Fertility division closures raise questions about future of genetics companies

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Major genetics companies downsized their fertility divisions in 2022 and 2023, causing speculation on the future of fertility testing. Genomic testing company Sema4, which recently changed names to GeneDx, another genetics company it acquired last year, administered a round of layoffs after 2022 quarter 2 results were announced.

Again on November 14, 2022, they announced additional restructuring, cutting their reproductive health testing lab, approximately an additional 500 employees. CEO, Katherine Stueland, said in a call with investors, that the reproductive health testing business is “unsustainable,” pointing to capital market constraints in the macroeconomic climate. GeneDx didn’t respond to requests for comment on these layoffs.

Similarly, in July 2022, genetic testing company Invitae announced layoffs of more than 1,000 employees, according to a U.S. Securities and Exchange

Commission report. In addition, Invitae's January 9, 2023 financial results from 2022 reflect a fourth-quarter decline " due to the exited businesses and geographies," compared to the previous year. The Mercury News reported that Natera announced plans to lay off 58 people in November 2022.

In Invitae's July 2022 business realignment strategy, they describe focusing on higher margin testing opportunities as part of a plan to realize $326 million in cost savings in 2023. Invitae responded with "no comment" for more information on these layoffs and changes.

The shift away from tests such as carrier screenings, noninvasive prenatal testing, among others, have fertility industry leaders examining what these strategy changes mean for the future of genetic testing. "In terms of the genetics lab space right now, I would sum it up as the chickens are coming home to roost," says Carrie Haverty, a genetic counselor who spent around 15 years working in reproductive health space seeing patients, and then moved into women's health product leadership roles at Counsyl, Myriad Women's Health, and now Mirvie

"This is happening now, versus the last five to seven years, because money is not as readily available to smooth over the gaps,". Haverty points to a combination of "unfortunate business models — data isn't valuable if you don't have an actual plan to monetize it," and macroeconomic cycles, in which she says investors are demanding some reasonable path to positive margins. In her December article "Genetic Testing Labs: Winter is Coming," she expresses concern that if reproductive health was a major part of Sema4's testing volume and revenue, where will growth come from?

Christina Ren, board-certified genetic counselor turned life science investor, says " [Sema4] cut reproductive health services to focus on pediatric and rare

disease tests instead. Not all tests cost and are reimbursed the same, leading to discrepancies between different genomic specialties."

Former Sema4 Regional Sales Leader in the Women's Health division, Brie McKeller, MPA, says she started to be alarmed about the company's direction after hearing the mid-August shareholders call, and was abruptly notified of layoffs on November 14, 2022. She says Sema4 "has done a huge disservice to employees, but also to the IVF industry as a whole."

"More and more we saw other companies were going under that were doing women's reproductive health testing. We came to find out, as a whole, the insurance industry was no longer allowing for these large payouts," she says, noting that genetics companies didn't have input with large payors. "That preempted the downfall of so many of these companies. They didn't foresee insurance payors would no longer be paying these larger amounts, and would be consolidating which places they're using."

At the Sema4 shareholder call, McKeller says she was shocked to hear that the company was dealing with a $30 million revenue reversal. "It turns out, in an attempt to get in network with Blue Cross Blue Shield, Sema4 was at the helm of an internal audit by BCBS, only to find out that Sema4 overcharged them by $30 million between 2019 and February 2022." McKeller says it felt like CEO Katherine Stueland "breezed over" the development which foreshadowed the eventual cuts.

Haverty adds that reproductive health is typically poorly reimbursed, especially compared to oncology. Haverty says testing in the reproductive endocrinology/infertility space is often paid by wealthier patients. "Insurers do not place a high value on reproductive health outcomes, particularly when the issue would either result in [the loss of the baby or pregnancy] at no cost to the

[insurer]. [If the issue] results in a serious condition later,it's unlikely [the insurance company] will still have that patient under their care given the average turnover is less than 2 years," she says. "Why pay for something that won't deliver an ROI for [the insurance company], but rather for some other payor — and often a government payor?"

As stakeholders watch the future of genetics testing unfold, some, like Ren are still optimistic. "It's not about altruism; it's about good businesses that can make a positive impact. In a time dominated by short-termism, there's more value than ever in building for the long term. Cancer doesn't care about inflation and rising interest rates. Infertility doesn't care when earnings season is. There are real problems to be solved regardless of the macro environment."

Dr. Mili Thakur, Triple board certified in obstetrics and gynecology, reproductive endocrinology/infertility and medical genetics, adds that clinicians' reliance on genetic testing companies for their genetic counseling needs is "not sustainable."

"The drivers for for-profit commercial companies are financial, while the driver for clinicians is good patient care," she says. "The field of reproductive genetics will keep on expanding. If we strengthen our clinical genetic practice and highlight its importance, genetic testing companies and stakeholders will have to acknowledge that this field of genetics is essential, enabling adequate support for this specialty."

When asked to remark on the future of genetic testing companies in the reproductive medicine space, Progenesis did not respond to a request for comment and Natera declined to comment.

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New Patient Visits Drop, IVF Centers Seek Strategy

Different fertility centers across the United States have started to see new patient volumes decrease.

To counter the decrease in new patient revenue, fertility centers are turning to partners who have IVF-ready, financially qualified patients, but who don't yet have a fertility clinic.

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