

COVID-19 testing is lining the pockets of pathology companies. Now other firms want in

The Business / Emilia Terzon

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Lavery's head company Healus has recorded bumper profits. (ABC News: John Gunn)

Relentless waves of COVID-19 and a boosted Medicare subsidy have turned private pathology into an industry with soaring revenue – and now companies that offer cheaper and quicker tests want in on the action.

Australians have now had more than 31 million COVID-19 tests through a mixture of public and private pathology labs.

These are the sorts of tests done at testing locations such as pop-up drive-through sites which are then sent off to labs to be analysed by pathology companies.

With those sorts of testing numbers and the pandemic still raging, it is no surprise private pathology companies that are doing these tests are now all posting rising revenue and profits.

Key points:

- 31 million COVID tests have now been screened by pathology labs nationally
- Private pathology companies are receiving a boost to revenue and profit
- Companies that do different sorts of COVID tests want subsidies too

Last financial year, Australian Clinical Labs' profit rose 46 per cent to \$60.4 million.

Sonic Healthcare, which owns Douglass Hanly Moir, saw an even bigger profit rise of 149 per cent to \$1.3 billion.

Meanwhile, Laverty's head company Healius has seen its revenue soar from \$1.5 billion to \$1.9 billion.

"We're obviously having a pretty strong period," Healius chief executive Malcolm Parmenter told ABC News.

"Pathology is, more generally."

The industry got a boost very early on in the pandemic when the federal government raised the Medicare rebate on COVID-19 tests from \$28.65 to \$100 with an \$85 rebate for private providers. Public pathology labs got a smaller rise to \$50 with a \$42.50 rebate.

The federal government told ABC News that as of August 27 it had subsidised over 12 million COVID-19 pathology tests through Medicare at a cost of more than \$993 million.

That includes tests provided by both public and private, it added.

The rest of the tests were funded on an equal cost share basis by the Australian government and the states and territories under the national partnership on COVID-19 response. The total cost of that has not been revealed.



More than 30 million COVID tests have now been screened by pathology labs in Australia. (ABC News: Alice Pavlovic)

[LIVE UPDATES: Read our blog for the latest news on the COVID-19 pandemic](#)

Pathology company boss defends Medicare hike

Dr Parmenter said the boost to the Medicare rebate was needed because the existing rebate for virus screening was too low when the pandemic first hit Australia.

"At that time, the consumables and the cost of collection would have been significantly higher than the fee being paid for the test," he said.

"The test wouldn't be viable at where the fee was previously."

As well as pop-up clinics, Dr Parmenter said the company had been doing COVID-19 screening for a range of contracts, such as for people travelling overseas, for politicians at Parliament House, and even for the AFL.

However, Laverty has been criticised at times for its testing delays.

Tyler Juel got tested for COVID-19 last month after playing tennis in the courts at a Sydney apartment complex that was then identified as a potential exposure site.

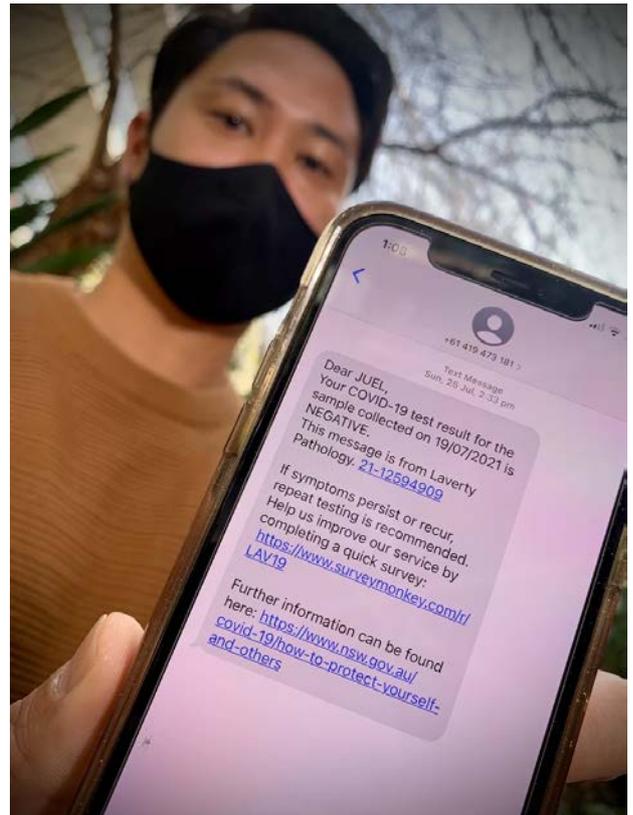
Mr Juel expected his test through Laverty's Bondi Junction testing site to take several days at most.

Texts viewed by ABC News show it ended up taking almost a week, during which time Mr Juel had no option but to self-isolate at home.

"I definitely started to feel some severe cabin fever within those four walls," he said.

"It was taking a toll by day three of not leaving the house.

"I ended up going to a different laboratory on day five, and I got that test result before I got Laverty's, which came on day six."



Sydney resident Tyler Juel waited six days in isolation at home for a COVID pathology test by Laverty. (ABC News: Adam Wyatt)

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ABC News has spoken to another person, Tobias Hudson, who was left waiting even longer after getting a test at a Laverty site in Newcastle this month.

"I expected it to be 24 hours to 48 hours maximum. I didn't expect 10 days and longer," Mr Hudson said.

"It was so hard. Work wanted me to work but I couldn't. They were short staffed. It was just a big hassle."

"They shouldn't be getting this much money."

Dr Parmenter defended Healius' testing times and said the company was not currently experiencing these sorts of delays.

He said it had shortened test result wait times to 48 hours maximum, but surges in demand during significant waves such as Sydney's recent outbreak did put a strain on processes.

"When your volumes of a particular test go up by eight to 10 times what they do previously, it does put strain on an organisation," he said.

"Fairly few companies would go through that growth without some issues."

Rapid-testing companies want a slice of the action

Pathology testing is still a dominant feature of Australia's COVID-19 response and the health department says lab results give the most accurate results.

But now companies that provide a different sort of test for COVID-19 want in on the action.

Compared to the revenue figures posted by the likes of Sonic and Healius, the takings of a small Australian company that is starting to do rapid antigen tests (RATs) for COVID-19 are minor.

Atomo Diagnostics took in just \$6.7 million last financial year.

The company has been supplying its rapid tests for free to several trial sites in a bid to generate confidence in its products.

The RAT tests are done on site with a device that looks like a pregnancy test and only take 10 minutes to return a result. However, the federal government says the on-the-spot tests are not as accurate as pathology screening for the virus.



Major companies such as Westpac and Woolworths are starting to use rapid antigen tests. (ABC News: John Gunn)



Companies are lobbying for subsidies for their rapid antigen tests. (*ABC News: Jake Sturmer*)

The head doctor at an aged care home in Melbourne that is trialling Atomo Diagnostic's rapid tests is a big fan.

The Abberfield Aged Care Facility uses the tests to screen workers, while it also uses pathology tests for anybody with symptoms.

"RAT is not replacing the laboratory tests," Henry Konopnicki told ABC NEWS.

"It's another thing to add to the matrix to increase our confidence."

The aged care home would like to keep using the tests but it is unsure how it would fund it without government subsidies.



Rapid antigen tests for COVID-19 are being trialled at 12 building sites nationally, with the industry paying the cost. *(ABC News: John Gunn)*

It is a predicament also being experienced by the construction industry.

Its peak body, the Australian Constructors Association (ACA), is currently trialling RATs at 12 building sites nationally. The tests are being paid for by the construction companies conducting the trials.

"The rapid antigen tests cost around \$25 dollars a test when you take into consideration all of the other things needed for that," ACA's chief executive, Jon Davies, said.

"That includes the healthcare professional to interpret the result.

"If you look at a project like Sydney football stadium, which has 1,000 workers and they're testing twice a week, the cost is about \$75,000 for that site for that week.

"What we're looking for is clarity from government that they'll pay for the additional cost of that testing on construction sites."

"We really see this should be a government expense. This is saving on pathology testing. It's enabling sites to keep running."

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Commonwealth Bank, Westpac and Woolworths are among the other private companies starting to pick up RATs for their workers.

However, Woolworths last week noted they had limitations.

"We're supportive of rapid antigen testing and have already introduced it in our Sydney distribution centres," a spokesperson said.

"But as things stand, we're unable to source enough rapid antigen test kits or nurses to administer them across 100 different sites up to 24 hours a day."

Atomo Diagnostic's chief executive, John Kelly, wants a Medicare rebate or some form of subsidy at around \$10 and \$15. He believes that scale will come if confidence is given to the industry.

"There should be reimbursement for all tests the Therapeutic Goods Association has approved and it shouldn't be reserved just for lab-based products," he said.



Private pathology companies profits soar during the pandemic as millions get COVID tests (*Emilia Terzon*)

In a statement, the health department said Medicare rebates would not be an appropriate way to fund RATs because the system did not subsidise goods.

"Medicare doesn't pay for clinical goods, it funds clinical services," it said.

"Medicare currently funds the service provided by pathologists (who are medical specialist doctors) in analysing polymerase chain reaction tests for diagnostic purposes, which do require laboratory processes and analysis.

"It is not clear that clinical services of this nature are required for rapid antigen tests, and what clinical services would be funded through Medicare."

The spokesperson added that the federal government had recently bought RAT kits off the private sector after a tender process for a trial of them at aged care homes.

That contract was given to Respond Global. [Tender documents show the company was recently awarded two contracts worth \\$300,000 and \\$270,000](#) for services to the federal government.



Is Australia having a COVID-19 baby boom?

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