

Long-Time Lab Execs Start New Pathology Lab: EmeritusDX

Robert Embree and Jason Allchin have teamed up to form a new cancer diagnostics lab named EmeritusDX (Irvine, CA). Chief Executive Embree, age 61, has been in the lab business for 30 years and was most recently co-founder and Executive Vice President of Operations at Pathnostics (Irvine, CA). Allchin, age 43, has 20 years' experience and was most recently Vice President of Operations at NeoGenomics' lab in Orange County. Below is a Q&A summary of *Laboratory Economics'* interview with Embree and Allchin in early June.

*Robert Embree***Starting a pathology lab during a pandemic seems like a crazy idea. What were you thinking?**

Embree: Jason and I have a long working relationship. First at US Labs (acquired by Labcorp in 2005) and then again at Pathnostics. After we both moved on from those companies, we remained friends and then bumped into each other at a birthday party last year. I casually brought up the idea of starting a new lab company and the idea gradually grew.

Allchin: We had initially considered starting an infectious disease laboratory, but by late 2020/early 2021 it was becoming clear that there was already more than enough Covid-19 testing capacity in the United States and that the pandemic wasn't going to last forever.

At the same time, we saw that some patients were having difficulty getting access to timely cancer testing, either because of limited access due to the pandemic or because lab companies had redirected their resources to focus on Covid testing. There were other variables in our decision making, but ultimately we saw the potential for a high-service, client-focused anatomic pathology lab.

Where did you get the money to open your lab and launch the company?

Embree: Initial startup costs have been roughly \$500,000 and this has come entirely out of our own pockets with no outside investors or debt. Having full control allows us to build from the ground up with a strong employee culture focused on quality and service. It also motivates us to spend every dollar carefully—an important factor in a market that has historically seen reimbursement rates erode.

Where and when did you open your laboratory?

Allchin: Our initial laboratory was opened in Costa Mesa in January. It was a modest 950 sq. feet devoted almost 100% to laboratory space. On June 1, we moved into a new building in nearby Irvine that is 4,500 sq. feet with a 60% lab/40% office split.

*Jason Allchin***What's the testing focus of EmeritusDX?**

Allchin: Surgical pathology and FISH testing. We're also in the process of adding molecular tests for urinary tract infections (UTIs) and genotyping tests that can help urologists select the best antibiotic for UTI treatment.

How many employees are at EmeritusDX and who is your chief pathologist?

Embree: We've currently got eight employees and expect to reach 40 by the end of the year. Our Laboratory Medical Director is Sima Fargahi, MD, who we've known and admired from her work at Plus Diagnostics, Pathnostics and, most recently, NeoGenomics.

Have there been any issues with non-compete contracts with former employers?

Allchin: Robert's non-compete with Pathnostics has expired. As for myself, I believe the target market for EmeritusDX is different from the segment that NeoGenomics services. I'd also point out that non-compete agreements that infringe on a former employee's right to earn an income are generally not enforceable under California law.

How does EmeritusDX differentiate itself from other pathology labs?

Allchin: Client service. We are extremely nimble, which means we can react much more quickly than our competitors to client needs. This includes things like customizing client requisition forms, ease of online ordering and tailored result reports.

What is your goal for TAT of results after specimen pickup?

Allchin: Anatomic Pathology will be 24-48 hours, FISH will be 48-72 hours and UTI will be 24-48 hours.

Can you describe the salesforce at EmeritusDX?

Embree: It's a top priority. We are in the process of building out our salesforce with an emphasis on recruiting experienced sales reps with existing relationships who know how to sell to urology, gastroenterology and dermatology groups.

How are you handling billing and collection?

Embree: We've contracted with VitalAxis Inc. for both our lab information management system and billing and collection. In addition, they are helping us get in-network with health insurers. Because they're paid on a percentage of cash collections, VitalAxis is incentivized to help us grow. Outsourcing these key functions also allows us to focus and invest in our lab operations, sales and client service.