DRUGS OF ABUSE TESTING MARKETS
(SAMPLE COPY, NOT FOR RESALE)

Trends, Industry Participants, Product Overviews and Market Drivers
TABLE OF CONTENTS

1. Overview 12
  1.1 Statement of Report 12
  1.2 About This Report 12
  1.3 Scope of the Report 13
  1.4 Objectives 13
  1.5 Methodology 14
  1.6 Executive Summary 15

2. Introduction to Drugs of Abuse Testing 21
  2.1 Drugs of Abuse Overview 21
  2.2 Initiation of Illicit Drug Use 24
  2.3 European Levels of Drug Abuse 32
  2.4 Major Drugs of Abuse 34
    2.4.1 Amphetamines 34
    2.4.2 Tricyclic Antidepressants (TCAs) 35
    2.4.3 Barbiturates 36
    2.4.4 Benzodiazepines 37
    2.4.5 Cannabinoids/Marijuana 40
    2.4.6 Cocaine 42
    2.4.7 Lysergic Acid Diethylamide (LSD) 43
    2.4.8 Methadone 45
    2.4.9 Methaqualone and Phencyclidine (PCP) 46
    2.4.10 Opiates—Heroin and OxyContin 49
  2.5 Alcohol Testing 51
  2.6 Test Methodologies 52
  2.7 Substance Abuse Test Types 56
    2.7.1 Urine Substance/Drug Screening 56
    2.7.2 Hair Tests for Substance Abuse and Screening 57
    2.7.3 Blood Tests for Substance Abuse and Screening 57
    2.7.4 Saliva Tests for Substance Abuse and Screening 57
    2.7.5 Sweat Tests for Substance Abuse and Screening 57
  2.8 Saliva Testing 57
  2.9 Drug Panels by Toxidromes 58
  2.10 Drugs of Abuse Home Use Test 58
  2.11 Point of Care (POC) Substance Abuse Testing 60

3. Drugs of Abuse Testing Markets 68
  3.1 IVD Global Clinical Diagnostic Testing Market 68
    3.1.1 Market Drivers 68
    3.1.2 Market Restraints 69
  3.2 Drugs of Abuse Testing Market Analysis 69
    3.2.1 Main Players in the Industry 69
      3.2.1.1 Roche Diagnostics Market Analysis 71
      3.2.1.2 Abbott Laboratories Market Analysis 73
      3.2.1.3 Siemens Market Analysis 75
      3.2.1.4 Thermo Fisher Market Analysis 76
      3.2.1.5 Beckman Coulter Market Analysis 77
      3.2.1.6 OraSure Market Analysis 78
      3.2.1.7 Inverness Medical Innovations (Alere) Market Analysis 80
    3.2.2 Diagnostic Testing in the Future 83

4. Market Size and Analysis for Drugs of Abuse Testing 84
  4.1 Global Drugs of Abuse Testing Analysis 84
  4.2 U.S. Drugs of Abuse Testing Analysis 85
  4.3 European Union Drugs of Abuse Testing Analysis 87
7. In Vitro Diagnostic Technologies and Potential Applications

7.1 Performance Characteristics Required for Implementation of FDA-Approved/Cleared Tests

7.2 Immunoassays

7.3 Technology Principle

7.4 Enzyme Immunoassays

7.4.1 Enzyme-Linked Immunosorbant Assay (ELISA)

7.4.2 Enzyme Multiplied Immunoassay Technique (EMIT)

7.4.3 Cloned Enzyme Donor Immunoassay (CEDIA)

7.4.4 Radio Immunoassay (RIA)

7.4.5 Fluorescence Polarization Immunoassay (FPIA)

7.4.6 Lateral Flow Immunoassays (LFI)

7.5 Future Trends of Immunoassays

7.6 Latex Agglutination

7.7 Immunoprecipitation (IP)

7.8 Flow-Injection Liposome Immunoanalysis (FIA)

7.9 Clinical Immunoanalyzer Instrument Market by Sector

7.9.1 Market Analysis: Size, Growth, Share and Competitors

7.9.1.1 Large- and Mid-Volume Immunochemistry Analyzers

7.9.1.2 Abbott Diagnostics

7.9.1.3 Siemens Medical Solutions Diagnostics

7.9.1.4 Beckman Coulter, Inc.

7.9.1.5 Dade Behring (Acquired by Siemens)

7.9.1.6 Diagnostics Products Corporation (Acquired by Siemens Healthcare Diagnostics)

7.9.1.7 Olympus America, Inc. (now Beckman Coulter/Danaher)

7.9.1.8 Ortho-Clinical Diagnostics

7.9.1.9 Roche Diagnostics Corp.

7.9.1.10 Tosoh Bioscience, Inc.

7.9.1.11 Batch-Type Immunoassay Analyzers

7.9.1.12 Bio-Rad

7.9.1.13 Diamedix Corporation

7.9.1.14 Tosoh

7.9.2 Small- to Mid-Volume Immunoassay Analyzers

7.9.2.1 Awareness Technology, Inc.

7.9.2.2 Siemens Healthcare Diagnostics, Inc.

7.9.2.3 Beckman Coulter, Inc.

7.9.2.4 bioMérieux SA

7.9.2.5 Dade Behring (Acquired by Siemens)

7.9.2.6 Randox Laboratories Ltd.

7.9.2.7 Tosoh Corporation

7.9.3 Other Immunoassay Analyzers

7.9.3.1 Inverness Medical Professional Diagnostics

7.9.3.2 Hycor Biomedical (A Part of Agilent Technologies)

7.9.3.3 Phadia AB

7.9.3.4 Trinity Biotech Plc

7.9.3.5 DiaSorin

7.9.3.6 Grifols U.S.A., Inc.

7.9.3.7 Bio-Rad Laboratories, Inc.

7.9.3.8 SFRI Diagnostics
9.1 Main Drivers of Drugs of Abuse Testing Market 249
9.2 Potential Threats and Restraints of the Drugs of Abuse Testing Market 250
9.3 Challenges of this Market Place Going Forward 250
9.4 Summary of Market Strengths, Weaknesses, Opportunities and Threats 252
9.5 Summary of Strengths, Weaknesses, Opportunities and Threats of Drugs of Abuse Test Market 253

10. Reimbursement Systems 254
10.1 Reimbursement for Laboratory Medicine 254
10.2 Public and Private Sector Payers 254
10.3 Components of Reimbursement Systems 256
10.4 Medicare Coverage Decisions 256
10.5 Medicaid Coverage Decisions 257
10.6 Private Sector Coverage Decisions 257
10.7 Payment Methodologies 258
10.8 Medicare Payment Methodologies 258
10.9 Prospective Payment Systems for Inpatient and Hospital Outpatient Care 259
10.10 Using Fee Schedules for Laboratory Tests and Services 259
10.11 Clinical Laboratory Fee Schedule 260
10.12 Coding System Used for Qualitative Drug Tests 260

11. Government Regulation 264
11.1 U.S. Regulation 264
11.1.1 Medical Devices as Regulated by the U.S. Food and Drug Administration 264
11.1.2 Pre-Market Approval (PMA) 264
11.1.3 510(k) Clearance 265
11.1.4 Importing Medical Devices into the U.S. 265
11.1.5 Exporting Medical Devices from the U.S. 266
11.2 U.K. Regulation 266
11.3 E.U. Regulation 267
11.4 French Regulation 269
11.5 Japanese Regulation 269
11.6 Korean Regulation 270
11.7 Clinical Laboratory Improvement Amendments (CLIA) 270
11.8 Omnibus Transportation Employee Testing Act 271
11.9 Employer Drug and Alcohol Compliance 272
11.10 Regulations Governing Drug Abuse Testing 273
11.10.1 Specimen Collection and Management 273
11.10.2 Test Operations and Cut-off Values 274
11.10.3 Quality Control and Quality Assurance 275
11.10.4 Medical Review Officers and the Verification Process 276
11.10.5 Confidentiality and Release of Information 278
11.11 The U.S. Anti-Doping Agency 279
11.12 Drugs of Abuse Testing in the Criminal Justice System 280

12. Company Profiles 283
12.1 Abaxis, Inc. 283
12.2 Abbott Laboratories 284
12.3 Alere 288
12.4 Alfa Scientific Designs, Inc. 289
12.5 Analyzer Medical Systems (AMS) 289
12.6 Awareness Technology 290
12.7 Beckman Coulter, Inc. 290
12.8 Binding Site 294
12.9 bioMérieux 295
12.10 Bio-Rad Laboratories 296
12.11 Carolina Chemistries 297
12.12 Dako 297
INDEX OF FIGURES

Figure 2.1: Drug Classification According to Mean Harm Rating 22
Figure 2.2: Percentage of U.S. 12th Grade Students Reporting Past Month Use of Cigarettes and Marijuana, 1975-2010 23
Figure 2.3: Percentage of U.S. 12th Grade Students Reporting Daily Marijuana Use Versus Perceived Risk of Regular Marijuana Use, 1975-2010 23
Figure 2.4: Prevalence of Drug Abuse Occurring in 12th Grade Students, 2010 24
Figure 2.5: First Specific Drug Associated with Initiation of Illicit Drug Use Among Past Year Illicit Drug Initiates Aged 12 or Older 25
Figure 2.6: Past Year Initiates of Specific Illicit Drugs Among Persons Aged 12 or Older 25
Figure 2.7: Mean Age at First Use for Specific Illicit Drugs Among Past Year Initiates Aged 12 to 49 26
Figure 2.8: Past Year Marijuana Initiates Among Persons Aged 12 or Older and Mean Age at First Use of Marijuana Among Past Year Marijuana Initiates Aged 12 to 49, 2004-2011 26
Figure 2.9: Past Year Hallucinogen Initiates Among Persons Aged 12 or Older, 2004-2011 27
Figure 2.10: Past Year Methamphetamine Initiates Among Persons Aged 12 or Older and Mean Age at First Use of Methamphetamine Among Past Year Methamphetamine Initiates Aged 12 to 49, 2004-2011 28
Figure 2.11: Substance Dependence or Abuse in the Past Year Among Persons Aged 12 or Older, 2002-2011 29
Figure 2.12: Dependence on or Abuse of Specific Illicit Drugs in the Past Year Among Persons Aged 12 or Older, 2011 29
Figure 2.13: Number of Past Month Abusers of Marijuana in the U.S., 2008-2011 30
Figure 2.14: Number of U.S. Abusers of Cocaine, 2009-2011 30
Figure 2.15: Number of U.S. Abusers of Psychotherapeutic Drugs, 2009-2011 31
Figure 2.16: Methamphetamine User Prevalence, 2008-2011 31
Figure 2.17: Number of Drug Abusers in Europe, by Drug Type 32
Figure 2.18: First Time Users of Cannabis within Europe, 2006-2011 33
Figure 2.19: Top Ten European Countries for Cocaine Abuse, 1990-2011 33
Figure 2.20: Chemical Structure of Amphetamine 34
Figure 2.21: Chemical Structure of Barbituates 36
Figure 2.22: Chemical Structure of Benzodiazepines 38
Figure 2.23: Chemical Structure of Cannabinoid/Marijuana 41
Figure 2.24: Chemical Structure of Cocaine 42
Figure 2.25: Chemical Structure of Lysergic Acid Diethylamide (LSD)  
Figure 2.26: Chemical Structure of Methadone  
Figure 2.27: Chemical Structure of Methaqualone  
Figure 2.28: Chemical Structure of Phenylcyclohexylamine  
Figure 2.29: Chemical Structure of Heroin  
Figure 2.30: Chemical Structure of OxyContin  
Figure 3.1: Key Diagnostic Companies by Market Share in the DOA Market  
Figure 3.2: Roche Diagnostics Sales Volume, 2008-2012  
Figure 3.3: Roche Diagnostics Core Operating Profit, 2008-2012  
Figure 3.4: Roche Diagnostics Sales by Global Region, 2012  
Figure 3.5: Abbott Laboratories Global Annual Sales, 2007-2012  
Figure 3.6: Abbott Laboratories Operating Cash Flow, 2007-2012  
Figure 3.7: Abbott Laboratories Net Sales—Diagnostics Division, 2008-2012  
Figure 3.8: Siemens Market Share by Geographic Region, 2012  
Figure 3.9: Thermo Fisher Revenue Generated by Geographic Region, 2012  
Figure 3.10: Beckman Coulter Revenue by Geographic Region, 2010  
Figure 3.11: Beckman Coulter Division of Sales, 2010  
Figure 3.12: OraSure Technologies U.S. and International Revenue, 2010-2012  
Figure 3.13: Alere Total Revenue Generated, 2011 and 2012  
Figure 3.14: Alere Gross Profit Generated, 2011 and 2012  
Figure 3.15: Alere Revenue Generated by Geographic Area, U.S., Europe, 2012  
Figure 3.16: Alere Professional Diagnostic Sales, 2011 and 2012  
Figure 3.17: Alere Toxicology and Drugs of Abuse Testing Sales, 2011 and 2012  
Figure 4.1: Global Revenue of Drugs of Abuse Testing Market Forecast, 2009-2017  
Figure 4.2: Drug-Test Volume in the U.S., 2006-2016  
Figure 4.3: U.S. Revenue of Drugs of Abuse Testing Market Forecast, 2009-2017  
Figure 4.4: U.S. Percentage Market Share of Drugs-of-Abuse Testing Market, 2010-2017  
Figure 4.5: E.U. Revenue of Drugs of Abuse Testing Market Forecast, 2009-2017  
Figure 4.6: European Market Share of Drugs of Abuse Market, 2010-2017  
Figure 4.7: Rest of World Revenue of Drugs of Abuse Testing Market Forecast, 2009-2017  
Figure 4.8: Rest of World Market Share of Drugs of Abuse Market, 2010-2017  
Figure 4.9: Global In Vitro Diagnostic Market Revenue Forecast, 2010-2016  
Figure 4.10: Global In Vitro Diagnostic Market Share (Percentage) by Geography, 2012  
Figure 5.1: Percentage of U.S. Workforce Testing Positive for Drugs of Abuse, 1988-2011  
Figure 5.2: Total U.S. Prescription Market Revenue, 2006-2012  
Figure 5.3: Total Spending on Prescription Narcotic Analgesics in the U.S., 2006-2011  
Figure 5.4: Total Number of Narcotic Analgesic Prescriptions in the U.S., 2006-2011  
Figure 5.5: Number of U.S. Prescriptions for Hydrocodone/Acetaminophen, 2006-2011  
Figure 5.6: Number of U.S. Prescriptions for Oxycodone/Acetaminophen, 2006-2011  
Figure 5.7: Total OxyContin Sales in the U.S., 2006-2012  
Figure 5.8: National Institute for Health Statistics Survey Common U.S. Types of Pain  
Figure 5.9: Total Market Share of Prescription Drugs in the Global Market  
Figure 5.10: Projected Annual Peak Sales of Selected Pain Drugs Including Opioids  
Figure 5.11: Comparison of Total Annual Healthcare Cost of U.S. Opioid Abuser and Demographically-Matched Comparison Non-Abuser  
Figure 5.12: Direct All-Cause U.S. Healthcare Costs Per Person Associated with Opioid Abuse  
Figure 5.13: Ameritox National Prescription Drug Report 2012—Percentage Positive and Negative for Prescribed, Non-Prescribed and Illicit Drugs in System  
Figure 5.14: Ameritox National Prescription Drug Report 2012—Top Ten States Indicating Noncompliance to Medical Prescription, where Prescription Medication was not Detected  
Figure 5.15: Ameritox National Prescription Drug Report 2012—Top Ten States Indicating Noncompliance to Medical Prescription, where Non-Prescription Medication was Detected  
Figure 5.16: Ameritox National Prescription Drug Report 2012—Top Ten States Indicating Noncompliance to Medical Prescription, where an Illicit Drug was Detected  
Figure 5.17: Ameritox National Prescription Drug Report 2012—Breakdown (Percentage) of Illicit Drugs Type
INDEX OF TABLES

Table 2.1: Primary Site of Action and Neurotransmitters Involved in Drugs of Abuse Mechanism of Action 21
Table 2.2: Level of Drug Abuse in Britain and Average Cost of Agent 22
Table 2.3: Short-Term Effects of Amphetamine Abuse 34
Table 2.4: Long-Term Effects of Amphetamine Abuse 35
Table 2.5: Short-Term Effects of Barbiturates 36
Table 2.6: Long-Term Effects of Barbiturates 36
Table 2.7: Barbiturates Under International Control 37
Table 2.8: Common Benzodiazepines on Prescription in the U.S. 38
Table 2.9: Sedative/Hypnotic Benzodiazepines Under International Control 39
Table 2.10: Anxiolytic Benzodiazepines Under International Control 39
Table 2.11: Short-Term Effects of Benzodiazepines 40
Table 2.12: Long-Term Effects of Benzodiazepines 40
Table 2.13: Short-Term Effects of Cannabinoid/Marijuana Use 41
Table 2.14: Long-Term Effects of Cannabinoid/Marijuana use 41
Table 2.15: Short-Term Effects of Cocaine 43
Table 2.16: Long-Term Effects of Cocaine 43
Table 2.17: Physical Short-Term Effects of LSD 44
Table 2.18: Psychedelic Short-Term Effects of LSD 45
Table 2.19: Adverse Side Effects of LSD 45
Table 2.20: Long-Term Effects of LSD 45
Table 2.21: Short-Term Effects of Methadone 46
Table 2.22: Short-Term Effects of Phencyclidine 48
Table 2.23: Adverse Effects of Phencyclidine 48
Table 2.24: Long-Term Effects of Phencyclidine 49
Table 2.25: Short-Term Effects of Heroin Use 50
Table 2.26: Long-Term Effects of Heroin Use 50
Table 2.27: Side Effects of OxyContin 51
Table 2.28: Device Specifications for POCT Breath Alcohol Analysis 52
Table 2.29: Reasons Why U.S. Employers Comply with SAMHSA Guidelines 53
Table 2.30: “SAMHSA-5”—Basic Drug Categories to be Tested 53
Table 2.31: Extended Drugs of Abuse Panel 53
Table 2.32: Accredited Laboratories for SAMHSA Drug Testing 54
Table 2.33: Comparison of Blood, Urine, Hair, Saliva and Sweat Patch Testing for SAMHSA-5 Test (Marijuana, Cocaine, Amphetamines, Opiates and PCP) 55

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Table 6.7: PathTech Drug and Alcohol Proscreens Urine Drugs of Abuse Test Cups

Table 6.8: Alpha Scientific Designs Drugs of Abuse Testing Cut-off Level

Table 6.9: Regulatory Clearance of Alpha Scientific Products for Drugs of Abuse Testing

Table 6.10: Available 510K Cleared Analytes for the Vision Integrated Drugs of Abuse Test Cup

Table 6.11: Drugs of Abuse Analytes and Cut-off Level Detected by the Oral-View Saliva Multi-Drugs of Abuse

Table 6.12: Alpha Scientific Drugs of Abuse Single Tests, Instant-View Brand (Urine)

Table 6.13: Alpha Scientific Drugs of Abuse, Multidrug Panel, Saliva—Oral-View Brand Second Generation-Two Strip Design

Table 6.14: Alpha Technologies Drugs of Abuse Multidrug Panel Configurations—Instant-View Brand (Urine)

Table 6.15: Alpha Scientific Designs Drugs of Abuse Testing Cut-off Level

Table 6.16: Regulatory Clearance of Alpha Scientific Products for Drugs of Abuse Testing

Table 6.17: Available 510K Cleared Analytes for the Vision Integrated Drugs of Abuse Test Cup

Table 6.18: Drugs of Abuse Analytes and Cut-off Level Detected by the Oral-View Saliva Multi-Drugs of Abuse

Table 6.19: Drugs of Abuse Cut-off Levels for the TOX/See Test by Bio-Rad

Table 7.1: Performance Characteristics Required before Implementation of FDA-Approved/Cleared Tests

Table 7.2: Comparison of Monoclonal and Polyclonal Antibody Characteristics

Table 7.3: Samples and Sample Handling Features of Centaur CP

Table 7.4: Large- and Mid-Size Immunochemistry Analyzers

Table 7.5: Small- to Mid-Volume Immunoassay Analyzers

Table 8.1: Overview of the ADVIA 2400

Table 8.2: Sample Handling Capability of the ADVIA 2400

Table 8.3: Microvolume Technology Utilized by the ADVIA 2400

Table 8.4: Reaction Area of the ADVIA 2400

Table 8.5: Reagent Handling Capability of the ADVIA 2400

Table 8.6: Parameter Menu of the ADVIA 2400

Table 8.7: Open System Capability of the ADVIA 2400

Table 8.8: ISE Parameters of the ADVIA 2400

Table 8.9: Calibration Parameters of the ADVIA 2400

Table 8.10: Data Management Capability of the ADVIA 2400

Table 8.11: General Specifications of the ADVIA 2400

Table 8.12: Ultra-Large Clinical Chemistry Analyzers

Table 8.13: Overview of ADVIA 1650

Table 8.14: Sample Handling Capabilities of the ADVIA 1650

Table 8.15: Microvolume Technology Capability of the ADVIA 1650

Table 8.16: Reaction Area Associated with the ADVIA 1650

Table 8.17: Reagent Handling Capability of the ADVIA 1650

Table 8.18: Parameter Menu Associated with the ADVIA 1650

Table 8.19: Open System Capability of the ADVIA 1650

Table 8.20: ISE Parameters of the ADVIA 1650

Table 8.21: Calibration Capabilities of the ADVIA 1650

Table 8.22: Data Management Capabilities of the ADVIA 1650

Table 8.23: General Specifications of the ADVIA 1650

Table 8.24: JEOL Analyzer Comparison

Table 8.25: Large Clinical Chemistry Analyzers

Table 8.26: Mid-Size Clinical Chemistry Analyzers

Table 8.27: Small Clinical Laboratory Analyzers

Table 8.28: Heritability Estimates for Drugs of Abuse

Table 8.29: Genetic Associations Implicated in Drug Addiction Phenotypes

Table 8.30: FDA Recognized Pharmacogenomic Biomarkers in to Identify Responders and Non-Responders to Medications

Table 8.31: Common Pharmacotherapies for Drug Dependence and Genetic Variations Implicated in Treatment

Table 9.1: Potential Challenges of Drugs of Abuse Testing Market

Table 9.2: Timeline of Legislative Changes from the Health Care and Education Reconciliation Act.
Table 11.1: Clinical Laboratory Improvement Amendments (CLIA) Testing Categories 271
Table 11.2: Annual Minimum Drug and Alcohol Random Testing Rates Established within DOT Agencies and the USCG, 2011 272
Table 11.3: General Responsibilities of Employers under the Department of Transportation’s (DOT) rule, 49 Code of Federal Regulations Part 40 272
Table 11.4: Actions that Employers Must Take after an Employee Test Result is Verified Positive 273
Table 11.5: Drugs of Abuse Cut-off Values (Initial Test) as Specified under Article 15 of the Drug Abuse Urine Testing Act 275
Table 11.6: Drugs of Abuse Cut-off Values (Confirmatory Test) as Specified under Article 18 of the Drug Abuse Urine Testing Act 275
Table 11.7: Medical Review Officer Requirements in the Department of Transportation Drug Testing Program 276
Table 11.8: Medical Review Officer Responsibilities in Drug Testing Programs 277
Table 11.9: Medical Review Officer Requirements when Reporting a Drug Test Result 278
Table 11.10: International Olympic Committee, U.S. Olympic Committee and NCAA Banned Substances 279
Table 11.11: Conditions of Sentences by Adult Probationers by Severity of Offense 281
Table 11.12: Total Federal Drug Control Budget for Fiscal Years, 2002-2011 282
Table 11.13: Federal Drug Control Budget by Function for Fiscal Years, 2009-2011 282
1. Overview

1.1 Statement of Report

This report describes the specific segment of the in vitro diagnostics (IVD) market known as drugs of abuse testing. This term is used to distinguish it from testing for therapeutic drugs. In the current medical diagnostics market, drugs of abuse testing offers promise for growth and innovation. The development of this sector of the diagnostics industry has been driven by:

- The use mass spec instrumentation for drug-screening confirmation.
- The development of a wide variety of mass spectrometry and other separation-based technology platforms.
- The rise of drug profiling.
- New developments in diagnosis and treatment of drug dependence.
- The need for screening both therapeutic and illicit drug content.
- Improved detection levels.
- The use of computer assisted data analysis and multiplexing.

This review analyzes the size and growth of the drugs of abuse testing market, including the factors that influence the various market segments within it, the dollar volume of sales, both in the United States and worldwide. Also examined are:

- Drug analysis technology platforms.
- Clinical applications of drugs of abuse testing.
- The market for quantitative diagnostic drug tests.
- Companies participating in this sector.
- New instrumentation.
- Trends in the industry.
- The internal structure of the drugs of abuse testing sector.

1.2 About This Report

This report includes the following features:

- It examines all of the generally-accepted clinical analytical activities in use today in the drugs of abuse testing sector. It includes the prevalent clinical measurement devices and the accompanying reagents and supplies as utilized in hospitals and large reference laboratories.
- It discusses the potential benefits of the drugs of abuse testing market for various sectors of the medical and scientific communities, and it assesses the market drivers and bottlenecks from the perspective of these communities.
- It establishes the current total market size and future growth of the drugs of abuse testing market and analyzes the current size and growth of various segments.
- It assesses various business models in drugs of abuse testing and provides strategic recommendations for near-term business opportunities.
- It examines the products offered and roles played by companies that have invested significantly in this market, and it provides current and forecasted market shares by these companies.

The main objectives of this analysis are:

- Identifying viable technology drivers through a comprehensive look at platform technologies for drugs of abuse testing, including gas chromatography-quadrupole mass spectrometry, automated laboratory chemistry instruments, and point of care systems and reagents.
- Obtaining a complete understanding of the drugs of abuse tests—i.e., predictive, screening, prognostic, monitoring, pharmacogenomic and theranostic—from their basic principles to their applications.
• Discovering feasible market opportunities by identifying high-growth applications in different clinical diagnostic areas and by focusing on expanding markets, such as employee drug screening, emergency medicine, opiate testing and defense and security work.
• Focusing on global industry development through an in-depth analysis of the major world markets for drugs of abuse testing, including growth forecasts.
• How can drug testing contribute to laboratory growth plans?
• Which tests are the most likely candidates for migration to MS platforms?
• How to understand the business issues that go into justifying mass spec?

1.3 Scope of the Report

The goal of this study is to review the market for drugs of abuse testing equipment and supplies using reagents and instruments for analysis of individual components in body tissues and fluids (particularly blood and urine). Toward this goal, this review answers the following key questions:

• Which companies are utilizing cutting-edge technologies to develop, validate and market drugs of abuse tests for clinical use?
• What are the current impediments to incorporating promising drugs of abuse tests in clinical practice?
• Which new drugs of abuse tests show the most promise for approval?
• What are the economic challenges to gaining approval?
• How can regulatory oversight drive approval and adoption of new technologies?
• Which alliances show the greatest synergy in bringing drugs of abuse testing to market?
• Which shared technologies are driving the most encouraging development?

This examination surveys most of the instrument companies known to be currently marketing, manufacturing or developing instruments and reagents for the drugs of abuse testing market, in both the U.S. and the world. Each leading company is discussed in depth, with sections on its history, product line, business and marketing analysis, and a subjective commentary of the company’s market position.

The U.S., Europe and Japan—the world’s three largest drugs of abuse testing markets—are the focus of this report. Primary attention is paid to the hospital market segment and, separately, to the instruments, reagents and supplies marketed by the major companies in this segment. Drugs of abuse are also prominent features of parallel markets such as: workplace drug testing, prescription drug abuse, and sports medicine. Indeed, it has been reported that over 60% of U.S. employers have a drug testing policy in place. Market size, growth rates and market components for instruments, reagents, controls and consumables used in this area are also analyzed.

This analysis examines the companies that are actively developing and marketing mass spectrometry clinical laboratory instrumentation, reagents and supplies for performing drugs of abuse tests. The emphasis in this report is on the clinical use of drugs of abuse tests.

The reader should consult other TriMark Publications reports at www.trimarkpublications.com for detailed discussions of important individual market segments related to the drugs of abuse testing market, such as clinical chemistry testing and high-growth diagnostic tests markets. Diagnostics drug tests marketed primarily as qualitative or quantitative reagents are generally included in this report, although there is inevitably some overlap. TriMark’s Point of Care Diagnostic Testing World Markets report discusses near patient drug testing.

1.4 Objectives

The emphasis in this report is on the clinical use of drugs of abuse tests and their development into the instrument mixture of clinical laboratory testing space. One goal of this study is to review the market for drugs of abuse testing equipment and supplies using reagents and instruments for analysis of individual components in blood, serum or plasma. The report also defines the dollar volume of sales, both worldwide and in the U.S., and analyzes the factors that influence the size and the growth of the market segments. The subsections of the drugs of abuse testing market segment are examined in detail, including: major drugs of abuse, clinical testing markets, trends, analysis, challenges, government regulations, reimbursement and billing, and business decisions. The use of drugs of abuse
testing in commercial, hospital and specialty laboratories is examined. Additionally, the factors that influence purchases are also discussed.

The focus of this report is to:

- Assess the drugs of abuse testing market drivers and bottlenecks from the perspective of the medical and scientific communities.
- Discuss the potential benefits of the drugs of abuse testing market for various sectors of the medical and scientific community.
- Establish the current total market size and future growth of the drugs of abuse testing market and analyze the current size and growth of various segments.
- Provide current and forecasted market shares by the company.
- Provide strategic recommendations for near-term business opportunities.
- Assess current commercial uses of the drugs of abuse testing market.
- Review the drugs of abuse testing business models.

On a more technical level, we:

- Discuss the problems of using indirect methods such as immunoassays for analyzing complex biological fluids when making diagnostic decisions and their replacement with MS technology platforms.
- Review the strategies available for sample preparation.
- Contrast the optimal methods for quantification when employing LC/MS/MS techniques.
- Differentiate the strategies of toxicology analysis to best fit the clinical requirements.
- Appraise the use of mass spectrometry for applications of drugs of abuse testing.
- Evaluate the applications of new technologies to the clinical laboratory assessment of drugs of abuse.
- Review the dynamic regulatory environment (FDA) and assess how drugs of abuse testing may play a role in the clinical laboratory.

This review answers the following key questions:

- Which companies are utilizing cutting-edge technologies to develop, validate and implement drug tests for clinical use?
- What impediments still exist to incorporating promising drug tests into clinical practice?
- Which new drug of abuse test shows the most promise for approval?
- What are the economic challenges to approval?
- How can regulatory oversight drive approval and adoption of new technologies?
- Which alliances show the greatest synergy in bringing drugs of abuse tests to market?
- Which shared technologies are driving the most encouraging development?
- How are businesses entering the clinical lab testing space by leveraging drugs of abuse testing?

1.5 Methodology

The author of this report holds a Ph.D. in medicine/immunology from the Royal College Surgeons of Ireland and has completed post-doctoral studies and lecturing in Trinity College Dublin and University College Cork. She has over ten years of experience as a director in laboratory testing and instrument and reagent development technology, as well as extensive experience in senior level positions in biotech and medical service companies. The senior editor has a Ph.D. in chemistry from the University of Minnesota, with more than 30 years of experience as a clinical laboratory director, as well as editing and writing articles in science and technology. A contributor to this report is a clinical lab director certified in virtually all states in the U.S. for drug testing. He is has been laboratory director of a large institution whose lab specializes in prescription drug abuse analysis.

Company-specific information is obtained mainly from industry trade publications, academic journals, news and research articles, press releases and corporate websites, as well as annual reports for publicly-held firms. Additional sources of information include non-governmental organizations (NGOs) such as the World Health Organization.
(WHO) and governmental entities such as the U.S. Department of Health and Human Services (HHS), the National Institutes of Health (NIH), the Food and Drug Administration (FDA) and the Centers for Disease Control and Prevention (CDC). Where possible and practicable, the most recent data available have been used.

Some of the statistical information was taken from Biotechnology Associates’ databases and from TriMark’s private data stores. The information in this study was obtained from sources that we believe to be reliable, but we do not guarantee the accuracy, adequacy or completeness of any information or omission or for the results obtained by the use of such information. Key information from the business literature was used as a basis to conduct dialogue with and obtain expert opinion from market professionals regarding commercial potential and market sizes. Senior managers from major company players were interviewed for part of the information in this report.

**Primary Sources**

TriMark collects information from hundreds of Database Tables and many comprehensive multi-client research projects, as well as Sector Snapshots that it publishes annually. TriMark extracts relevant data and analytics from its research as part of this data collection.

**Secondary Sources**

TriMark uses research publications, journals, magazines, newspapers, newsletters, industry reports, investment research reports, trade and industry association reports, government-affiliated trade releases and other published information as part of its secondary research materials. The information is then analyzed and translated by the Industry Research Group into a TriMark study. The Editorial Group reviews the complete package with product and market forecasts, critical industry trends, threats and opportunities, competitive strategies and market share determinations.

**TriMark Publications Report, Research and Data Acquisition Structure**

The general sequence of research and analysis activity prior to the publication of every report in TriMark Publications includes the following items:

- Completing an extensive secondary research effort on an important market sector, including gathering all relevant information from corporate reporting, publicly-available data and proprietary databases.

- Formulating a study outline with the assigned writer, including important items, as follows:
  - Market and product segment grouping, and evaluating their relative significance.
  - Key competitors’ evaluations, including their relative positions in the business and other relevant facts to prioritize diligence levels and assist in designing a primary research strategy.
  - End-user research to evaluate analytical significance in market estimation.
  - Supply chain research and analysis to identify any factors affecting the market.
  - New technology platforms and cutting-edge applications.

- Identifying the key technology and market trends that drive or affect these markets.

- Assessing the regional significance for each product and market segment for proper emphasis of further regional/national primary and secondary research.

- Completing a confirmatory primary research assessment of the report’s findings with the assistance of expert panel partners from the industry being analyzed.

**1.6 Executive Summary**

Globalization has increased both the supply and the demand for illicit drugs around the world. Drug abuse is no longer the concern of only the developed world. Countries without histories of drug use, especially developing
countries, are now reporting problems of abuse because they have become transit points for international drug trafficking. Because the problem is now worldwide, a global strategy is needed for identifying, analyzing and developing strategies to deal with drug abuse and the associated problems for health and safety.

The National Survey on Drug Use and Health has reported the following findings:

- About [number] Americans are estimated to be current illicit drug abusers in [year]—or [percentage] of the population.
- The most commonly abused illicit drugs were marijuana, cocaine (including crack), heroin, hallucinogens, inhalants, or prescription-type psychotherapeutics.

The average age of first time illicit drug abuse was [average age] years in [year]—slightly down from [average age] years the previous year. The National Survey on Drug Use and Health estimated that three million U.S. citizens became first time users in [year] (18 years or older), which equates to [number] people per day. Of these users, [percentage] were less than [age] years old and [percentage] were female.

The first drug of abuse that the majority (59.1%) of first time users sampled was marijuana. This was followed by psychotherapeutics at [percentage], inhalants at [percentage] and hallucinogens at [percentage]. Marijuana was the most common illicit drug used, with [number] users—[percentage] of the population in [year]. Psychotherapeutic drug use in [year] was estimated at [number] in the U.S., or [percentage] of the population.

The main five drugs of abuse that SAMHSA requires an employer to test for are:

- Cannabinoids.
- Cocaine.
- Amphetamines.
- Opiates.
- Phencyclidine.

A number of human samples can be obtained to determine illicit drug use and these include:

- Urine.
- Hair follicles.
- Oral fluid.
- Sweat.
- Blood.

DoA assays can be performed on a number of sample types other than the above, for example Randox Laboratories DoA assays can be used on the following samples:

- Post-mortem blood.
- Vitrous humor.
- Forensic specimens.
- Meconium.
- Tissue.

However, urine testing is the gold standard and federal regulated and most private sector organizations will only test urine for the presence of drugs of abuse. Urine testing is widely used as it is accurate and reliable. Saliva testing is becoming more popular and costs are similar to urine testing. Immunoassay based detection methods are initially used to determine if a sample is positive for a drug of abuse. If found positive, the result is confirmed by using gas chromatography (GC) or mass spectrometry (MS). The drugs of abuse (DOA) testing market is incorporated within the clinical diagnostic testing market. This market is forecast to be worth over $[number] by [year]. Growth factors for the clinical diagnostic testing market include:

- Increases in consumer driven healthcare.
• An aging population with better healthcare services.
• Demand for esoteric testing.
• Demand for genetic testing.

Almost $2.5 billion was generated from the DOA testing market in 2013, up from $2.2 billion in 2010, and $1.7 billion in 2007. By 2017, the global drugs of abuse (DOA) testing market will be worth upwards of $2.9 billion according to industry experts. Between 2011 and 2017, a compound annual growth rate (CAGR) of 4.6% is expected.

As for the geographic distribution of DOA testing, the U.S. has the largest market share and was worth an estimated $1.94 billion in 2013, a growth from $1.5 billion in 2008. By 2017, DOA testing in the U.S. is predicted to bring in revenues of $2.33 billion—with a CAGR of 5.5%. The second largest market share is held by the European Union (E.U.) which was worth an estimated $432 million in 2013. This is predicted to grow to nearly $486 million by 2017 with a CAGR of 2.9%. With an estimated $130 million in revenue in 2013, the Rest of the World market is the least dominant sector. However, this sector is still forecast to increase in revenue to $140 million in 2017 with a CAGR of 1.3%.

The predominant drivers for this market overall are an increasing population involved in illicit drug abuse, government crackdown on illicit and prescription drug abuse, the availability of rapid and cost effective DOA tests and a global requirement for the reduction of drug abuse in the workplace and sports. The drugs of abuse testing market is dominated by urine analysis; however, oral fluid/saliva testing is gaining ground. With respect to the urine testing segment, the main competitors are:

• Roche Diagnostics.
• Abbott Laboratories.
• Siemens.
• Thermofisher.
• Beckman Coulter.
• Randox.
• American BioMedica.
• Alpha Scientific.
• First Check Medical.
• OraSure.
• Avitar.
• Biophor.
• Princeton BioMeditech.
• Inverness Medical Innovations (BioSite).
• Bioscan Screening Systems.

The top companies in the drugs of abuse oral testing market are:

• Avitar.
• OraSure.
• Alpha Scientific.
• Bioscan Screening Systems.
• American BioMedica.

Diagnostic testing will tend to be dominated by company consolidation in the near future, with more stringent reimbursement policies and a greater emphasis on cost conscious customers. Therefore, future diagnostic test market customers will require:

• Lower costs.
• Automation.
• Service discounts.
• Volume discounts.
• Reduced inventory levels.

Specific strengths of the drugs of abuse market include high level sales in the chemical analyzer market, professional diagnostics and immunoassay demand are also key drivers of this market. The DOA testing market is also strengthened by U.S. Federal Government mandatory testing regimes. Within the private sector, hospital laboratories and clinical testing facilities also promote sales.

A key advantage of this market is the ability of drug testing companies to self-propagate the market. Such companies pre-empt SAMHSA guidelines and develop emerging drugs of abuse kits. Another key driver of the DOA testing market is the current increase in oral fluid testing, as opposed to traditional urine testing. This also has the advantage of being cost effective and samples can be obtained straight from the individual. Point of care tests are similarly driving the DOA test market.

Interestingly, the number of prescriptions for potentially addictive prescription drugs such as OxyContin has increased over the last few years and this has increased the need for workplace testing. Out-of-competition testing for performance enhancing drugs in sport is also on the increase and will lead to an increase in the market. Technology advancements such as the increase in knowledge of pharmacogenetics is also predicted to propel this industry in the near future.

The main weaknesses of the current DOA testing market include ongoing problems with reimbursement and retrenchment within the hospital field. Also, as the global economy is generally weak, this has a knock-on effect on this field. The geographic combination of product sales will be affected by fluctuating exchange rates and so weakens the market further.

The European market, although strong is significantly below that of the U.S. Therefore, there is great potential here to grow the DOA testing market further. This of course will depend on each specific countries Government regulations and also the requirement by end users. Within Emerging markets, the following points must be considered:

• Changing patterns of opiate use in Asia, particularly in China’s Yunnan province.
• The recent surge of injection drug use among drug users in Pakistan.
• Substantial increases of injection drug use in African countries, particularly Egypt, Kenya, Mauritius, Nigeria, South Africa and Tanzania.
• Growing trends in production, trafficking and consumption of methamphetamine and cocaine in Mexico.
• Ecstasy use in South Africa.
• Rising drug abuse in Brazil.

The emergence of new drugs and poly drug use and the prevalence of methamphetamine and amphetamine abuse in North America are not only a cause for concern but also an opportunity to grow the DOA testing market further. Multi-drug testing opportunities are also growing in the U.S. with concurrent use of methamphetamine, MDMA, LSD, ketamine, GHB and flunitrazepam among American youths. There are also significant opportunities within the alternative specimen testing sector within DOA testing. Saliva and oral fluid tests are increasing in usage and parallel urine test sensitivities.

There are noteworthy threats to the DOA testing markets and this includes a crack-down by the U.S. government on addictive drug prescribing. OxyContin sales reduced from $3.1 billion in the U.S. in 2010 to $2.69 billion in 2012, a trend that this is set to decrease in coming years. Consequently, over the next decade the level of positive DOA test positives are predicted to reduce, and so restrict the buying power of end-testers.

Competition within the market will also intensify with respect to chemical and immunodiagnostic analyzers. As technology within these systems increases, the market will flood with hi-spec facilities which could drive sales prices down. Global economic retraction has restricted the number of new-hires to the workplace. This in turn has reduced the number of pre-employment DOA tests. Expiration of patents and intellectual property claims also threaten this market place.