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MEDICAL TOURISM: OUTSOURCING OF HEALTHCARE

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ABSTRACT

Medical tourism is growing and diversifying on a global scale. A recent trend shows that people from developed countries are traveling to developing countries for affordable healthcare. The objective of this study was to examine whether the growth in medical tourism will eventually lead to the outsourcing of U.S. healthcare services. The findings show that as long as people in developed countries lack affordable healthcare, medical tourism will continue to grow. There is already an outsourcing of manufacturing, technology and service related jobs. If the U.S. healthcare maintains its status quo it is highly possible that healthcare services may also be outsourced.

Key Words: medical tourism, healthcare, medical tourists, globalization, outsourcing, tourism

INTRODUCTION

Since ancient times, travelers have left their homeland for religious, business, and health purposes. Historical records show that early civilizations, such as the Romans (about 4 to 400 BC) were drawn toward the healing properties of “bath” or “spring” waters. In Europe, Germany’s famous spa “Bad Homburg” is well known for its saline springs or its healing waters, and in the United States, Hot Springs in Arkansas and Ojo Caliente in New Mexico are well known health destinations. While the healing power of natural spring waters might attract some, rich affluent people from developing countries have long been visiting the Mayo Clinic in Minnesota or the Cleveland clinic among other medical facilities in the United States for advanced quality medical care. Inbound medical tourism where patients are traveling from other countries to the United States is still growing and is successful. According to the Deloitte Center for Health Solution’s Report (2008), inbound medical tourism amounts approximately \$5 billion or 400,000 patients annually. However, a recent trend shows that people from developed countries such as the United States or the United Kingdom are travelling to developing countries such as Singapore, Thailand, Malaysia, and India to seek affordable and accessible healthcare (MTA, 2009c; Lagace, 2007; Arellano, 2007; Teh and Chu, 2005).

This globalization of healthcare has given rise to a new phenomenon called “Medical Tourism.” It is also called “Healthcare Globalization,” “Health Vacation,” “Wellness Tourism,” “Medical Outsourcing,” or “Generation Next Health Holidays.” Whatever the name, “Medical Tourism” is defined as travel outside one’s home country in search of healthcare that is either less expensive or more accessible. Medical tourism is growing and diversifying on a global level. The worldwide revenue from medical tourism has been estimated to be \$60 billion in 2006, and is projected to be \$100 billion by 2012 (Herrick, 2007). Developing countries that promote medical tourism, such as, Thailand, Singapore, Malaysia, and India among others have reported a revenue growth from 20 percent to 25 percent annually. In 2004, about 1.2 million patients travelled to India, and as many as 1.1 million visited Thailand. India is promoting the “high-tech healing” of its private healthcare as a tourist destination. At first India was drawing patients from South Asian and Gulf countries, but recently it is aggressively targeting patients from Africa, Europe, and North America. According to several studies, countries close to the United States, such as Mexico and

other Central and South American countries are attracting U.S. citizens (Bookman and Bookman, 2009; Carabello, 2008; Horowitz, 2007; Konrad, 2007; Taylor, 2007; Arnold, 2006; Mudur, 2004). The U.S. healthcare system is not only the most expensive in the world but estimated 50 million people have no health coverage and 130 million have no dental insurance. Approximately 25 million have inadequate medical insurance, and about 50 percent have difficulty in paying their bills (Common Wealth Fund, 2007; Taylor, 2007). According to the 2008 Deloitte Survey, 90 percent of U.S. health consumers would consider going abroad if the costs were reasonable, and 40 percent would consider having an elective procedure performed in a foreign country if they could save 50 percent or more and are assured that the quality is equal or better than what they can receive in the United States. In addition, as 75 million baby boomers are headed towards retirement, they are looking for other medical options. With increased retirement costs at home, already 1.2 million Americans and Canadians retirees live in Mexico (MTA, 2009c). According to a study conducted by the National Center for Policy Analysis (Carabello, 2008; Herrick, 2007), an estimated 500,000 Americans went across the border for treatments in 2005 and about 250,000 Americans sought care in Singapore. The Deloitte Center for Health Solutions (2008) study reported that as many as 750, 000 Americans received offshore medical care in 2007 and this number is projected to increase to 23 million by 2017. It is evident that medical tourists are travelling to far-away places for medical procedures such as, dental work, cosmetic surgery, cardiac surgery, knee and hip replacement, gastric bypass, spinal fusion, and rhinoplasty.

Given the growth in medical tourism and Americans seeking affordable healthcare options abroad, the objective of this exploratory study was to examine whether this growth will eventually lead to the outsourcing of U.S. healthcare services. In order to fully understand, topics relating to growth, economics, healthcare issues, medical tourists' profile, and challenges and concerns of medical tourism will be discussed to substantiate the findings.

GROWTH AND ECONOMICS OF MEDICAL TOURISM

As mentioned earlier medical tourism is a growing phenomenon that involves economic benefits and healthcare concerns. Some of the reasons for the growth in medical tourism can be attributed to lack of health insurance and higher health costs at home, economic crisis, globalization, technological advancements in the medical field, medical tourism web sites, personal reasons, affordable travel deals, and a persistent effort by developing countries to attract medical tourists. In countries like Canada and the United Kingdom, the universal healthcare system can sometimes create long waiting time or lack of coverage, and may force people to pursue treatment offshore. The U.S. healthcare industry faces unprecedented increases in costs, in addition to an estimated 50 million uninsured or underinsured. As a result of the ongoing financial and economic crisis thousands of people are not just losing their jobs, but eventually their medical benefits. In addition, in face of tough economic times many corporations are scaling down on employee benefits. It is not just the individual patients but also the insurers and employers, if reports are to be taken seriously, are looking for affordable health options abroad.

Table 1
Cost Comparison for Medical Tourists

Procedure	U.S.	India	Thailand	Singapore
Heart bypass	\$130,000	\$10,000	\$11,000	\$18,500
Heart valve replacement	\$160,000	\$ 9,000	\$10,000	\$12,500
Angioplasty	\$ 57,000	\$11,000	\$13,000	\$13,000
Hip replacement	\$ 43,000	\$ 9,000	\$12,000	\$12,000
Hysterectomy	\$ 20,000	\$ 3,000	\$ 4,500	\$ 6,000
Knee replacement	\$ 40,000	\$ 8,500	\$10,000	\$13,000
Spinal fusion	\$ 62,000	\$ 5,500	\$ 7,000	\$ 9,000

Source: American Medical Association, June 2007

Though there are a variety of reasons for the growth in medical tourism, it is the economic benefits that forces people with no or lack of medical insurance to seek healthcare across the border. Table 1 shows a cost comparison of medical procedures in different countries as reported by the American Medical Association (AMA, 2007). It is evident that medical procedures in the U.S. are 8 to 10 times more expensive when compared to Singapore, Thailand, and India. For example, a heart bypass costs \$10,000 in India, \$11,000 in Thailand, \$18,500 in Singapore, and \$130,000 in the U.S. According to another report, countries in South America charge about \$100 to \$200 for an MRI as compared to \$1,000 in the United States. A thorough physical exam costs about \$125 in India as compared to \$4,000 in the United States (Herrick, 2007). Some of the reasons as to why hospitals abroad are able to provide affordable care are because of low labor costs, low maintenance costs, lack of or low malpractice liability expenses, fewer regulations, and a weak monitoring system. In addition, the currency exchange rate between the United States and developing countries creates a good value for the dollar.

With medical savings of 90 percent to 50 percent, it is not just the individuals or the uninsured that are considering overseas medical options. Many employers and insurance companies faced with rising healthcare costs at home are also considering or have already started sending their workers overseas for affordable healthcare. Insurers like Blue Cross Blue Shield are finding it cost effective (Dusen, 2007; Arnold, 2006;). Even after employers or insurers waive co-pays and deductibles, and add in airfare and spending money for a patient and a companion, they can still save \$40,000 to \$60,000 depending on the procedure (MTA, 2009b). The BlueShield of California's Access Baja Plan offers people living near the border an opportunity to receive medical care in Mexico. According to the MTA (2009c) reports, Surgical Tip has joined with USNow to offer medical tourism to all its members and Healthbase has collaborated with WellPoint Blue Cross Blue Shield to handle their pilot program of offering medical tourism for Americans traveling to India. According to the International Federation of Health Plans reports, almost 11 percent of U.S. employers are currently offering medical tourism and about 73 percent of U.S. companies might offer CDHP (Consumer Driven Health Plan) that can help people to seek healthcare overseas and can save them the deductibles and coinsurance payments (MTA, 2009c).

Besides regular and routine care, people are also seeking innovative or alternative medical treatments when they travel abroad. For example, stem cell therapy for any number of reasons may not be available in most Western countries but may be more readily available in less developed countries. One example of alternative treatment is India's "Wellness Tourism" that includes spa, yoga, and Ayurveda based on a system and philosophy of ancient Indian health treatment. To protect their identity, cosmetic surgery or drug rehabilitation patients often seek far away destinations. It is also evident that globalization and technological advancements have further boosted medical tourism operative systems. For example, a patient's records and files can be instantly transferred to any destination. In addition, internet has played an important role in providing user friendly medical tourism information. Travel agency web sites that promote medical tourism have become an integral part of the medical tourism industry. They provide legitimacy, reassurance, and travel ease to patients and also make cultural or language barriers less intimidating. These sites advise the patient on finding the appropriate facility in the right country for their condition, handle all travel arrangements, teleconference with physicians, transport medical documentations, and often help with insurance logistics.

In addition to affordable costs, the appeal of five star hotels with personalized service and an option to recuperate in tropical setting are some other reasons people seek healthcare abroad. Many hospitals overseas that treat foreign patients operate like five star resort hotels with personalized service and luxury amenities. These facilities are designed to provide maximum comfort to the guest, for example: discreet expedited check-in process; separate entrance and private elevator; specialized floors with nurse stations; concierge lounge or solariums; outdoor natural seating to maximize therapeutic benefits; shaded areas for cosmetic surgery patients; facility layout to accommodate wheelchair or mobility assistance equipment; special in-room services; adjustable beds and movable chairs; medical friendly bathroom design and fixtures; and suites or adjoining rooms for accompanied family member (Cormany, 2009). In some eastern European countries "Medi-spas" hotels are becoming very popular.

These hotels not only provide accommodations but have facilities for a wide range of medical procedures such as LASIK eye surgery, cosmetic/plastic surgery, dental care, and a wide range of medical procedures. Another attraction for patients to visit developing countries is that they get to recuperate in a pampered tropical setting. Depending on the type of medical care received, patients usually are treated to local sightseeing experience as part of their overall package. However, the recreational aspect of medical tourism may be minimized in more serious cases.

Some countries for example, Singapore, Thailand, Malaysia and India have long established themselves as medical destinations, and countries like Costa Rica, Turkey and Mexico are just entering the medical market. One of the important reasons for these countries to promote medical tourism is its economic benefits. Like mass tourism, medical tourism generates foreign revenue along with economic development for the host countries. It creates job opportunities and increases the multiplier effect. It also provides improved infrastructure and facilities that can be used by local citizens. There is also a possibility of using part of the revenue generated by medical tourism to improve local health programs. In addition, it also improves the image of the country as a future tourist destination.

PROFILE OF A MEDICAL TOURIST

In this study a medical tourist is defined as a tourist who travels outside one's home country in search of healthcare that is either less expensive or more accessible. It can also be expanded to include someone who is either receiving or providing healthcare, or someone who travels to gain medical knowledge or to participate in medical conference and meetings. Therefore, a medical tourist can be a patient, a provider, a vendor, an administrator, or any interested party that is involved in providing or receiving medical care. This group of tourist is mostly from affluent regions such as the United States, Western Europe, and the Middle East and visiting developing countries such as Thailand, Malaysia, Singapore, India, and Mexico among other countries. India mostly attracts the Indian Diaspora in the United States, Britain, and Middle East, whereas Malaysia primarily focuses on the Middle East population because of its religious sensitivities. Thailand mostly targets the Japanese market and has trained its healthcare providers to speak Japanese (Connell, 2006). In the United States, people with less time or in need of relatively quick medical care seek options in Mexico or South America.

Since medical tourism is a relatively new phenomenon, there is not much published data available. However, based on a patient survey conducted by the Medical Tourism Association (MTA, 2009a), a medical tourist profile is generated. According to this survey, about 83 percent of patients who seek healthcare abroad travel with companions and 49 percent get their information from the Internet. About 32 percent travel for weight loss and 22 percent for orthopedic procedures. A good majority (93 percent) participated in tourist activities like site seeing, dining, and experiencing local culture. About 51 percent said they used a travel company to facilitate travel arrangements. It can be safely assumed that westerners are a little hesitant to seek medical care in developing countries, but in this study about 70 percent rated the medical services received abroad as excellent and 27 percent found the services to be very good. Another misconception about developing countries is that host language could be an issue. To about 70 percent of the survey participants language was not a barrier, whereas 29 percent did experienced some language problem occasionally, but said it did not affect their overall experience. Going abroad for medical treatment can be a little unnerving for some but it was evident that almost 60 percent said they felt "very safe," 37 percent were "safe" and only 7 percent were "somewhat safe" abroad. One of the advantages of medical tourism is that patient receives more personalized service and in this survey a large majority of the participants (85 percent) agrees with that notion. The survey contributors were so impressed by the service and treatment that 93 percent said that they would recommend a friend or family, and 88 percent were willing to travel abroad again if needed. The survey results also showed that 42 percent of the people who sought medical care abroad used health insurance and about 58 percent did not have any health care benefits. To 81 percent of the survey participants' hospital accreditation was very important, whereas 17 percent were not looking for hospitals abroad to be accredited. Approximately 76 percent felt they were not concerned about filing a lawsuit in a foreign country in the event of a medical malpractice. No other information was available to substantiate these findings.

CHALLENGES AND CONCERNS

In order to seek affordable healthcare abroad, people from western countries can face a variety of challenges and concerns. Some of these challenges can be the quality of medical care offered abroad, success rate of the hospital selected, post surgical complications and its costs, insurance coverage, travel regulations, unethical marketing, concept of two-tier pricing, socio-cultural issues, privacy issues, and healthcare ethics. The biggest drawback for developing countries is the Western patients' concern of getting adequate healthcare in a developing country. In order to address this concern, patients can seek hospitals which are accredited by the nonprofit Joint Commission International (JCI) or International Organization of Standardization and those that are affiliated with major American institutions. They can also verify the hospital's records, such as the number of procedures performed and the success rate of the hospital. Currently, Joint Commission International accredits 140 international hospitals in 30 countries. The accreditation demonstrates a high quality patient care in a safe environment using infectious disease control measures. Many foreign hospitals that cater to medical tourists are already affiliated with well known Western hospitals and have physicians educated and trained in the United States, Canada, Europe, or Australia. If the trend towards medical tourism continues, stricter measures including continuing education, credentialing, and certification services may be required to satisfy patient concerns.

Other traveler's concerns can be related to insurance coverage. Knowledge of insurance policies while travelling to overseas medical facilities is also recommended. Some companies extend their insurance coverage beyond their own borders. For example, in India, Canadians get 75 percent of their expenses reimbursed after treatment (Mudur, 2004). Another obstacle medical tourists can face is entry requirements such as visas and duration of stay in the host country. There are too many medical tourism websites and illegal web marketing can also pose a threat. Tourists should use a reliable travel agency and ask for references. In addition, it would be advisable for the patients going abroad to research the price regulations to avoid any misinterpretations of costs since many developing countries use two-tier pricing: one cost of services for the tourist and another for local citizens. Post surgery complications can be another challenge for foreign patients, which may create future problems and extra health costs. Lengthy air flights where a post surgical patient is in a fixed position for hours at a time can cause major complications, such as, venous thrombosis (DVT) or even embolisms.

Besides the above mentioned concerns, medical travelers may have to deal with socio-cultural, legal, privacy, or ethical issues. For example, language can be a barrier, meals and serving style may not be very appealing, or sanitation can be questionable. These tourists may also experience post surgery complications on returning home and have to bear the extra costs when they realize that they cannot take any legal action because of poor malpractice laws abroad. In addition, in the United States inpatient hospital care, lodging and meals are tax deductible and can be reimbursed. However, offshore patient care cannot be reimbursed. Patient privacy rules in the United States are very strict, but in many Asian countries it is very relaxed. In many developing countries that promote medical tourism, its own citizens live in poverty and have no proper healthcare facilities. While the private sector provides state-of-the-art facility for foreigners, in its own backyard thousands of local people are homeless without proper basic human needs. This may cause an ethical dilemma, which some developing countries like India and Thailand address by demonstrating that the revenue generated by medical tourism is transferred into improvements for the local community. The growth in medical tourism shows that in spite of the above mentioned challenges and concerns, travelers are looking for affordable medical options overseas.

CONCLUSION

Medical tourists are traveling from one country to another for healthcare reasons. It is evident from the above discussion that medical tourism is a growing phenomenon in the global health landscape with effects far reaching the developed and developing countries. This can impact not just the consumers and their physicians, but also employers, insurance companies, American hospitals, and other industry stakeholders. It has been well

documented that hospitals in developing countries provide low cost healthcare to foreign medical tourists. For economic benefits many developing countries are seriously promoting affordable quality healthcare. It has also been reported that the insurance companies have started to offer international provider networks for the insured and many employers have initiated the use of medical tourism facilitators. Furthermore, global technological and communication resources are facilitating access to healthcare destinations. The global economy is forcing American businesses to seek new efficiencies to remain competitive. Some professional service organizations, such as accounting and consulting firms are outsourcing work to developing countries. Also, many manufacturing, technology and service related jobs have already been outsourced to minimize labor and overhead costs. In order to be cost effective, hospitals and insurance companies will increasingly consider offshore alternatives as long as outsourcing saves money and provide high-quality services. If the healthcare system in the United States maintains its status quo it is very possible that healthcare services like manufacturing and technology services may also be outsourced. If the current growth in medical tourism continues, it is very likely that developing countries can pose a threat to the United States healthcare services similar to the challenge foreign based “call centers” pose to domestic service centers. The trend has already started if reports are to be believed, it is a matter of time as to how far it will go or who all it will cover.

In this study efforts were made to explore as much information as possible to present an overall view of the growth trends in medical tourism. Since medical tourism has just started to get attention, most of the information available is qualitative and not many studies report quantitative findings. Most of the information is online or in trade magazines and very little in the academic journals. Given the importance and attention given to healthcare reforms in the United States these days, the discussion and findings of this study are of value to all those that have a stake in anticipated healthcare reforms or the state of healthcare system.

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