

# Interview: Sue Paish, CEO, LifeLabs, Canada

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*Sue Paish, Lifelabs's Chief Executive Officer discusses the company's recent purchase of BC Biomedical, why the market in BC and Ontario are so attractive, and the motivation behind LifeLabs's collaboration with medical device companies.*

## **What have been some of LifeLabs's key achievements over the last year?**

LifeLabs is the largest diagnostic lab company in Canada, and has been in business for fifty years. It is primarily operational in Ontario and British Columbia, with an indirect presence in Alberta through a partnership with another lab company. In April 2013, LifeLabs closed the purchase of BC Biomedical in British Columbia. BC Biomedical and LifeLabs were the two largest private players in the province, and this acquisition brought 800 employees to LifeLabs, which provided a significant footprint in BC as the largest private sector provider there. In October 2013, LifeLabs purchased CML Healthcare in Ontario, which was also a significant transaction. As a result, LifeLabs will move its market share significantly into the private space, with an additional 1,600 employees in Ontario. In the space of one year, LifeLabs has doubled its size.

The diagnostic lab business is highly regulated. Governments in BC and Ontario set the prices for tests, and are the largest customer. They regulate every element of the delivery of diagnostic labs from the kinds of tests paid publicly to the approval of locations. These two acquisitions, while notable because of sheer size, are hopefully more notable because of the message we are sending to our regulator and major customer and the communities we serve, which is a change in the effective delivery of diagnostic lab in two contexts.

## **What are the benefits to growing a company in the Canadian market?**

First, Canada's population is concentrated in a few urban centers and then dispersed over a massive geography, across which LifeLabs must deliver community lab services. The high quality aspect of the business will work successfully in the future through scale, which allows for efficiency. Scale allows you to invest in new technologies that can help improve accessibility and improve the patient experience.

Secondly, this consolidation will allow LifeLabs to develop genetic and genomic testing, which is less developed in Canada than in countries like Germany and the US. That is partly because community labs have been so focused on high volume testing and driving those efficiencies through smaller footprints, which is exigent. With a larger footprint, LifeLabs will have the capital and be able to realize the efficiencies that will allow us to invest in the development of a significant presence in genetic testing.

## **How do the markets for diagnostic lab services differ from province to province?**

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Each province has a unique regulatory framework for the delivery of services, which is why different rules exist for private sector providers in each province. In Ontario, private sector providers only deliver community lab services—i.e. non-hospital lab services. Therefore, the Ontarian market is split between three significant private sector providers: LifeLabs, CML Healthcare, and Gamma DynaCare, which each deliver approximately thirty percent of the diagnostic lab services in Ontario. The remaining ten percent of the private sector market is delivered through a variety of smaller, more niche players in the market that tend to serve specific geographies.

Community diagnostic lab services in BC are delivered by a combination of the public and private sector. In provinces with small populations, where the size of the customer base does not justify the investment of a private sector player, diagnostic lab services are primarily delivered through the public model.

### **How does the diagnostic market of Canada compare to those of other countries?**

We do not try to compete with those markets in terms of the delivery of diagnostic services. Because Canada's population is relatively small, it is not frequently noted. The Canadian healthcare system, which is unique compared to many others worldwide, is founded on a principle of universal accessibility, which came through the 1984 Canada Health Act. That principle is fundamental to the cultural foundation of this country, which is good quality, reliable, effective healthcare delivered to all citizens regardless of demographic and economic situation. This principle builds healthy societies, which builds healthy economies. Many countries see the universal healthcare system as a cost drain. It is indeed incredibly expensive, and a big driver of fiscal planning in Canada's governments, but it is a cultural foundation that is a hallmark of this country. At this point, Canada does not strategically or competitively compare itself to other economies because it has a fundamentally different model. We are not blind to other countries, but we do not look at our future at this point in terms of competing with diagnostic lab companies in emerging markets for example; we look at how to build out the most effective healthcare delivery system in Canada.

From a LifeLabs perspective, the company is owned by Borealis, the infrastructure arm of the Ontario Municipal Employees Retirement System (OMERS). Our strategy and commitment is to build the most effective and sustainable healthcare system in Canada.

### **How does LifeLabs work in tandem with medical device companies?**

The diagnostic lab industry in Canada has been uniquely characterized over the last 10 to 15 years as being a stable and fairly static environment. That has changed more recently, and will continue to do so. The big diagnostic companies of the world whom LifeLabs has historically relied on to provide the big machines that process the testing are fundamentally important to the future of the industry because they are the ones with whom we will be partnering to deliver new technologies that will be essential to drive the efficiencies I previously mentioned.

LifeLabs looks to its partners as being fundamental to the future of diagnostic lab services in two ways. First, we expect our suppliers and partners to be astonishingly innovative in the technologies that will process high volume testing. LifeLabs's partners have to not only provide faster, smoother versions of old technology, but also must be innovative and challenge this industry with truly groundbreaking technology. For example, cardiovascular patients can now obtain a subcutaneous implant that monitors various levels and transmits those results to a physician to anticipate any issues rather than submitting to a blood draw every few days. Secondly, the major suppliers need to look to genetics in terms of determining the low-cost genetics tests that will soon become affordable for everyone, and will replace many of the tests that are currently in that high volume space. As genetic testing moves from its current esoteric context to a fundamental platform of community

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diagnostic testing, LifeLabs's partners must be at the forefront of the most cutting edge technology.

**Why has LifeLabs focused all its attention on Ontario and BC? Is there any room for expansion?**

The nature of BC and Ontario's markets in the context of population and market size make them attractive for private sector providers. Secondly, the regulatory environments in both provinces embrace and support the effectiveness of private sector providers in the delivery of this essential public service. Thirdly, LifeLabs's ultimate owner OMERS is responsible for delivering pensions for over 400,000 Ontarians over the short and long term, and there is therefore both a business and moral obligation to build the best possible environment for pensioners. When we provide services to citizens, we provide services to customers and deliver healthcare to the pensioners who ultimately own LifeLabs. There is always an interest in growing and diversifying the business at the appropriate moment, but the current focus of LifeLabs is to integrate this year's two acquisitions, and to build one company and culture out of three converging companies.

**LifeLabs employs thousands of individuals. How do you attract and retain the best talent that the Canadian industry has to offer?**

The people who work in this industry, which is not unique but significant to LifeLabs, do so for many reasons. The company serves a noble purpose. LifeLabs changes patients' lives thousands of times a day in various contexts, by providing them with diagnostic testing that empowers them to make lifestyle decisions that will allow them to live healthier lives. Not every industry does that, and LifeLabs employees are aware of this. We touch every spectrum of the healthcare continuum, and we are also a company that has a long track record of success, reliability and a trusted brand in the healthcare space. LifeLabs has been overrun with interest by various people in the sector who want to work here from the executive level to the various components that comprise the organization.

**What is your strategic vision for the next five years?**

LifeLabs will be the most trusted partner of provincial governments in Canada in the delivery of high volume, reliable and accessible tests that deliver maximum value for the taxpayer dollar. We want to be seen from that perspective in every jurisdiction in which we operate in five years. We want that to be the first company that governments consider, to be the most respected, effective, and largest provider of genetic lab services in the country, and a recognized reference center for genetic testing in North America. Furthermore, we want to be seen as the most innovative company in diagnostic lab services in Canada, that we are the company delivering new tests and technologies. Overarching these goals, we want to be seen as the employer for whom the best and brightest in the healthcare and business sectors want to work, and to deliver reliable and effective financial results to the pensioners who ultimately own the company.

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