4

Wellmont Health System # Hospitals: 6

Carilion Clinic # Hospitals: 6

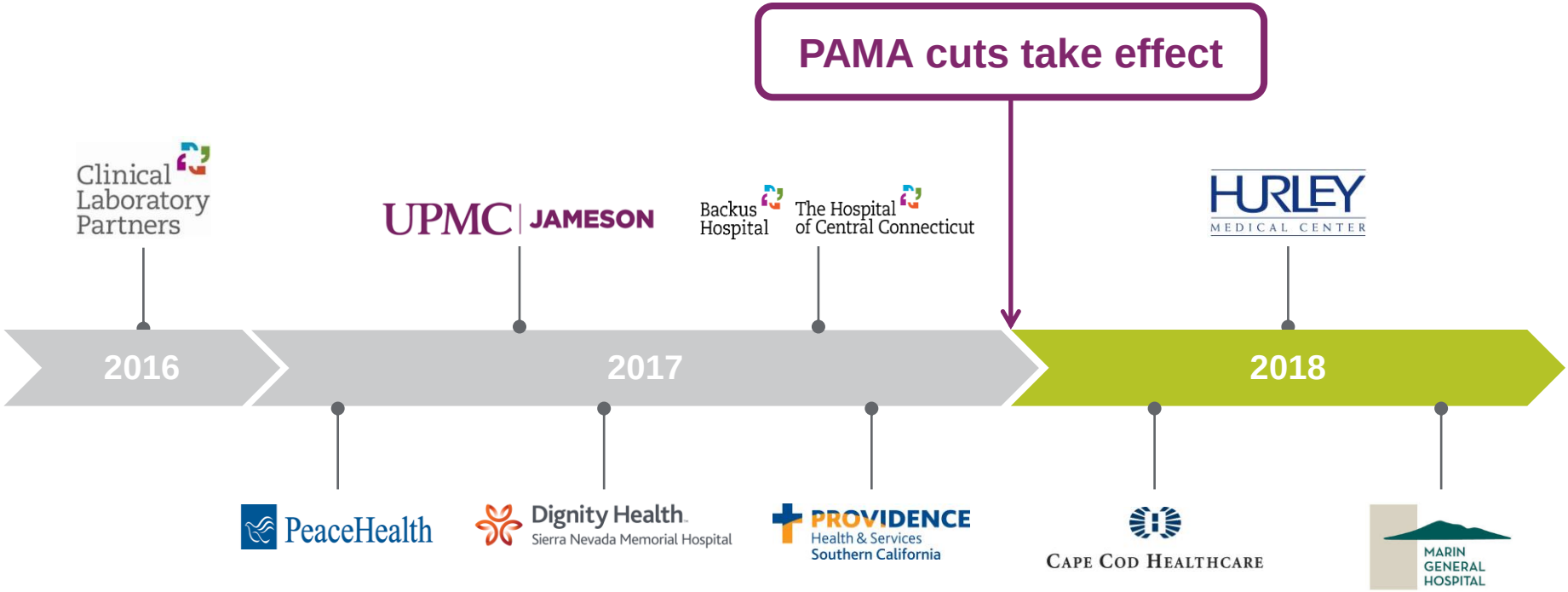
inspira Health Network # Hospitals: 4

Today, we help manage **~120** Hospital labs nationwide

Quest Joint Venture

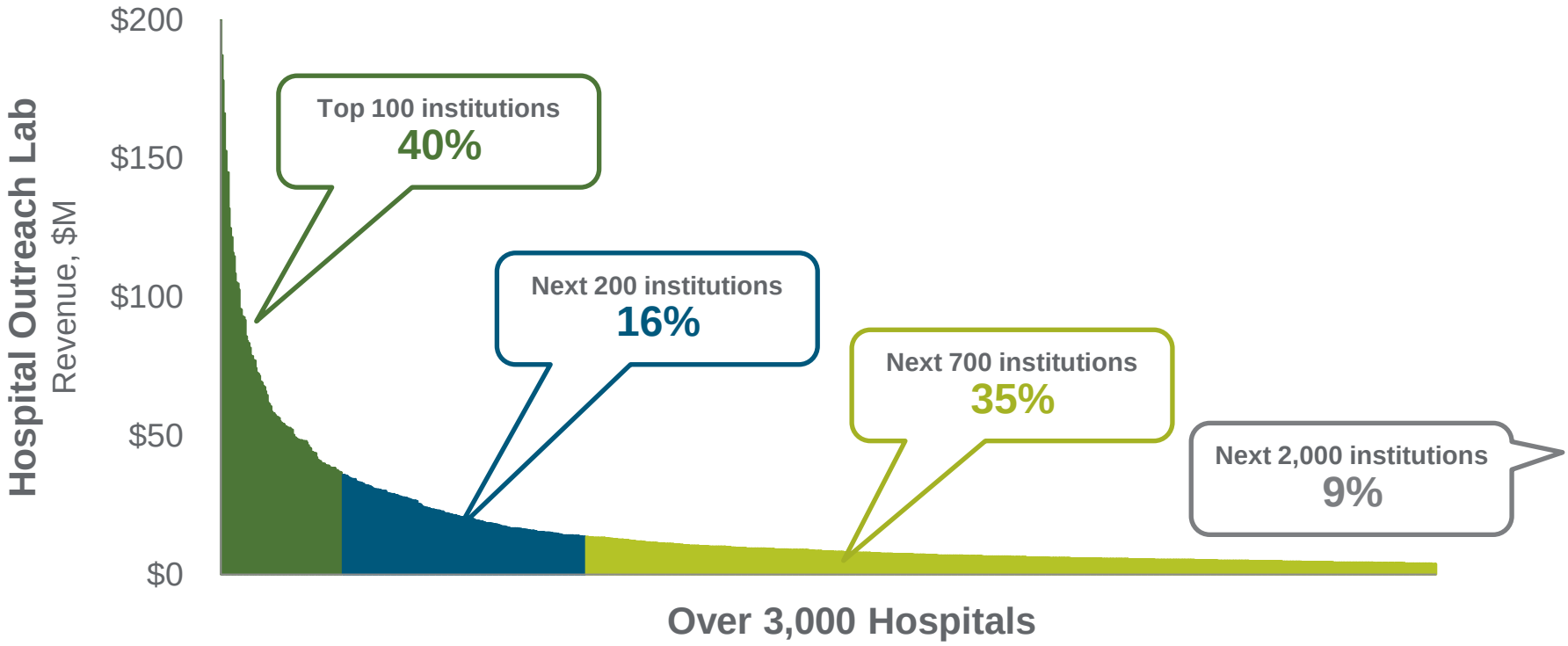
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We have completed nine hospital outreach acquisitions in two years and **PAMA will be a catalyst for further activity**



Quest Diagnostics™

There's plenty more opportunity for outreach purchases and we know where it is



Quest Diagnostics™

PeaceHealth

Situation

A not-for-profit in Washington, Oregon, and Alaska

16,000 caregivers; 10 medical centers

Goal: **Enhance the delivery of innovative and high-value diagnostic information services**

Solution

Acquired the lab outreach business, 20 patient service centers and 22 in-office phlebotomy sites

Managing 11 labs serving PeaceHealth's medical centers across the Northwest

PeaceHealth continues to own the labs, partially staffed by their employees

Results

Worked collaboratively to **improve access to important diagnostic insights and outcomes**

Focused on **physician education** to improve test selection, **population health programs** for community impact, and **data solutions and analysis** to target patient populations

Key takeaways

- Expanded access to insured lives will accelerate growth
- Health plans are partnering with Quest to improve quality and reduce health care costs for employers and patients
- Quest is best positioned to partner with hospitals whether they choose to grow, partner or outsource their laboratory services


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2018
INVESTOR MEETING