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## Issues Monitor

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## **Mark Britnell**

*Chairman, KPMG's Global Healthcare Practice*

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Keeping up to date with the very latest and most pressing issues in healthcare can be a challenge, and while there is no shortage of information in the public domain, filtering and prioritizing the knowledge you need can be time consuming and unrewarding. I hope that you find *Issues Monitor* useful and I welcome the opportunity to further discuss the issues presented and their impact on our sector.

A handwritten signature in black ink, appearing to read "Mark Britnell", with a horizontal line underneath it.

Welcome to the May edition of *Issues Monitor – Healthcare*. Each edition pulls together and shares industry knowledge to help you quickly and easily get briefed on the issues that affect your sector.

In our continuing series of Issues Monitors for Healthcare, this issue examines the global trend of medical tourism, including the driving forces behind its recent boom, its risks for consumers and providers, and insights into who is poised to dominate this market in the future.



# Medical tourism gaining momentum

Today, people can easily travel around the world to take advantage of cost-effective, quality medical care, and many low-cost destinations with world-class medical capabilities are attracting an increasing number of medical tourists. Consequently, medical tourism is fast becoming a global multibillion dollar industry. Patients are travelling abroad not only for discount cosmetic surgeries with a quick recovery, but also for cheaper hip replacements, sophisticated cardiovascular surgeries, dental work and infertility treatments.<sup>1</sup> Many countries plan to leverage medical tourism as a two-pronged strategy to boost their healthcare services and tourism industries.<sup>2</sup> By fostering its presence in the medical tourism space, a country can stimulate economic growth, attract foreign currency and create employment opportunities; however, risks for both the consumer and the provider remain.<sup>3</sup>

## Booming medical tourism industry



The global medical tourism industry is growing at a rate of 20–30 percent annually, and by 2012, is expected to reach US\$100 billion, up from US\$78.5 billion in 2010.

Healthcare provision globally is changing rapidly and becoming more complex, particularly in developed nations. Patients are increasingly using the internet to better understand their situation and make informed decisions when choosing a healthcare provider.

Until recently, healthcare providers had operated as semi-monopolies, with an unlimited flow of customers and guaranteed revenues. Now, however, consumers have greater choice, and this has led to more competition. Healthcare services are being offered through a retail-oriented marketing model, and healthcare organizations have found that they have to market their

services to increasingly discriminating consumers.<sup>4</sup>

This concept of healthcare consumerism has also boosted the medical tourism industry, which, while not a new concept, has become popular with patients in recent years.

Whereas tourism has slumped during the recession, medical tourism is growing as patients in developed countries realize that they can avoid paying high medical costs in their home countries.<sup>5</sup> Currently catering to over 3 million patients, the global medical tourism industry is growing at a rate of 20–30 percent annually, and by 2012, its market size is expected to reach US\$100 billion, up from US\$78.5 billion in 2010.<sup>6, 7</sup>

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“Touching its peak over the past few decades, medical tourism is a direct result of globalization of healthcare. There is a genuine and boosting opportunity emerging for Asian and Middle Eastern countries, which are catering to the healthcare requirements of developed countries like the US, Canada, the UK and other European countries, where the cost is 75–90 percent higher”

– Dr Prem Jagyasi, Chief Strategic Officer, Medical Tourism Association, US<sup>8</sup>

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## Market drivers and constraints

Many factors influence a patient's choice to travel to a particular country for medical treatment. The prime reasons are geographical proximity and cultural similarities. As Mexico has the advantage of being right across the border from the US, it attracts many medical tourists from its northern neighbor. In Asia, Thailand has become a medical tourism hub, owing to its central location and well-developed tourism industry, which offers a wide choice of hotels and resorts.<sup>9</sup>

There are other factors as well which prompt patients to consider travelling abroad for medical care.

### Lower Costs

Every patient wants to get the most for their money, and since healthcare

comes at a much lower cost in developing countries, patients are going to Brazil, Costa Rica, India, Malaysia, the Philippines and Thailand for medical treatment.<sup>10, 11</sup> Every year, 85,000 Americans choose to travel abroad for medical procedures.<sup>12</sup> Approximately 32 million US citizens are uninsured, and 250 million are underinsured. Consequently, they go abroad not only for plastic or cosmetic surgeries, but also for more complex procedures such as hip replacement and heart surgery. Depending on the country and the type of treatment, they can save as much as 85 percent of total costs.<sup>13, 14</sup>

Table 1 compares the prices of certain medical procedures in the US with those in a few of the prime medical tourism destinations.<sup>15, 16, 17, 18</sup>

“Every year, 85,000 Americans choose to travel abroad for medical procedures.”

**Table 1: Comparative prices for medical procedures (US\$)**

Procedure	US*	India	South Korea	Taiwan	Singapore	Thailand
Coronary artery bypass surgery	70,000–133,000	7,000	31,750	27,500	12,900	22,000
Bypass surgery with heart valve replacement	75,000–140,000	9,500	42,000	30,000	12,500	25,000
Hip replacement	33,000–57,000	10,200	10,600	8,800	15,000	12,700
Knee replacement	30,000–53,000	9,200	11,800	10,000	13,000	11,500

\* US hospital prices for patients without insurance coverage



A 2008 survey by a professional services firm revealed that 40 percent of patients opt for medical tourism to take advantage of advanced technology.

Similarly, medical tourists from the UK can save up to 80 percent on some common medical treatments abroad, according to the *2009 Treatment Abroad PriceWatch* survey. This survey revealed that varicose vein treatment in Poland is 84 percent cheaper than in the UK, and a forehead lift in Cuba can save the consumer 87 percent.<sup>19</sup>

Pune, India, has already become a major hub for medical tourism. It has also been attracting patients from the Middle East for medical procedures such as rectifying defects caused by mine and bomb blasts, because costs in developed countries are prohibitive.<sup>20</sup>

#### Better technology and wider treatment options

Technology, competency and the availability of treatment options that

may not exist at home are luring many medical travelers to medical tourism destinations.

Doctors in medical tourism hubs, particularly surgeons, have been trained in prestigious medical institutions and hospitals in the US, Europe and Australia, which has increased patient confidence in the treatments available.<sup>21</sup>

Leading physicians are also returning home with global expertise and establishing world-class medical facilities to cash in on this opportunity. Leading US-based cardiac surgeon Naresh Trehan returned to India and started the Escorts Heart Institute and Research Center, which eventually became a leading destination for sophisticated cardiac surgeries, with success rates higher than the global average. In 2005, the death rate for coronary bypass patients at Escorts was close to 0.8 percent and the infection rate at 0.3 percent, well below the first-world averages of 1.2 percent and 1 percent, respectively.<sup>22</sup>

A 2008 survey carried out by a professional services firm revealed that 40 percent of patients opt for medical tourism to take advantage of advanced technology, and 32 percent for better quality care, while only one in eight patients travel to save on costs.

Cultural and legal barriers also prompt patients to seek medical treatment abroad. For instance, in certain countries patients may not have access to stem cell treatments, abortions or sex-change surgeries, for legal or cultural reasons.<sup>23</sup>



In the UK, waiting lists are long and the cost of in-vitro fertilization (IVF) is soaring, leading more women to look abroad for egg donation schemes.<sup>24</sup> Another major factor driving people abroad for egg and sperm donation and IVF treatment is the increasingly stringent legal restrictions in their own country. Both the UK and Scandinavia ended their guarantees of donor anonymity, resulting in shortages of sperm and egg donations. Consequently, more UK couples are going to India for treatment, as it offers a ready supply of donor eggs and is far less regulated.<sup>25</sup>

#### Long waiting periods

Cost is not the only factor driving the medical tourism industry. In Canada and the UK, the long wait times for

many non-urgent or elective procedures are the key reason driving patients abroad for medical treatment. A patient might have to wait for 19 weeks just to get a referral to a neurologist for a migraine, according to 2009 data.<sup>26</sup>

According to the Canadian Wait Time Alliance Report Card, issued in 2010, 30 – 40 percent of patients in need of knee replacement surgery wait longer than the government benchmark for acceptable care which is 26 weeks.<sup>27</sup>

#### Tourism / Vacation

Another reason patients choose certain medical tourism destinations is the fact that these places are also attractive tourist destinations.

Traveling long distances immediately after surgery can increase the risk of

complications, particularly if the travel is by air. To avoid this, patients often allocate time for rest and recovery in the destination country.

For example, the Philippines is known not only for its qualified doctors, but also for its exotic vacation spots. For medical tourists, it offers a place to recover after a medical procedure. Therefore, a medical travel package may include flights, transfers, accommodation, chauffeured city travel, a bilingual personal assistant and even a post-operative vacation. This vacation phase may be not just an added attraction, but a necessary follow-up for certain medical procedures. With these various benefits and attractions, medical tourism promises cost-effective and convenient options — including renewed mental health.<sup>28</sup>

## Emerging trends in the business of medical tourism

#### Mergers, collaborations and expansions

Healthcare providers in major medical tourism destinations are following various strategies — such as mergers, collaborations and expansion — to grab the maximum share of the rapidly growing medical tourism market.

In January 2011, Malaysia's Parkway Holdings revealed its plans to build the largest private hospital in the Malaysian state of Sabah. The 200-bed Gleneagles Medical Center Kota

Kinabalu — which will cost over MYR200 million (US\$65.4 million) — is set to break ground by the middle of 2011, and construction is to be completed by early 2014.<sup>29, 30</sup>

In December 2010, Thailand's hospital operator Bangkok Dusit Medical Services (BGH) announced that it will acquire the Health Network Group which operates the Phyathai Hospital group and the Paolo Memorial Hospital group to expand its healthcare network in Thailand and



Asia. This acquisition will add eight healthcare facilities to Bangkok Dusit's existing network of 19 hospitals and strengthen its presence in the healthcare sector.<sup>31</sup>

Indian healthcare providers are also increasingly investing in expanding infrastructure, at a time when the country is becoming an attractive medical tourism destination. In January 2011, Max Healthcare announced that it will invest approximately INR5,400 million (US\$118.3 million) to add four hospitals to its network by September 2011.<sup>32</sup> The company is also

open to buying hospitals with more than 100 beds in northern India.<sup>33</sup>

In January 2010, Apollo Hospitals opened its first state-of-the-art integrated healthcare and wellness center, the Apollo Hospital Lavasa, for which Apollo has acquired 200 acres of land. Phase One of the development is a 100-bed hospital, and Phase Two will involve the establishment of a one-stop comprehensive facility on the site.<sup>34</sup>

### Supportive government policy

Governments in these medical tourism destinations have been devising supportive policies and undertaking several initiatives to boost the growth of this industry in their respective countries. Table 2 outlines the stage of the medical tourism industry in the major hubs and the initiatives to promote growth in this industry.

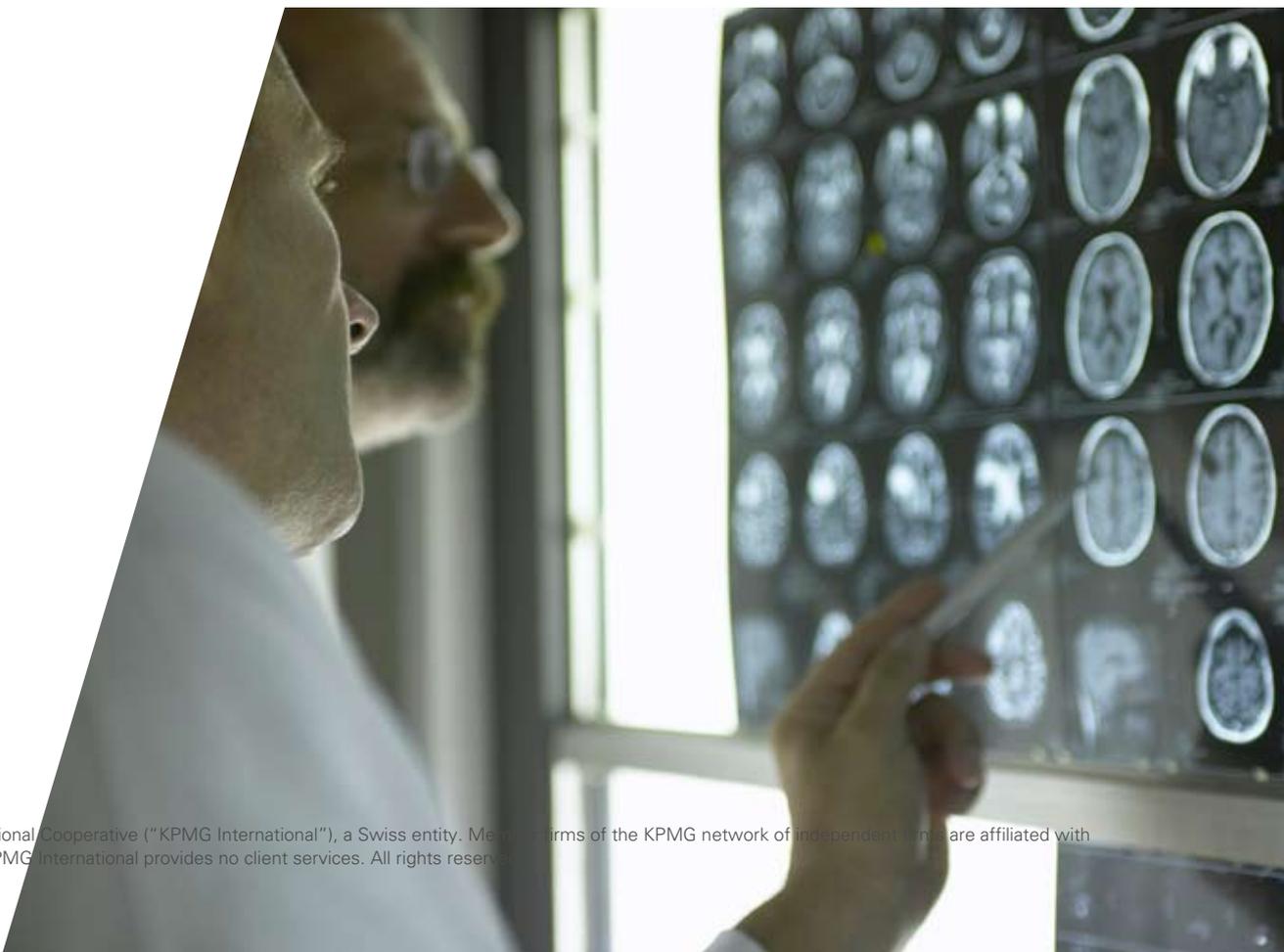
**Table 2: Stage of medical tourism industry in various countries, and growth initiatives undertaken by them to promote the industry**

Country	Initiative
Australia	<ul style="list-style-type: none"> <li>After a paper from the Department of Resources, Energy and Tourism (DRET) concluded that fostering a medical tourism market could be a boon for the Australian health and tourism sectors, the Australian government has been aiming to take advantage of the burgeoning medical tourism industry. The paper suggested that the country target 'sophisticated, wealthy' patients from developing countries who are seeking higher standards of medical care currently not available in their home countries.</li> <li>The government plans to spend A\$50,000 (US\$49,705) on a medical tourism scoping study, which will assess the current and future demand for Australia as a medical tourism destination.<sup>35</sup></li> </ul>
<b>ASPAC</b>	
Philippines	<ul style="list-style-type: none"> <li>The Philippine government is poised to expand its presence in the medical tourism industry. In 2009, approximately 100,000 medical tourists visited the Philippines, and each spent at least US\$2,000, according to the country's tourism department. Nevertheless, this number was well below the government's annual target of 700,000 medical travellers.</li> <li>The formation of the Health and Wellness Alliance of the Philippines (HEAL Philippines) — a partnership between the government and the private sector — in early 2010 was one such initiative aimed at elevating the country's status in the medical tourism industry. By generating awareness about medical tourism, this alliance is driving local governments to undertake their share of responsibilities in terms of establishing required infrastructure and other related preparations.<sup>36</sup></li> </ul>
Taiwan	<ul style="list-style-type: none"> <li>In December 2010, the Taiwanese government announced the establishment of a fund to help promote the country's medical tourism industry.</li> <li>With only 31 hospitals and medical institutions engaged in the medical tourism sector, Taiwan generates only US\$100 million from this business. The fund may help Taiwan strengthen its infrastructure and increase its share in Asia's medical tourism market.<sup>37</sup></li> </ul>

	Country	Initiative
	Japan	<ul style="list-style-type: none"> <li>• Although Japan has been slow to embrace and promote medical tourism, the Japanese government is now taking initiatives to support its growth in the country, in order to take advantage of its relatively lower healthcare costs compared to the West.<sup>38</sup></li> <li>• The Japanese government has added the lucrative medical tourism business to its new strategy as a part of its initiative to revive the country's economic growth. In July 2010, Japan's Economy, Trade and Industry Ministry announced plans to launch a new organization focused on medical tourism, to be jointly funded by the public and private sectors. The organization, which is expected to be launched in 2011 and fully operational by 2012, will partner with overseas medical institutions to attract overseas patients to Japanese hospitals.<sup>39</sup></li> <li>• By 2020, the country aims to attract 430,000 foreign medical tourists a year — for a market value of JPY550 billion (US\$6.4 billion), according to estimates by the Development Bank of Japan.<sup>40</sup></li> <li>• In December 2010, the Japanese government announced that it plans to ease visa requirements for patients seeking care at Japanese hospitals. Effective January 2011, Japan expanded the maximum stay for foreigners who are hospitalized in the country for treatment of diseases from three to six months.<sup>41, 42</sup></li> </ul>
ASPAC	Thailand	<ul style="list-style-type: none"> <li>• In 2009, 1.5 million foreign patients visited Thailand, more than double the 630,000 in 2004. By 2014, the country has set a target of generating THB400 billion (US\$12.2 billion) in revenue from foreign patients.<sup>43</sup></li> <li>• Although Thailand ranks first in Asia in medical tourist numbers, it ranks fifth when it comes to brand awareness and image.<sup>44</sup> Thailand is therefore looking to rejuvenate its marketing strategy.</li> <li>• In October 2010, the Tourism Authority of Thailand (TAT) revealed its plans to launch its new medical tourism website as a part of an online marketing campaign to help build the country's medical tourism sector. The website ThailandMedTourism.com will provide essential information relating to surgical procedures, health service providers, packages, promotions and destinations, as well as relevant recent news articles.<sup>45</sup></li> </ul>
	South Korea	<ul style="list-style-type: none"> <li>• In 2009, 60,201 foreign patients visited South Korea for medical treatment — more than double the 27,480 in 2008.<sup>46</sup> Many patients visit Korea for plastic surgery or regular checkups; however, the number of patients visiting to be treated for chronic and advanced illnesses is also rising. The city of Busan plans to construct more medical facilities and recruit 117 coordinators and 400 interpreters to attract more foreign patients and promote the country as an international medical tourism destination.<sup>47</sup></li> <li>• In April 2010, three American subsidiaries of Korean companies — Woori America Bank, Daewoo Electronics America and Daewoo International America — purchased a Korean insurance package, under which they will encourage their 350 American employees to fly to Korea for the treatment of 14 illnesses, including cancer and heart disease.<sup>48</sup></li> </ul>

	Country	Initiative
ASPAC	Singapore	<ul style="list-style-type: none"> <li>Over 2006–08, the annual number of medical tourists to Singapore jumped more than 16 percent, from 555,000 to 646,000 visitors. By 2012, the country aims to attract 1 million medical tourists.<sup>49</sup></li> <li>The government is promoting medical tourism with a network of high-quality clinics and hospitals that can cater to foreign patients. This is in addition to various drug manufacturers and biomedical research laboratories owned by large foreign pharmaceutical manufacturers that have established themselves here in recent years. Apart from the 15 hospitals that are equipped to treat foreign patients, the government has aggressively worked to attract top doctors and scientists from around the world and pushed for major foreign pharmaceuticals to establish operations.<sup>50</sup></li> </ul>
	India	<ul style="list-style-type: none"> <li>India's medical tourism market has huge potential. Over 2011–13, its medical tourism industry is expected to grow at a compound annual growth rate (CAGR) of 26 percent, to reach US\$3 billion, according to a recent report.<sup>51</sup> During the same period, the number of offshore medical tourists coming to India is anticipated to grow 19 percent, to reach 1.3 million.<sup>52</sup></li> <li>It is not only cost that makes India a lucrative medical tourism destination. Many Indian doctors have studied or worked abroad, and most hospitals are accredited by the National Accreditation Board for Hospitals (NABH) or the Joint Commission International (JCI), ensuring that they are safe and follow international standards.<sup>53</sup></li> <li>Moreover, India's medical tourism industry benefits from government support. Foreign tourists availing medical treatments in the country are now exempted from its standard two-month gap before re-entry. The only requirement is that the patients supply a detailed itinerary and proper supporting documentation.<sup>54</sup></li> <li>A large number of healthcare facilities focused on medical tourism are being established. The Kerala state government is establishing a medical-education city, in association with private developers. This will feature a super-specialty hospital, a diagnostic center and a wellness center, offering treatment in traditional systems of medical care, to cater to foreign patients.<sup>55</sup></li> </ul>
EMA	Dubai	<ul style="list-style-type: none"> <li>In only two decades, Dubai has transformed itself into an ultramodern city, capable of providing the finest goods and services. It is now promoting its medical tourism industry and cosmetic surgeries to patients around the world.</li> <li>Dubai has established Healthcare City, which became operational in 2010. It is claimed to be the largest international medical center between Southeast Asia and Europe.<sup>56</sup></li> </ul>
	South Africa	<ul style="list-style-type: none"> <li>South Africa has always been recognized for its medical tourism, owing to its medical innovation and international standards. It is popular for its high-tech yet affordable plastic and cosmetic surgery.<sup>57</sup></li> </ul>
	Israel	<ul style="list-style-type: none"> <li>With its world class medical facilities and qualified physicians, Israel attracts many patients from neighbor Middle Eastern countries.</li> <li>Generally, a medical tourist to Israel can save up to 50 percent of the cost of treatment over the US and the UK.<sup>58</sup></li> </ul>

Country	Initiative
US	<ul style="list-style-type: none"> <li>• The US spent around 15.3 percent of its GDP on Healthcare in 2006, according to the 2009 WHO World Health Statistics report.<sup>59</sup> New Healthcare reforms are currently being made to increase the efficiency and affordability of healthcare for the needy.</li> <li>• The country has always been an important destination for those patients seeking complex medical treatment due to its most advanced facilities and highly educated physicians and medical staff.</li> <li>• The recent economic slowdown and the decline in the value of the US dollar are again attracting tourists who seek advanced medical care at affordable prices.</li> </ul>
Americas Brazil	<ul style="list-style-type: none"> <li>• Brazil is a destination for global cosmoceutical companies and therapeutic equipment manufacturers to promote their products, as cosmetic procedures are poised to grow exponentially.</li> <li>• Brazil is in great demand for procedures such as liposuction, breast augmentation and buttock augmentation. Moreover, in light of the global recession, Brazil lowered its tax rates and offered tax deductions for cosmetic surgery, which is further expected to attract more tourists opting for such surgeries.<sup>60</sup></li> </ul>
Cuba	<ul style="list-style-type: none"> <li>• The Cuban government has always promoted medical tourism to the country. It generates around US\$40 million of revenue every year, and is growing about 20 percent every year.</li> <li>• Cuba has the distinct advantage of having one of the largest number of doctors per capita, across the globe.<sup>61</sup></li> </ul>
Mexico	<ul style="list-style-type: none"> <li>• Mexico's proximity to the US has been a major advantage for its medical tourism industry. Many of its physicians have been trained in the US, and are able to provide world-class healthcare at savings of 30–50 percent.<sup>62</sup></li> <li>• The country has become a top medical tourism destination, with 40,000–80,000 American seniors spending their retirement at healthcare and nursing facilities.<sup>63</sup></li> </ul>





## ASPAC and India lead the race

With the low cost of high-quality healthcare and its trained doctors, Asia has become the dominant player in medical tourism over the past few years. In 2010, it is estimated that over 4.3 million medical tourists visited Asia, generating revenue of over US\$6.7 billion. In the next few years, the medical tourism industry is set to experience massive growth. In addition, Asia can now boast of an increasing number of internationally recognized institutions. As of January 2010, there were 66 Joint Commission International-accredited hospitals in Asia, of which Singapore and India led the region, with 15 and 14 such institutions, respectively.<sup>64</sup> By 2012, Asia is expected to attract 5.6 million medical tourists, bringing in revenues of nearly US\$9.1 billion.<sup>65</sup>

India and Thailand not only provide high numbers of medical professionals to industrial countries, they also have hospitals that are comparable to some of the best in the developed world. India's Apollo Hospitals, a chain of around 53 hospitals, with nearly 8,500 beds, is the largest private healthcare provider in Asia. The Bumrungrad Hospital in Bangkok was the first Asian hospital to be accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).<sup>66</sup>

In 2009, India, Thailand and Singapore accounted for a majority of Asia's medical tourism.<sup>67</sup> It is estimated that by the end of 2013, India will have an impressive three percent share in the global medical tourism industry. Further, South Korea is also identified as one of the 'hot destinations' for medical tourism. The Medical Tourism Information Center at Seoul's Incheon International Airport can direct medical tourists to clinics for plastic surgery, dentistry, fertility, traditional medicine and more. By 2011, South Korea is planning to invest US\$315 million in developing an island exclusively for healthcare facilities. As for Singapore, many of its medical centers are known to provide high-quality healthcare and are accredited by Joint Commission International, which gives it a significant edge.<sup>68</sup>

Another benefit of Asia's medical industry is that it also offers traditional holistic treatments. India's ayurvedic medicine offers a wide range of herbal, massage and yoga treatments. Throughout the country, there are 3,371 hospitals and 754,985 registered practitioners offering traditional healthcare. Corporate houses are also collaborating with hospitals and hotels to capitalize on the opportunities in medical tourism.<sup>69</sup>



By 2012, Asia is expected to attract 5.6 million medical tourists, bringing in revenues of nearly US\$9.1 billion.

Bangkok's Bumrungrad Hospital has an international reputation for arthroscopy, tattoo removal and other specialties. Also Bangkok is known as a world-class center for gender reassignment surgery.<sup>70</sup>

Asia also has another ace up its sleeve; its scenic beauty and

climatic conditions are favorable to post-operation recovery. With all these advantages, Asian countries are gearing up their healthcare infrastructure to promote and cash in on the medical tourism industry, ensuring growth in the region.

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"The opportunity in the medical tourism industry lies in helping organizations adopt best practice models, processes and cost management effectiveness to reinforce service quality, safety and value for money."

*– Mark Britnell, Chairman,  
KPMG's Global Healthcare Practice*

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## Looking forward

Patients from developed countries are traveling abroad for medical care due to rising healthcare costs, demographic changes and delays in obtaining access to care at home. The rapidly aging population and a growing shortage of healthcare workers are exacerbating the healthcare supply–demand gap in the US, and this gap is likely to widen with the baby boomer population expected to hit their senior years, over the next four to five years.

Either way, the need for affordable healthcare will continue to grow, and individuals will continue to seek out novel opportunities to obtain care. This will

undoubtedly translate into continued growth in the medical tourism industry, and healthcare in these low-cost destinations must keep up with current practices and match global standards. Providers at these destinations must focus on the consumer and ensure that they remain competitive both in price and quality. Further, generating and providing reliable and valid data on quality, safety and health outcomes becomes imperative to the success of this industry, which requires coordinated efforts between private entities or public – private ventures and global healthcare regulators, agencies, and governments.

# Further Information

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