

From *Modern Healthcare*

Medical migration

A study projects Americans spending up to \$68 billion abroad by 2010 for treatment, but some doubt the trend's momentum

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When International Hospital Corp. opened the first of its 10 hospitals spread throughout Brazil, Costa Rica and Mexico, the Dallas-based provider's sole focus was to offer the kind of high-quality healthcare that had long prompted residents of those countries to travel to the U.S. for treatment.

That was in 1992. Over the past five years, however, a reverse pull has been felt, said Joseph Barcie, president of centralized services for IHC. The provider has found itself playing host to a steady increase of U.S. residents who are crossing borders in search of affordable, high-quality care. "It's surprised us," said Barcie, who noted 11% of IHC's patients now fall into the category of medical tourists—patients traveling abroad for care. Sixty-six percent of those patients are from the U.S.

IHC's medical-tourist population is increasing so steadily that late last year the provider created a medical-value travel department to work with foreign patients' home-based physicians in coordinating pre- and post-operative care, as well as travel arrangements. The department has grown from a single employee to eight in just six months.

According to a forthcoming study conducted by the Deloitte Center for Health Solutions, IHC's experience speaks to an emerging trend in medical tourism: The number of patients leaving the U.S. for medical treatment is growing at a faster rate than the number of patients coming in for treatment, said Paul Keckley, executive director of the center. And while such travel can reduce healthcare costs for Americans needing expensive surgeries and treatments, if the trend continues, it is likely to mean the loss of billions of dollars annually for U.S. healthcare providers.

The study, which was provided in advance of publication to *Modern Healthcare* exclusively, projects U.S. healthcare providers will lose nearly \$16 billion in revenue this year to outbound medical tourism. That figure is expected to grow to \$68 billion by 2010, up 325%. The number of Americans traveling abroad for care is expected to reach 6 million in 2010, up 700% from 750,000 in 2007, according to the findings. By comparison, 417,000 foreign residents traveled to the U.S. for treatment in 2007, and that number is expected to increase by fewer than 40,000 patients by 2010, up about 10%.

In 2006, according to the American Hospital Association, U.S. hospitals saw net revenue of \$587.1 billion, so the \$16 billion projected to be spent at overseas hospitals this year amounts to nearly 3% of that.

A loss of earnings isn't the only potential impact of a growing medical tourism trend. As other countries improve their healthcare systems and educational opportunities, often

through partnerships with large U.S.-based medical institutions, the U.S. is seeing a growing number of foreign-born providers and expatriates choosing to remain in or return to their countries of origin to practice. That may ultimately mean the U.S., which has long held an advantage in attracting highly qualified healthcare workers, will face greater competition in hiring physicians and nurses.

But while medical travel by U.S. patients is indeed a growing phenomenon, researchers and medical experts involved in the field acknowledge that it's too soon to know whether the growth can be sustained and how large an impact it will ultimately have on U.S. providers. Experts cite the lack of insurance coverage for overseas treatment and liability issues as caveats for the industry's expansion.

Cost and quality

While healthcare marketing companies and a number of foreign providers have been pushing the idea of outbound U.S. medical tourism for some years now, it is only recently that a confluence of drivers has come together to advance the trend of Americans traveling overseas for care. The increasing cost of healthcare is clearly one of those, said Mike Merson, director of the Duke Global Health Institute, which has medical-services and educational partnerships in China, Singapore, Tanzania and Uganda that focus on improving healthcare quality and access in underserved areas.

“We talk about the uninsured, but we also have problems with the partially insured,” Merson said of the U.S. healthcare system. “Those are the people who find they can go places like India where they can get less expensive care.”

With a growing number of U.S. employers offering high-deductible healthcare plans, and with copayment rates increasing on full-coverage plans, some Americans find it more affordable, even after accounting for travel expenses, to head to another country for care. The savings can be substantial, according to the Deloitte study, which compared what the average U.S. hospital charges for several common surgeries with the average cost a patient can expect to pay for those same procedures at some international hospitals, plus airfare.

For the comparison, Deloitte calculated U.S. hospital charges based on Medicare DRG and physician CPT codes, while its calculation for foreign-provider services was based on an average of the three lowest costs quoted by hospitals in 21 countries. The research shows that a hernia repair, which typically costs \$5,400 at a U.S. hospital, is only \$1,800 at one of the foreign hospitals included in the study. Knee repair surgery can run \$12,000 stateside but just \$1,400 overseas.

Not all of the foreign hospitals in Deloitte's study are accredited by Joint Commission International, or JCI, and critics of the effort to market health travel as a touristlike excursion point to care at a facility with unknown standards as one of the risks Americans face when pursuing care outside the U.S. Others are concerned that the marketing of less-expensive international healthcare services takes the focus off cost and payment reform in the U.S.

Medical travel “is not something patients by themselves will seek to do,” said Richard Wade, spokesman for the AHA. “It will be a product of what happens with the insurance companies. More and more of the expense of care is falling on patients, and there will be more and more pressure for patients to leave their homes and go overseas for less-expensive care.”

The Deloitte study is not the first to verify the broad price differences between the U.S. healthcare system and other high-standard systems in less economically privileged countries. A November 2007 study from the not-for-profit think tank National Center for Policy Analysis found, for example, that U.S.-accredited hospitals in India typically charge just \$10,000 for heart bypass surgery that would cost between \$95,000 and \$200,000 in the U.S. Hip-replacement surgery that would run between \$31,000 and \$75,000 here can be had for as little as \$12,000 at a JCI-accredited hospital in Singapore.

Both economy of scale and simpler healthcare reimbursement systems that feature fewer middlemen and a greater orientation toward cash payment or a single-payer insurance model help keep the cost of care overseas significantly lower than typically found in the U.S., explained Jeffrey Moe, adjunct associate professor at Duke University’s Fuqua School of Business. “I think, as you see other cultures where the (healthcare) outcomes look very favorable then we’ll see more people questioning why we can’t provide that level of care at similar costs,” he said.

Cost doesn’t stand alone as a driver of the medical tourism trend, however. Improved healthcare quality in nations that previously had inconsistent care standards is an equally, if not more, important factor. Countries such as Brazil, India, Mexico and Singapore are claiming increasing numbers of accredited hospitals and medical schools, as well as board-certified physicians and nurses. According to the JCI Web site, there are 10 hospitals in Brazil, eight in India, two in Mexico, 12 in Singapore and four in Thailand that have received accreditation through the standards agency. Each of these countries is experiencing a slow but steady increase in visits from U.S. patients, according to the findings of several studies.

“All of our hospitals are JCI-accredited and most of our doctors are U.S.-trained,” said Dan Snyder, group executive vice president and group chief operating officer of ParkwayHealth, which owns 15 hospitals in Brunei, China, India, Malaysia and Singapore. According to Snyder, most of the physicians practicing at ParkwayHealth hospitals were trained at highly competitive residency programs such as the Cleveland Clinic and Mayo Clinic. What’s more, a growing number of U.S. medical schools and centers are creating partnerships and establishing training programs in many of the countries experiencing growth in U.S. medical tourism. As a result, physicians and nurses in foreign countries are able to train and practice there.

The partnerships include a medical school and emergency-medicine training program in Doha, Qatar, established by Weill Cornell Medical College and the University of Pittsburgh Medical Center system, respectively. In Singapore, Duke Medicine, Durham,

N.C., has established a medical school, while Johns Hopkins Medicine, Baltimore, has established a branch that includes an educational and clinical partnership. Two New York institutions, Columbia University Medical Center and Memorial Sloan-Kettering Cancer Center, have partnered with St. Luke's Medical Center, Quezon City, Philippines.

A global challenge

While such partnerships are primarily focused on increasing and retaining well-trained healthcare providers, improving the quality of care and advancing technology for residents of these countries, the partnerships have also helped to create high-quality healthcare services that many of the governments view as marketable global products.

“In most of these developing systems the governments realize that this is an opportunity for economic growth,” said Keckley, who noted that in countries such as Singapore and Thailand state dollars as well as the boards of tourism are actively involved in building healthcare services and support systems to promote medical tourism. “The difference in the U.S. is that it tends to be fairly entrepreneurial among providers,” he said, referring to inbound medical tourism.

The handful of U.S. providers jumping into the global healthcare market also tend to be academic medical centers or major teaching hospitals more focused on education, research and improved access to care for the areas than on serving a burgeoning medical tourism market. But Dallas-based Christus Health, a not-for-profit Catholic system with more than 40 hospitals and other facilities, has recently begun to explore the market's opportunities. The system has six hospitals in Mexico that were created to serve Mexican residents who live in communities along the Mexico-U.S. border and found they had to cross into the U.S. for healthcare.

“We did a study almost two years ago that looked at medical travel opportunities, and we saw that most of the medical travel was going to Singapore and Thailand,” said John Zipprich, senior vice president of legal and governance services at Christus. “We recognized we had an excellent system that could provide care to U.S. patients.”

Encouraged by its Mexican hospitals' close proximity to the U.S. border, and by the fact that its Christus Muguerza Alta Especialidad hospital in Monterrey is one of only two Mexican hospitals with JCI accreditation and the only one whose laboratory has received certification from the College of American Pathologists, the Christus system started a medical travel program.

The promise of a growing medical tourism market has prompted Mexican businessman Carlos Slim, whose fortune is partially based on a tobacco business, to partner with Mexican provider Grupo Star Medica to build hospitals catering to U.S. baby boomers, according to published news reports.

But there are indicators that suggest the trend may not be as big a threat as the projections suggest. One example is that medical travel companies like BridgeHealth International, which focuses largely on coordinating travel, surgical care and other details for U.S.

medical tourists, has arranged relatively few trips.

According to BridgeHealth Chief Executive Officer Vic Lazzaro, the company has arranged only about 1,000 trips since 1992, and they were mostly for dental, bariatric and cosmetic procedures typically not covered by insurance. Zipprich also acknowledged that most of Christus' medical travel patients have sought out highly elective surgeries or diagnostic procedures often not covered by insurance.

Keckley said despite the growth in medical tourism, U.S. hospitals probably won't feel a significant impact from the trend unless insurers begin to cover overseas care. At least one insurer, Blue Cross and Blue Shield of South Carolina, has said it would cover certain medical travel claims, and it has established a managed-care network of foreign-based hospitals called Companion Global Healthcare. ParkwayHealth's Singapore hospitals are among the providers participating in the network and offering surgical procedures such as joint replacement, cardiac surgery and cancer treatment at pre-negotiated rates.

But Keckley and others note that there are other hurdles to jump before medical tourism can be considered a significant competitor for U.S. healthcare dollars. "The two big yellow lights around this trend are the issues of continuity of care and where will the liability fall" in cases of medical malpractice or mistakes.

Still, the trend is significant enough for U.S. hospitals to consider how they plan to compete in a globalized healthcare market, both in terms of retaining patients and medical employees, he noted. "I think (American) hospitals right now won't see a significant impact from this. But if they don't consider that a growing number of people are willing to seek care overseas because it's more affordable and in some cases because other countries offer a model of care that is more in line with their needs, then U. S. hospitals are going to face a lot of marketplace pressures."

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