

Theranos closing labs, laying off 340 following sanctions

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In this Nov. 2, 2015, file photo, Elizabeth Holmes, founder and CEO of Theranos, speaks at the Fortune Global Forum in San Francisco. Holmes announced Oct. 6, 2016, that Theranos will close its labs and wellness centers and lay off about 340 employees in Arizona, California and Pennsylvania. (AP Photo/Jeff Chiu, File)

Embattled blood testing company Theranos says it will shut down its clinical labs and wellness centers and lay off more than 40 percent of its full-time employees.

In an open letter released late Wednesday, Theranos CEO Elizabeth Holmes says the shutdowns "will impact approximately 340 employees in Arizona, California, and Pennsylvania." Theranos has laboratory facilities in Newark, California, and Scottsdale, Arizona.

Holmes personally lobbied the Arizona Legislature and Gov. Doug Ducey in 2015 to pass a bill that allows people to get a blood test without a doctor's order.

Holmes now says the Palo Alto, California-based company will now focus on its miniLab portable blood-testing product.

The move comes nearly three months after federal regulators banned Holmes from owning or running a medical laboratory for two years. Theranos is appealing the ban, which stems from an investigation of the California facility. The probe followed reports by The Wall Street Journal in which former employees said the company's tests were unreliable.

The company's struggles mark a setback for Ducey, who championed a law that allowed Theranos to open 40 wellness centers in Walgreens stores in the state as the first step in a plan to eventually expand the service across the nation.

Ducey touted the law as a way to open the state up to new and innovative businesses, and he signed the legislation with Holmes standing directly behind him. He's made it the focus of his administration to lure companies and jobs to Arizona by passing business-friendly legislation and eliminating regulations.

As Theranos began to falter, it continued operating five wellness centers in the Phoenix area and had a Scottsdale laboratory. All will close under the announced plan.

The governor's spokesman, Daniel Scarpinato, had no immediate comment on the Theranos development, but noted that other companies have jumped into the patient-directed blood testing market as a result of the law.

Theranos pitched a revolutionary technology that used a tiny amount of blood for routine tests. But problems with the machines led the company to do most tests using standard testing equipment.

An open letter from Holmes dated Wednesday said "our ultimate goal is to commercialize miniaturized, automated laboratories capable of small-volume sample testing, with an emphasis on vulnerable patient populations, including oncology, pediatrics, and intensive care."

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