

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

Quest Diagnostics Inc., Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

At this time, we will begin the question-and-answer session. (Operator Instructions). Our first question comes from Ms. Ricky Goldwasser - UBS.

Ricky Goldwasser - UBS

Congratulations for a solid quarter. A couple of questions, first of all, can you just disclose the current run rate on the cost containment initiative, and then secondly, on a normalized basis very strong volume performance up 1.5%, it could be somewhat surprising given the concern around the potential impact from the economy on a core testing, can you just give us a little bit more color on what you're seeing in terms of physician offices as an overall trends and do you think that they are sustainable throughout the year?

Robert A. Hagemann

Let me first comment on the cost reduction program; as we indicated, at the end of last year, when we exit this year, we will have realized \$500 million in annualized cost save; that program is progressing very well, and as you heard me say before, what we're doing there is simplifying processes by re-designing them, streamlining them, and as a result, those are sustainable cost reductions, and that was obviously a significant contributor to what we saw in the first quarter; that along with the revenue mix was a big piece of the increasing margins. In addition though in this first quarter I would say that we were probably a little extra-diligent in managing cost and scrutinizing everything; some of the discrete spending that we had planned for the quarter whether it be meetings, travel, consulting, other programs was either eliminated or deferred, and at least for the first quarter, I think we are in good shape in doing that without having any adverse impact on the business. So, I feel very good about the progress we're making with the cost reduction program; it's either on or ahead of plan, and as I said, it's going to be sustainable cost reduction. With respect to your question about physician office visits, obviously that's probably what would impact our business more than anything because for the most part as physician office visits grow, that's how our volume moves. With that said, it's really hard to assess what the direct impact of the economy is on physician office visits, there's not real good data out there on that, but our underlying performance in our physician and hospital reference testing business has held up very well and the volumes have been pretty consistent now over the last 3 or 4 quarters. So, I can't say that we're seeing any significant impact there, obviously where we have seen impact is in the employer business, the drugs of abuse testing, and to some degree in the risk assessment business as well, but we see no reason to think that there's going to be a significant change in the experience that we've had over the last few quarters.

Copyright © 2009 CBS Interactive, Inc. All Rights Reserved.