Why medical tourism remains a growth industry

Contributed by **the Economist Intelligence Unit** - Published 19 May 2009

Travelling abroad for medical treatment is expected to grow in popularity in coming years

The image of overseas travel for medical treatment, once largely associated with cosmetic surgery or holistic treatments in warm climates, is getting a makeover. No longer seen as the preserve of a privileged or adventurous few, health tourism has widened in scope to encompass dental care in Hungary, hip replacements in India and even coronary bypass surgery in Tunisia.

The growth in medical tourism over the past four to five years has been accelerated by several factors, including a growing gap between health costs in industrialised countries and the developing world, greater confidence in the safety and quality of overseas care as more foreign providers receive accreditation from international healthcare organisations, and a greater willingness of patients to travel for elective treatments, according to analysts and health tourism experts.

Although those interviewed see numbers levelling out in the short term as the global economic downturn cuts into discretionary spending, few expect the number of travelling patients to contract in the future.
While some medical travel continues to be motivated by the traditional desire of patients to seek out treatments not yet approved or available in their home countries, it is increasingly driven by a greater sensitivity to health costs, according to Keith Pollard, managing director of Treatment Abroad, an online health tourism information service.

"The last three or four years have seen low-cost-driven medical tourism develop [to an extent that] it hadn't existed before," he says.

Competition

While just a handful of countries were major global health tourism destinations five years ago, the number has risen to around 30 today, which means "tremendous competition" among some of the newer health provider nations, according to Jonathan Edelheit, president of the Medical Tourism Association in West Palm Beach, Florida, which provides education and networking skills to hospitals and governments looking to build their brands and attract patients.

Destinations include Mexico, Costa Rica and Brazil in Latin America, Hungary in Eastern Europe, and Malaysia, India, Singapore and South Korea in Asia. All offer procedures that are often a fraction of the cost of the same

treatment in Europe or North America.

South Korea, Mr Edelheit notes, is a good example of a country that is aggressively marketing itself to medical tourists, with the government and hospitals joining ranks to form a medical cluster for which the hospitals are putting together a huge budget to be matched by the government. "They are marketing as a single market and promoting Korea as a destination of quality," he adds.

And as host countries learn to market their healthcare systems to these visitors, insurance companies are also stepping up their game.

"We're working with insurance companies all over the world—in Turkey, Russia, Israel, Jordan and Latin America—and they are all going into medical tourism," confirms Mr Edelheit. "In some places, providers are doing it to get more structure into place; in other cases, companies want to be able to start educating their patients on quality of care in different regions."

Governments are also under pressure to make it easier for their citizens to access medical care outside their home countries. European Union member states are now required to offer their citizens the opportunity to travel elsewhere in the EU for treatment following a European Court of Justice ruling from 2006. The European Cross-Border Health Directive, currently working its way through the European Parliament, is expected to codify the framework under which intra-European health tourism will operate.

While the popular destinations for health tourism are easily identifiable, comprehensive data about the tourists themselves is thin on the ground, with most studies focusing on individual countries providing the "outbound" traffic. The result is often sharply conflicting numbers. In just one example, a 2008 report by McKinsey & Co offered a conservative estimate of 60,000 to 85,000 US citizens travelling abroad for medical treatment each year, compared with an estimate of 750,000 annually in a 2008 report by the Deloitte Centre for Health Solutions, a research arm of Deloitte Consulting.

Who goes where?

So who is travelling and why? US, European and Canadian citizens face the highest medical costs and are mostly likely to seek lower-cost treatment outside their home countries. Some European and Canadian travellers have also been motivated by a desire to avoid waiting lists, although given that their citizens are covered by national healthcare plans, many are staying closer to home during the current economic downturn, according to those interviewed.

As a result, US citizens—some 50 million of whom have no healthcare insurance—are making up a growing percentage of health tourists. The cost

of some elective surgeries and treatments in Asian countries such as India, Thailand and Singapore can be as little as 10% of the cost of comparable care in the US, according to the Deloitte report. The average uninsured American has a salary of around US$50,000 a year, Mr Edelheit says, giving many more flexibility to shop around for their health needs.

At the same time, the number of "outbound" health tourists from Europe and North America continues to be more than matched by the traditional flow of wealthy "inbound" patients from the Middle East and other countries attracted by the expertise on offer at world-class medical research centres in Europe and the US.

"Medical tourism is largely driven by the perception of people travelling hundreds of miles to get treatment on the cheap, but London and Germany are the main centres of [European] medical treatment," says Mr Pollard of Treatment Abroad. "In the UK, the numbers say that the value of incoming patient spend is significantly higher than the value of outgoing patient spend."

Health officials recognise that the trend is here to stay. Last year, the American Medical Association issued guidelines on medical tourism for insurance companies that offer coverage for such care. It stipulated that, among other things, patients should only be referred for medical care to institutions accredited by international accreditation bodies, and that arrangements should be made for local follow-up care and financing to ensure continuity of care when patients return from medical care outside the country.

Capacity constraints

While the number of tourists from developed countries going abroad for care is expected to grow exponentially over the next three to five years, according to Deloitte, the pace should slow in subsequent years owing to capacity constraints.

Other outstanding issues remain to be addressed, including questions of liability and responsibility for potential malpractice issues; continuity of insurance coverage and patients' ability to receive follow-up care in their home countries for procedures they have undergone abroad; and a push to extend international credentials to foreign health providers.

Nevertheless, with national health budgets under strain worldwide and medical innovation continuing to develop at a brisk pace, many patients with the means and mobility will continue to value the opportunity to seek treatment far from home.

An article written by the Economist Intelligence Unit, commissioned by Philips