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Medical Tourism: Trends and Opportunities

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PART ONE

Introduction

Medical tourism involves travel for the purpose of receiving medical, dental, or surgical care (Medical Tourism Association), and represents a rapidly growing niche market within the healthcare, tourism, and hospitality industries. Medical travelers are motivated to seek care outside of their area of residence by many factors, including more advanced technology, quicker access, higher quality of care, or lower costs for care in the destination locality (Ehrbeck, Guevara, & Mango, 2008). Multiple factors contribute to the growth of the medical tourism industry and suggest a continuing trend toward growth in the future. This nascent industry represents a significant market opportunity to entrepreneurs and investors in the healthcare, tourism, and hospitality markets. Hospitality and tourism companies, as well as local governments and destination marketers, are positioning themselves to capture share in the medical tourism market worldwide.

Purpose

The purpose of this paper is to identify current trends and opportunities in the medical tourism industry, and to explore the critical success factors for medical tourism destinations and providers.

Statement of Objective

This paper will explore recent research which challenges common myths and misconceptions about the market for medical tourism. Current global trends affecting the industry and trends within the industry will be explored in order to identify some of the risks and opportunities facing medical tourism destinations and providers. Cases and examples will be provided to demonstrate some of the factors which have led to successful medical tourism

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destinations, and to demonstrate how medical tourism providers are solving some of the current problems facing the industry today.

Justifications

Medical tourism is a broadly defined industry which is influenced by a multitude of factors. On a macroeconomic scale, medical tourism is affected by many factors including demographics, technological change, globalization, geopolitical trends, and economic trends. On a microeconomic scale, this niche industry is affected by a multitude of supply and demand factors including consumer demand, cost factors, and local, regional, or national factors including economic policy, political environment, regulations, infrastructure, capital investment, and destination marketing. Because relatively little research exists on the subject of medical tourism, and because recent changes in the global economy have significantly impacted the market, there is not sufficient information for the hospitality or tourism professional to make informed decisions with regards to healthcare tourism. Furthermore, the existing research is often narrow in focus, and often views the market from a public policy or medical discipline, and so may not provide the hospitality and tourism industries with a full picture of the factors involved in catering to the market. The medical industry and the hospitality industry each exist within a different competitive environment, so a change to one variable may have differing effects in each industry. Because medical tourism spans both industries, it can therefore be difficult to gauge past trends and anticipate future trends without understanding the unique nature of the medical tourism market.

By understanding the factors which affect the medical tourism industry, medical tourism providers can gain insight into which segment(s) of the medical tourism market they are capable of serving, which type of consumers make up that segment, and what structural changes will

need to be made in order to better attract and serve those consumers. The information gained through this study should help hospitality and tourism professionals, medical facilities and destination marketers to focus their efforts on the most lucrative segments of the market, and to be more effective at developing and serving the medical tourism segment of their customer base. Some of the problems facing the market can be avoided by studying the factors which have led to success or failure in other medical tourism destinations.

Constraints

The medical tourism market is difficult to study, both from a supply and demand perspective, because it requires information to be communicated across borders and across multiple industries, and information must be gathered about consumers whose information is heavily guarded by the medical industry through confidentiality requirements. The medical traveler must opt into the research process in order for us to get adequate information about this particular type of consumer. As academia has now begun to study the medical tourist and the broader market for medical travel, new insights are being gained which fill in the gaps. However, the hospitality or tourism industry should be aware of limitations in the studies conducted across other disciplines, since the parameters of those studies may have been created to cater to a specific industry. This has significant implications if those studies are used as a basis for further research, or if used to make entrepreneurial or business decisions within the context of the medical tourism market.

Studies which have been highly cited within academic literature on medical tourism often exclude large portions of the medical tourism market and use significantly different operational definitions and methodology. Therefore, quantitative data and the conclusions based on those data vary substantially. Due to the fragmented nature of academic research on medical tourism,

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this study will use statistics gathered across multiple disciplines and may therefore include information that is not specific to the hospitality and tourism industry.

Operational Definitions

Medical tourism has only recently attracted significant attention as a niche market worthy of independent study. As multiple industries involved in the market for medical tourism dedicate more time and attention to this niche market, difficulties have emerged from the drastically different operational definitions and methodological approaches used for study. Research is often conducted for business intelligence purposes, so industry researchers may only be concerned with definitions specific to their industry and their business objectives. Studies which focus on medical tourism with regards to public health policy, economic or trade agreements, healthcare administration, or health insurance coverage may disregard factors which are important to the hospitality or tourism sectors. Such studies often define the medical traveler in more narrow terms, excluding from research some of the largest segments of the medical tourism market which the hospitality or tourism industry is trying to reach.

For the purpose of this paper, broader definitions will be used so that research with varying definitions and methodology can be used to get a more comprehensive “big picture” view of the industry. These broader definitions are more in line with the goal of researching medical tourism as a niche industry of its own, rather than as a specific subset of another discipline.

Medical Tourism

For the purpose of this paper medical tourism will be defined using the Medical Tourism Association’s definition:

Medical Tourism is where people who live in one country travel to another country to receive medical, dental and surgical care while at the same time receiving equal to or greater care than they would have in their own country, and are traveling for medical care because of affordability, better access to care or a higher level of quality of care.

‘Domestic Medical Tourism’ is where people who live in one country travel to another city, region or state to receive medical, dental and surgical care while at the same time receiving equal to or greater care than they would have in their own home city, and are traveling for medical care because of affordability, better access to care or a higher level of quality of care. (Medical Tourism Association)

The terms “medical tourism” and “medical travel” will be used interchangeably, and medical tourism will include both inpatient and outpatient care, regardless of payer. Because medical tourists travel for care, medical tourism includes a “tourism” aspect, that is, the consumption of “services associated with travel, such as transport, lodging, and hospitality” (Stackpole & Associates, 2010).

While there is much disagreement over who should be included as medical tourists, most exclude spa and wellness travel, “accidental” medical tourists (those who unexpectedly get sick while traveling for other purposes), and expatriates who access healthcare in a foreign country. Many researchers exclude dental care as well. However, because those traveling for dental care make up a significant portion of medical travel, they will be considered medical tourists for the purpose of this paper, even though many sources used in this paper focus on non-dental medical care.

It should be noted that different definitions are relevant to different sectors. Hotels in foreign destinations may wish to capture dental travel, but will not want to target expatriates or

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seasonal part-time residents. Hospitals providing non-dental services may target expatriates and seasonal residents, but not those seeking dental care. Destination marketers may wish to include consumers from a broader target market, including dental travel as well as seasonal residents and expatriates. Expatriates may comprise a large portion of demand in destinations such as Costa Rica, because expatriates may select a destination based on the quality of medical services available in that country or the ability to use international health insurance in that location. As medical tourism grows, it is likely that market segmentation will occur and agreed-upon definitions will emerge for different types of medical travel (Ratner, 2009).

Research on medical tourism often focuses only on those who travel outside their home country for care. This limited definition may be appropriate for study of destinations drawing primarily from foreign markets. For the purpose of this study, domestic medical tourism will be included, in order to examine the potential for drawing patients from other states and localities within the United States. Descriptors used to narrow the definition of medical tourism include:

Outbound: refers to patients traveling out of a country (Edelheit, n.d.b).

Inbound: refers to patients coming into a country (Edelheit, n.d.b).

Intrabound: refers to patients traveling within a country (also referred to as “domestic medical tourism” (Edelheit, n.d.b).

PART TWO

LITERATURE REVIEW

Medical Tourism: Overview

Who are Medical Tourists, and How Many are There?

Because there is no agreed-upon definition of “medical tourism,” there are large variations in market size reported from different sources. Efforts to count the number of medical tourists are reliant upon who is included in the definition of “medical tourist.” These drastically different operational definitions, combined with the difficulty of obtaining data on medical tourism, means that reports on the size of the medical tourism market are only estimates. Numbers range from 60,000 to 50 million people (Lunt et al., 2011). The low side of the range was from a study by McKinsey and Co., which excluded many portions of the medical tourism market such as outpatients, dental patients, patients returning to their country of origin for treatment or going to their parents’ or grandparents’ country of origin for treatment, people who decided to mix travel for medical care with travel for other purposes, and patients travelling across borders to nearby countries (such as between Mexico and the U.S. or between some European countries) (Youngman, 2008).

The medical tourism industry has been estimated to be a \$60 billion industry (Lunt et al, 2011), and despite the global economic slowdown, is expected to grow at a rate of up to 35% in coming years (Deloitte, 2009). Despite the fact that little is known about the market size, more is being learned about medical tourists and what drives demand for medical tourism. We are also beginning to learn more about their attitudes toward the medical tourism experience.

U.S. Outbound Medical Tourism

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According to the Deloitte Center for Health Solutions, there were 750,000 outbound American medical tourists in 2007, a number which may increase to up to 1.6 million by 2012 (Deloitte, 2009). A 2009 Gallup poll found that “up to 29% of Americans would consider traveling abroad for medical procedures (Edelheit, b, n.d.).

Inbound Medical Tourism

According to the 2010 survey on inbound medical tourism by Stackpole & Associates, the regions representing the greatest number of inbound patients were: Mexico (21.18%), the Middle East (14%), South America (12.33%), Central America-excluding Mexico (11.25%), and Europe (11.23%). Inbound medical tourists traveled to the U.S. for medical care seeking better access, higher quality, and specialized care. The most common treatments sought by inbound medical tourists included oncology (31.69%), cardiology (14.17%), and neurology (11.75%), followed by “other” specialties (Stackpole & Associates, 2010).

The Development of a Common Framework for Academic Study of Medical Tourism

The recent surge in interest in medical tourism has led to efforts to develop common frameworks for studying the subject. Various models and frameworks are emerging which serve as a guide for research. Although no one model has yet to emerge as an agreed-upon framework, the various models available can be useful for key industry players in order to conduct market research or to engage in feasibility studies for the development of medical tourism destinations. It should be noted that the framework from a hospitality and tourism perspective would include aspects which may not be present in models related to public policy or the healthcare industry specifically.

For the purpose of research on medical tourism with regards to hospitality or tourism, Heung, Kucukusta, and Song (2010) developed a model for future research which accommodates

the distinct and unique characteristics of the medical traveler, while taking into consideration the broader medical tourism market from both supply and demand perspectives (*See Appendix A*).

This model takes into account that “a medical tourism product is a medical service with a leisure component” (Heung, Kucukusta, & Song, 2010). The theoretical model proposed by Heung, Kucukusta, and Song allows for research from other disciplines to be incorporated into the model and combined with the consumer-centric study characteristic of tourism research. The individual needs and perceptions of the consumer must be incorporated into the larger framework of supply and demand in order for a model to give a complete picture. Personal values and individual needs play a large role in the medical tourist’s decisions in choosing cross-border care destinations and services, and their level of satisfaction with the quality and level of service received (Guiry & Vequist, 2010). Heung, et al. explain their model as follows:

Current theoretical models do not adequately explain the medical tourism phenomenon.

We, therefore, propose a theoretical framework for the study of medical tourism that includes both the supply and demand perspectives. We aim to consider each aspect of the medical tourism industry in our proposed integrated model, which is general enough to and could accommodate different types of medical tourists. (2010)

The Heung, et al. proposed supply and demand model of medical tourism can serve as a starting point, and can be expanded upon or adapted as needed.

Medical Tourism: Recent Trends Toward Growth

Although medical tourism is a niche market, participation is global and broad in scope. “Medical travel is a truly global phenomenon: the patients, evenly split between people in high- and low-GDP countries, come from and receive treatment in every continent” (Ehrbeck, Guevara, & Mango, 2008). Multiple factors help explain the recent explosive growth in the

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industry and suggest a continuation of growth in the future worldwide, including demographics, technological change, globalization, geopolitical trends, and economic trends. Recent research within each of these areas has challenged previous misconceptions about the market for medical tourism, and has changed the landscape for firms seeking to enter the market or grow their share of the market.

Demographics

Baby boomers.

One of the demographic trends often cited as a reason to expect positive future growth in medical tourism is the aging baby boomer population and the impact it will have on both the demand and supply sides of the market for healthcare. There were 78 million people born in the United States between 1946 and 1964 (American Hospital Association, 2007). By the year 2030, this baby boomer age cohort in the U.S. will number 61 million between the age of 66 and 84. In that year there will be an estimated 9 million additional Americans who were born prior to 1946 (Knickman & Snell, 2002). In the year 2000 12.4% of the population were 65 years or older, but by the year 2030 19% of the population will be 65 years or older (U.S. Department of Health and Human Services, 2011). The baby boomer phenomenon is not just isolated to the United States. “With over 220 million baby-boomers in the United-States, Canada, Europe, Australia, and New Zealand, medical tourism’s prospects are favourable. Based on projections this aging population will increasingly need expensive medical treatments and care” (Menvielle, Menvielle, & Tournois, 2011).

Older consumers are those who will need access to more expensive healthcare procedures, requiring advanced technology, and will have more frequent need for care (Pafford, 2009). In addition, older populations will require an increased need for longer-term care

including longer recovery times after surgery, as well as an increased need for hospice and end-of-life care, all of which are costly due to the extended nature of the care and the fact that such care is labor-intensive and requires a high degree of personalized attention. The lower cost of labor in underdeveloped countries contributes to the attractiveness of overseas options because it allows for a greater degree of personalized services. In addition, end-of-life or hospice care overseas “may be a popular alternative for the elderly members of the United States’ growing immigrant population, who may choose to return to familiar surroundings for extended care” (Pafford, 2009).

Global healthcare shortage due to demographics trends.

A severe doctor shortage is currently being experienced in the U.S. and is expected to persist (Edelheit, n.d.b). Jackson Healthcare’s 2012 Medical Practice & Attitude Report found that within the next five years, 14% of physicians will retire or leave medical practice, and within the next 10 years 34% will do so. Doctors cited economic and political factors as the main reasons for leaving the industry, including costs of doing business and the impact of healthcare reform (Jackson Healthcare, 2012a). A 2012 survey by The Physicians Foundation, which surveyed “84% of all physicians in active patient care,” found similar results and shed more light on the reasons for labor shortages. The survey found that 77.4% of doctors were “somewhat pessimistic or very pessimistic about the future of the medical profession,” with over 84% of physicians saying that they believe the industry is “in decline” (Physicians Foundation, 2012). The study also found that physicians still in practice are going to see fewer patients, spend more time on administrative tasks, and take other actions that will limit patient access, including reducing Medicare access.

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Although other factors were more widely cited as reasons for the doctor exodus, retirement is also a contributing factor. Labor supply within developed nations will be negatively affected by the rate of retirement of baby boomers from the healthcare industry. At the point in the demographic trend when demand for healthcare is at a peak, baby boomers currently working in the industry will be retiring at an increasing rate, shifting from healthcare providers to healthcare consumers. The baby boomer retirement wave and the shortage of healthcare resources will have a global scope. Shortages of healthcare staffing are projected globally, with 57 countries expected to face severe staffing shortages. The shortage of healthcare resources in underdeveloped and developing nations, and rising demand due to global demographic trends, combined, indicate that global demand will outstrip global supply for decades (Edelheit, n.d.b). “According to the medium variant of the 2010 Revision of World Population Prospects, the world population is expected to increase from 6.9 billion in mid-2011 to 9.3 billion in 2050 and to reach 10.1 billion by 2100. If fertility were to remain constant in each country at the level it had in 2005-2010, the world population could reach nearly 27 billion by 2100” (United Nations, 2011).

With global population growing in the future, this will not only increase demand for healthcare, but will also put a strain on resources which are inputs to healthcare supply. Despite the retirement of baby boomers as a source of attrition, there are also problems arising from young people leaving medical practice. “Of those who said they would leave the practice or are strongly considering doing so by the end of 2012, 55 percent were under the age of 55. Those doctors also reported that the cost of running a practice was too high and that they didn’t want to practice medicine in the era of health reform” (Jackson Healthcare, 2012b). Furthermore, a study by The Physicians Foundation (2012) found that young doctors would not recommend the

medical profession to their children or others. Not only are doctors leaving medical practice in the face of rising demand, but there are factors preventing the entry of new doctors into practice as well.

Younger generations provide demand for medical tourism.

While the baby boomer population is often cited as a target demographic for medical tourism, recent research suggests that younger generations should be included as well. A 2010 study by Karuppan and Karuppan found that 81% of medical travelers were under the age of 50. Although the study was conducted online and consisted of a small sample size of 78 medical tourists, the findings were consistent with information acquired by medical tourism facilitators, which suggests that Generation X and Generation Y are opting for healthcare abroad in increasing numbers (Karuppan & Karuppan, 2010). In support of those findings, a Deloitte study of different demographic groups suggests that future demand for cross-border medical care may defy preconceived notions that baby boomers will dominate the market for medical tourism. The study found that 36.7% of baby boomers, 41.9% of Generation Xers, and 51.1% of Generation Yers would be willing to undergo surgery abroad (Keckley & Underwood, 2009).

In addition to their willingness to travel for medical care, these younger generations offer significant market demand due to their large numbers. A recent study estimates that by 2020, 4 out of every 10 physician visits will consist of baby boomer patients (American Hospital Association, 2007). This means that 6 out of every 10 will be patients from other age cohorts. And while older cohorts will make up the majority of hospital admissions in 2030, 44% of hospital admissions will still be comprised of the under-65 cohort (U.S. Department of Health and Human Services, 2011). So, despite the fact that members of older generations will have greater individual demand for healthcare services, the sheer size of younger generations suggests

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that they will represent significant opportunity to gain market share. In the United States, roughly 80% of the population will be under the age of 65 through the year 2050 (U.S. Department of Health and Human Services, 2011).

Emphasis on the baby boomers' impact on healthcare may obscure the demographic disposition of the future market for medical tourism. Younger demographics will still make up a significant portion of the market for healthcare, and have demonstrated a willingness to travel to obtain care. This suggests that medical tourism marketing which currently focuses on older consumers should be extended to reach a younger audience. In addition, these findings support the assertion that demand for medical tourism will outlive the surge of demand by the baby boomer generation, and persist throughout the retirement years of younger generations as well. The good news for hospitality and tourism industries is that these younger age groups are easily reached through web-based marketing efforts. Furthermore, younger consumers may offer a greater lifetime value to medical tourism providers and facilitators. The fact that younger generations are included in the market means that marketing efforts can be directed at a wider age demographic. Marketing media that reaches outside of a target demographic is not necessarily wasted, since research is finding that medical tourism appeals to diverse groups.

Technological Change

In addition to technological advancements in medical care which provide differentiation in treatment services and draw patients, technology has made travel easier and more efficient. With the impact of increased efficiency in transportation and communication comes the reduction of cost and time in the transport of products and resources, including labor. The increase in movement of people across borders also results in an increased tolerance of,

understanding of, and appreciation for foreign cultures. Students and professionals have increased access to education and experience outside of their country of residence.

Technological change has made it easier for consumers to find and access services from all over the globe, and has made it easier for them to share their experiences with others. The increased use of the internet by consumers has made it easier to conduct research to seek out care from available providers in other locations and to coordinate travel and accommodations. Medical tourism sites and medical tourism facilitators have harnessed the benefits of the internet to provide a comprehensive service to potential medical travel consumers.

Technology has also changed the impact of healthcare on patients. Because medical procedures are becoming less invasive and decreasing the discomfort of recovery, patients are more likely to consider traveling for care, and are more likely to engage in leisure activities during their stay. In addition, technology has allowed for the early detection of diseases and conditions, which further fuels demand for treatments (Stephano & Samuels, 2012).

Globalization and Geopolitical Trends

The market for medical tourism has been vastly impacted by cross-border disparities, including access to care, quality of care, and cost of care, as well as the ease of traveling to obtain it (Edelheit, n.d.b). People from developed countries travel for care, driven primarily by affordability and accessibility, while people from developing countries travel in order to access better quality, high-end or specialized care. People from underdeveloped nations tend to travel due to lack of healthcare resources in their home country. The affluent in underdeveloped and developing countries tend to travel to developed countries to receive better quality care (Edelheit n.d.b). The result of globalization in healthcare has resulted in a degree of specialization, with

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the product and service offerings in different countries reflecting the economic realities of the host country.

Globalization has also decreased the costs associated with transporting people and resources, exchanging information, and allocating investment capital across borders. Employers in developed countries are increasingly seeking to lower the costs of health care by adding options for employees to seek care in lower-cost countries. Health insurance pilot programs are adding coverage for care across borders in an effort to reduce their own costs and to reduce costs for their clients, both public and private (York, 2008).

Medical destinations abroad may become more attractive as price differentials become more pronounced due to supply and demand shifts within nations. The relative price differentials in different industries create the movement towards, and cost-saving potential for, cross-border arbitrage for a specific product or service. Because transportation costs are relatively low due to multiple companies competing globally in the market for air travel, while healthcare costs have risen in developed countries relative to underdeveloped countries, there is the opportunity for cross-border arbitrage. The consumer can save money by taking advantage of the benefits of globalization within the travel industry, as a means to avoid the rising costs due to price differentials in the health care industry. Gabriel Judkins (2007) states:

Medical tourism qualifies as a form of arbitrage business and can be tied to the persistence of a functional international border based on the following characteristics: 1) Exploitation of asymmetries in political-economic relations across international borders. 2) Dependency on the persistence of some administrative dysfunctionality (tolerance to certain types of illegal practices or behaviors). 3) Purposeful support for the maintenance of cross-border disparities.

It is therefore important for hospitality and tourism professionals to consider the effects not only of trade liberalization, but also to consider the effects that states have when they assert their sovereignty to intervene or control a certain sector. Even if an international trade agreement appears to set certain parameters for market participation, the political trends within a country can have a profound impact on the structural framework within which the market performs. In addition to the forces of globalization, international trade agreements, and national regulatory and legal frameworks, other geopolitical factors influence the market for medical tourism. The risks of political unrest or violence also deters consumers from certain destinations or from the medical tourism option altogether.

Economic Trends

The economic events of recent years have had, and will probably continue to have, a profound impact on the growth of medical tourism. The economic changes within developed countries and particularly the United States have helped to increase the relative attractiveness of receiving offshore medical services. The economic outlook for the baby boomer generation may be significantly altered by recent events. Retirees are often on fixed-income, and as the baby boomers retire there is increased pressure on social security funding. Rising costs of health care in the U.S. and lower payouts for Medicare and Medicaid will increase the burden on older Americans just at the time in their life when they will have increased need for care (Edelheit, n.d.a). Health care reform will also increase the burden of costs on healthier and younger Americans, which may contribute to the demographic shift in the age of medical travelers as younger generations seek lower cost options abroad. Increased wait times for care may also become a more significant factor contributing to medical tourism (Edelheit, n.d.a). Employers anticipating the mandates coming into effect in 2014 are already beginning to make changes to

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their health care plans, opting for insurance which gives employees voluntary medical tourism options which reduce the overall cost to the employer for healthcare benefit coverage (York, 2008). While coverage for payment of services is one of the major barriers to medical tourism, studies of consumer movement between countries for medical tourism has suggested that many consumers are not paying out-of-pocket but are using insurance coverage for medical care abroad. “Even the limited evidence gathered shows patient flows taking place within and across all continents using a variety of funding mechanisms” (Glinos et al., 2010).

The rapid economic growth taking place in emerging market nations has also had a profound impact on the growth for medical tourism. Many patients are traveling within their country or region for medical care as more options become available, instead of traveling to the United States or another developed country for care (Glinos, Baeten, Helbe, & Maarse, 2010). The movement of patient travelers from one underdeveloped country or region to another is an important trend in medical tourism. The growth of the middle class in other countries such as China is also a contributor, and has attracted foreign capital investment and government participation. “The growth of the middle class and concomitant demand for high-quality and accessible health services is putting pressure on resource-constrained health ministries to improve services. With greater disposable income, individuals have a greater willingness and ability to pay for health services, or at least to share the cost of higher-quality and accessible care. Inviting foreign investment is one clear option to expand infrastructure and services” (Fried & Harris, 2004).

Medical Tourism: Impediments to Growth

Despite the trend toward overall growth in the medical tourism market, there are challenges and impediments to growth which keep consumers in their home countries for care.

Many of the same forces that contribute to growth also hinder that very growth due to the complexities of international markets. Further obstacles to the expansion of medical tourism are derived from misconceptions regarding the characteristics of the market itself, and the inability of the industry to coordinate efforts to address problems. Both supply and demand-side obstacles exist, and much is still unknown about how the growth in the industry will play out in coming years.

Awareness and Acceptance of Medical Tourism Option

Consumer awareness and acceptance.

Few potential medical tourism consumers are aware of the product and service offerings available to them through medical travel. Among those who are aware of the medical tourism option, many misconceptions and fears of low quality, risk exposure, and cultural and language barriers exist. The individual medical tourist attempting to arrange their own treatment is faced with challenges in accessing correct and relevant information. Many anecdotal stories of bad medical tourism experiences persist in the media, and medical tourism advertising often includes too-good-too-be-true messages regarding cost and quality that fail to add credibility to the medical tourism market. As the medical tourism industry expands, one of the greatest challenges is to communicate to consumers the potential benefits of the medical tourism experience, with an emphasis on quality and safety (Lunt et al., 2011).

Professional/Institutional awareness and acceptance.

Another challenge facing the medical tourism industry is the lack of awareness of health insurance professionals who sell health insurance products. A 2009 survey of the Los Angeles Association of Health Underwriters found that a majority of respondents (58%) were not even aware that health insurance companies had implemented plans with a medical tourism option

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(Medical Tourism Association, 2009). However, the survey found that professionals were interested in the option and wanted to obtain more information. Recently, efforts have been made to provide training and certification resources for health insurance and HR professionals, as well as tourism and travel professionals, in order to increase awareness of the medical tourism option. The medical tourism industry partly depends on health insurance companies to sell its product, and benefits by increased awareness by employers as well, these efforts are crucial to growing the market.

Firms and governments are beginning to seek out options to reduce costs and strains associated with medical care – this is a perfect time for medical tourism providers to reach out to decision makers within organizations and governments (local, state and federal) to show them what the industry can provide.

Geopolitical and economic barriers.

There are geopolitical and economic barriers which will either persist in future years, or emerge as more influential. One of these barriers may include the reduction of price differentials in medical tourism products across borders due to rising wages in developing countries such as China, which will reduce the ability of some nations to compete on cost. Visa and immigration policy also may impede medical travel, as may political unrest or violence in medical tourism destinations. Fluctuations in currency or decreased access to credit due to the economic downturn or sovereign debt crises will also have a negative impact on capital investment and market growth. Subsidies which incentivize medical tourism development on the one hand, as well as tariffs and protectionist policies on the other hand, can cause distortions which make it difficult to accurately price products and services or estimate demand and revenue which can be sustained over time. Such interventions may also cause sudden change in the relative

attractiveness of different destinations at different moments in time. Furthermore, forecasts of a reduction in supply and an increase demand for healthcare services do not directly imply increased profits for the healthcare industry. Demographic shifts and economic downturns may reduce the purchasing power of consumers worldwide and labor shortages may increase the cost of doing business for medical providers, resulting in flat or reduced profits. There may not be room for every destination to offer a medical tourism product. We may see consolidation as some medical tourism startups fail while others emerge as industry leaders.

Taking Advantage of Trend Shifts in the Medical Tourism Industry

Despite headwinds, industry experts expect the growth of medical tourism to continue at a rate of at least 35% annually (Deloitte, 2009). With future trends showing an increased demand for healthcare worldwide, as well as an increasing trend toward the globalization of healthcare, there is significant revenue opportunity for firms catering to this market, as well as for cities, states, and countries which foster the growth of the industry within their borders. The healthcare and tourism industries, as well as the regions in which they operate, will need to adjust to and account for changing trends in the market for medical tourism. Of particular importance will be the shifts which are taking place due to respective differences across borders due to economic and geopolitical events. The economic changes taking place within developed and underdeveloped nations will have a profound impact on the market for cross-border healthcare, as well as for regional or local care. Such changes will most likely have a large impact on the choices made by governments, institutions, and individuals, and will impact the demand for and supply of healthcare on a global scale. In addition, these changes in the market will be marked by a change in attitudes toward international and domestic medical travel, as it gains increased media attention and becomes more widely used.

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The topic of healthcare is a sensitive subject with regards to public policy, and has been a hotly debated issue of late. The hospitality and tourism markets will be affected not just by trends in supply and demand, but by the economic and geopolitical parameters set by governments worldwide. In order to enter the market, an understanding of the impact that international trade agreements and government participation will have on the market globally, and on specific regions, will be essential. These factors should be kept in mind when considering the potential success of a medical tourism destination.

Periods of Consolidation Provide Opportunity

In a recession, markets may consolidate, eliminating weaker businesses and providing market opportunities through mergers and acquisitions. In addition, slower economic times may lead businesses to develop partnerships and strategic alliances, and to innovate to reduce costs and capture market share. With healthcare reform being debated in the U.S., combined with sovereign debt and strains on social safety net funds and retirement funds, this is the time when policymakers and industry leaders will be discussing options to lower costs and increase revenues. With the dialogue and debate being brought to the forefront, we might see changes come about which will reduce barriers to the medical tourism market.

The Potential for U.S. Domestic and Inbound Medical Tourism

Domestic medical tourism is a growing segment of the industry, with an increasing number of intrabound medical tourists traveling within the United States for care. In addition, there is an increase in inbound medical tourism as inflows of foreigners seeking care in the United States is bolstered by rising incomes in emerging countries, as well as the more specialized nature of medical services in the U.S. Domestic medical tourism may also benefit from capturing a share of those consumers who are seeking options or lower costs, but are still

fearful of foreign medical care. “The shift to domestic medical tourism is in part because foreign medical tourism, which was talked about a few years ago as a means of controlling costs, never really took off” (Elliott, 2012). Despite the fact that international medical tourism is a growing industry, some key players who expected to cash in on the sudden growth were left disappointed, perhaps in part because they over-estimated the number of international consumers, and underestimated the potential to draw domestic or regional medical tourists (Elliott, 2012; Youngman, 2011b).

In addition, the competitive environment brought about by the rise in outbound medical tourism has spurred domestic healthcare providers to increase their competitiveness and quality in order to compete with foreign providers. This has impacted the rise in domestic medical tourism relative to outbound medical tourism, and provided some hospitals with increased incremental revenue from new patients (Hudson, 2011).

Employers in the United States are responding to domestic healthcare providers’ low-cost, high quality proposition, supporting the domestic medical tourism trend through employee benefit plans that allow travel options for medical care. This trend in bundled-payment healthcare agreements between employers and leading hospitals is pulling dollars from multiple local facilities toward specialized centers of excellence (Youngman, 2011b).

The Potential for Strategic Partnerships

The trend toward medical tourism suggests that industry players who recognize the international scope of the industry and position themselves to gain from global trend shifts will achieve competitive advantage. Collaboration and strategic partnerships have shaped the growth of medical tourism internationally, allowing U.S. companies to capture a share of the market for medical travel in other countries.

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Local, state, and national governments, destination marketers, medical institutions, trade associations, health insurance providers, medical travel agencies, hotels, and other industry players have joined efforts to coordinate medical travel. Medical tourism industry associations and journals such as the Medical Tourism Association and the International Medical Travel Journal are leading efforts to coordinate across industries, to provide comprehensive data, and to improve information sharing among stakeholders in the industry. These institutions have also recognized the need for training and education and have provided certification courses for professionals in the medical and tourism industries. The growth of strategic partnerships and collaboration on so many levels confirms the opportunity of medical tourism as a significant source of profitability for firms and local economies.

Potential to Pick a Niche Within the Market

Since research suggests that diverse groups are taking part in medical tourism, this suggests that “everyone is a potential medical tourist”. The implication of this is that the potential market is sizeable and room for segmentation and specialization exists. We have yet to see the “carving out” of target segments and niches (Youngman, 2011a), so now may be the time for destinations and providers to pick their niche within a growing market.

Benefits of Developing Medical Tourism Industry to Local Economies

Developing the market for medical tourism provides many benefits to residents, businesses, and governments of the destination, which include: the reduction of seasonality and cyclicity, diversification of the tourism consumer base, the potential to attract other high-revenue support industries, and the reversal of “brain drain”.

Reduction of seasonality and cyclicity.

In addition to increasing economic activity and tax revenues, medical tourism can reduce the boom/bust nature of economies which are dependent on a few isolated industries. This includes locations which rely on tourism or other industries that are either cyclical or seasonal in nature, because the market for healthcare may minimize exposure to cyclical downturns or off-peak slow seasons. Elective surgery or other specialized care that has more flexible scheduling can be used to soak up excess capacity for tourism providers during the off-peak days and seasons. This “off-peak” pricing option can also reduce the cost to the medical traveler, employer, and/or insurance payer relative to other medical tourist destinations. Such price differentials can be used to attract individual consumers as well as corporations or health insurers. In addition, those consumers who have health insurance coverage or employer coverage, or for whom medical care is necessary, reduce the discretionary aspect of healthcare and can be targeted to provide better economic stability. Centers of excellence which specialize in treatments that are less likely to be postponed or which cater to less price-sensitive consumers will likely experience less cyclical stability.

Diversification of the tourism consumer base.

Medical tourism can draw tourists to a destination which they may otherwise not have visited, strengthening the destination brand and broadening the target consumer demographic for tourism to that area. Medical tourism can be used in some locations to attract affluent, less price sensitive consumers who are seeking specialized or high-quality medical care. Because referrals and word-of-mouth marketing is so effective (Ratner, 2009), diversifying the tourist base for a destination may reduce the cost of destination marketing.

Potential to attract other high-revenue support industries.

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Attracting world renowned medical centers of excellence to a destination can create a healthcare cluster effect, attracting other high-revenue support industries to serve existing medical facilities and attracting venture capital and entrepreneurship activity. Pharmaceuticals, biotech, medical equipment, technicians, medical systems technology, and other companies which cater to the medical industry would be drawn to the area. Whether these support industries come for the short-term as business travelers or set up local offices or businesses permanently, the dollars spent would support the local economy and increase local and state revenues. The healthcare cluster effect is self-reinforcing, easing future efforts to attract high-quality medical providers to the area.

Reverse “brain drain” and benefit to local community.

Development of medical tourism can attract educated and skilled labor to the destination, and keeps graduating students from leaving to seek employment elsewhere. Since taxpayers often shoulder a burden of education, when students graduate and leave an area, local residents are in effect investing in the development of other regions, a concept referred to as “brain drain.” This trend can be reversed by providing more employment opportunities for graduates in the local medical tourism industry. The medical tourism market can also improve the quality of local education through collaboration between local medical facilities and universities.

PART THREE

Key Factors for a Successful Medical Tourism Destination

As global demand for healthcare grows, medical tourism is receiving more attention from both public and private institutions as a new and emerging source of revenue. This interest has spawned a multitude of new ventures in the industry and spurred private and government investment throughout the world. As the market evolves, several key factors are emerging as critical success factors which support a thriving medical tourism industry.

Factor #1: A Highly Skilled Healthcare Labor Force

Education and training.

A medical tourism destination requires a highly skilled and highly educated labor force. In an interview with American Medical News, Deborah German, dean of The University of Central Florida Medical School, expressed the importance of the academic element to medical tourism. “Name any of the centers across the country where people get on airplanes to go get their care; they all have an academic center” (Abratt & Firat, 2011). The 7,000 acre Lake Nona Medical Facility, where medical school is located, is the hub of Orlando’s thriving medical tourism industry. The site of this medical tourism cluster also includes Nemours Children’s Hospital, the Veterans Affairs Medical Center, The UCF College of Medicine Burnett School of Biomedical Sciences, the M.D. Anderson Orlando Cancer Research Institute, and the Sanford-Burnham Institute for Medical Research (Abratt & Firat, 2011).

Labor mobility and knowledge transfer.

Another trend is emerging to develop skills and knowledge transfer within the healthcare industry: hospital affiliations and agreements to provide education and training in foreign hospitals. One such agreement is that between the Cleveland Clinic and Healthcare

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Development Holding Co., which will utilize the expertise of the Cleveland Clinic to educate and train healthcare providers in the Kingdom of Saudi Arabia (Caramenico, 2012). Some experts believe that such training programs will be essential to ease the healthcare staffing shortage in coming years, and that integrating foreign workers into the U.S. healthcare system will be a challenge facing the industry (Harvey, Hartnell, & Novicevic, 2004). Training affiliations between international hospitals and educational institutions can help this integration process. They may also serve the medical tourism industry by giving hospitals a more international quality, easing some of the culture shock for international patients and increasing the awareness and tolerance of different cultures.

Factor #2: Improving and Communicating the Quality of Health Services

Experts suggest that there will be increased emphasis on quality in healthcare services in the future, and that the medical tourism industry in particular will need to focus on quality of product and service, and the reduction of risk for medical tourism patients. Fears of low quality are a major impediment to the growth of foreign medical tourism; the industry is developing several solutions to address the need for better quality.

Accreditation and metrics for measurement.

As the medical tourism industry grows, it has developed accreditation methods to effectively measure and communicate quality of care in a standardized way. One of the most trusted accreditation institutions is the Joint Commission International (JCI). Accreditation by JCI is internationally recognized:

JCI works with health care organizations, governments, and international advocates to promote rigorous standards of care and provide solutions for achieving peak

performance. Our experts help organizations help themselves in three ways:

accreditation, education, and advisory services. (Joint Commission International, n.d.)

Healthcare facilities worldwide have recognized the need to improve quality, and have worked to achieve accreditation. In 2004 there were only 27 JCI accredited hospitals and healthcare organizations, but by 2009 there were over 250 (Dhuyvetter, 2009).

Another initiative is underway to provide an international standard for quality called TEMOS, which was introduced in 2010. TEMOS “certifies the quality of the services and facilities at hospitals, clinics, and dental clinics worldwide (Ratner, 2012).” TEMOS is meant to provide additional certification of quality above and beyond accreditation by JCI or other institutions, and provides a consultancy-style service to help providers improve their standard of care. Hospitals who use TEMOS must already meet JCI or other accreditation standards; TEMOS then provides ongoing advisement on how the hospital can go above and beyond to improve their quality. Information is accessible to patients, insurance payers, and facilitators to help them gauge the quality of their products offered to consumers (Ratner, 2012).

Factor #3: Improving the Consumer’s Experience.

Providing information to consumers, transparency regarding hospital practices.

It is not sufficient to simply focus on improving the quality of health services. The message of quality must be communicable to the patient in order to affect their decision-making process prior to purchase. In addition, the patients’ perception of the delivery of the service must meet the expectations formed through marketing effort (Cook, 2012). Consumer fears, especially during the planning process and prior to arrival are a major obstacle to overcome. Therefore, medical tourism providers should work together to make sure they communicate to

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prospective patients what to expect during their trip and what role the provider will play throughout the process (Cook, 2012).

Role of facilitators and international patient programs.

Emerging to meet the needs of medical tourists are medical tourism facilitators and agents, which help consumers with the research and planning process. These services help patients choose the country and provider for treatment, and “add value to their services by arranging the entire process of pre- and post-care treatments, the transfer of medical records, travel arrangements, and in some cases arranging for a personal manager or a translator, or even scheduling tours in the destination country” (Gan & Frederick, 2011b).

Many hospitals also have international patient programs in place to assist medical tourists with all or some aspects of their trip (Stephano & Samuels, 2012). An international patient program is “a set of services, protocols and standards created to satisfy the needs and expectations of non-local patients seeking medical care (Cook, 2012).” International patient programs improve the patient experience, and are in place in many world-renowned centers of excellence. The international patient department at the MD Anderson Cancer Center is central to the center’s global business strategy. International patients currently make up 3-4% of new registrations, and come from 90 different countries, giving the center prestigious international brand recognition. New marketing efforts by the center are focused on Mexico, and will rely on the international patient department to deliver a high-quality guest experience as the center expands its international consumer base (Stephano & Samuels, 2012).

Consumer-focused, service-oriented view of medical tourism.

The medical tourists’ satisfaction with their overall experience involves an element of subjectivity. In order to deliver an excellent experience to the medical tourist, all the elements of

his trip must be perceived by him in a positive way. Recent studies in healthcare stress the importance of the patient experience, and emphasize it as a way to improve healthcare quality. “Studies have shown that, for a patient, the effectiveness of the interaction with the health providers and coordinators—the experience—is *equally* important as the accuracy of the diagnosis, treatment and procedure” (Cook, 2012). Metrics that measure hospital performance need to include more than medical outcomes. Medical tourism may provide the best opportunity for the healthcare industry to learn from hospitality and tourism industry, which has long understood the subjective nature of consumer satisfaction. It has already been suggested that medical tourism providers need to develop a consumer-centric marketing strategy. Integrating that same consumer-focus into best practices for product and service delivery and performance metrics is the logical next step.

Factor #4: Awareness of Legal and Regulatory Environment

Key industry players should remain aware of the explicit and implicit limitations on the industry written into current legislation and trade agreements. With healthcare reform underway in the United States, and with a global economic slowdown which may result in the implementation of further legislation or the breakdown of trade agreements, there will likely be many changes to the legal environment for medical tourism in coming years. In addition to healthcare-specific legal issues, the medical tourism industry is also impacted by regulations in other sectors, including labor law, visa and immigration law, tax law, etc.

Legal concerns regarding malpractice.

Patient fears of poor outcomes and a lack of legal recourse in foreign countries is a major impediment to the growth of medical tourism (Lunt, et al., 2011; Stephano & Samuels, 2012). Doctors, too, are impacted by legal concerns regarding international patients, because they are

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often exposed to liability if they provide follow up care for patients who have received treatment abroad (Stephano & Samuels, 2012). An understanding of medical malpractice laws and case law in the relevant country or countries is essential.

Contracts and identifying jurisdiction for dispute resolution.

Because of the complexity of laws affecting the medical tourism industry, providers and facilitators are making attempts to provide more transparency regarding the legal jurisdiction for dispute regulation. This provides patients with a better understanding of the risks and safeguards present in case of malpractice or other complications arising from their cross-border treatment, whether domestic or international. There are resources which can help facilitators and providers with writing contracts to protect both themselves and patients (Medical Tourism Association).

Trade agreements and public policy.

The medical tourism industry faces significant legal challenges since the industry spans across borders. Healthcare is often regulated by national governments as a matter of public health policy, so multiple layers of legislation and case law have to be interpreted in order to identify legal risks, for both the medical tourist and for medical tourism providers. There are sometimes conflicts between case law and legislation (Frischhut, 2012). In addition, federal regulations may not be in line with state or regional laws, and economic or political unions or trade agreements between nations increase the complexity and confusion regarding jurisdiction and legality (Frischhut, 2012; Judkins, 2007). Despite the removal of barriers through trade agreements, many nations will still maintain national public policy regulations which are in conflict with the trade agreements. “The trade in prescription drugs between the U.S. and Mexico is one such instance as both countries persist in maintaining sanitary regulations viewed as the sovereign right of each country, thus nullifying the effects of tariff

elimination on pharmaceuticals” (Judkins, 2007). A decision on the part of the United States to simply enforce existing public policy laws which prohibit the import of foreign-bought pharmaceuticals could potentially shut down a significant portion of the medical tourism market. Other similar conflicts between existing laws can significantly impact the market, simply through different interpretation of existing law, or changes in the enforcement of existing law. Added to this is the fact that trade agreements and case law are constantly evolving, creating greater complexity in the legal environment.

The industry is beginning to address the issue of legal liability by offering insurance products which provide patient protection. These insurance add-ons can “override the overseas clinics waivers that say that clients cannot sue after treatment abroad” (Cohen, 2011).

Another jurisdiction-related issue for medical tourism involves patients traveling for treatments which are illegal in their home country. Providers should be aware that according to international law, countries have the right to “make criminal the activities of citizens abroad” (Cohen, 2011). This suggests that if national governments choose to enforce such limitations, entire portions of a provider’s target consumer base may be suddenly cut off entirely or drastically reduced.

Healthcare Reform & Insurance regulations.

The medical tourism industry worldwide will be impacted by healthcare reform in the United States. The Affordable Care Act (ACA), which includes The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2010, was signed into law in March of 2010, and is being gradually implemented through at least 2019 (Stackpole, 2010). Decisions affecting the act and its enforcement are still being made and future decisions will also impact the medical tourism industry. A whitepaper by the Medical

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Tourism Association describes the complexity of the legal environment surrounding healthcare as follows:

The Healthcare Reform Law is almost 3,000 pages, and there are almost 13,000 pages of regulations and the IRS, Health and Human Services, and many other agencies have not really even gotten started yet. There are approximately 180 government committees, bureaus, commissions, boards, within the different agencies involved in providing the rules, regulation, interpretations and enforcement of the law. (2012)

It remains to be seen what the full effects will be of the law over the coming years, but the law does affect the minimum level of insurance that can be offered and creates other stipulations which affect the medical tourism industry, especially with regards to health insurance coverage. The legislation restricts the ability of health insurance companies to offer international medical tourism options on the basis of lower cost. The law will dictate the percentage of a premium which must be dedicated to the medical portion of the treatment. Since non-medical costs such as travel and administration make up a significant portion of medical tourism, insurance companies may not be able to offer medical tourism options without going over the legally allowed limits for non-medical costs (Youngman, 2012b). Additional restrictions derived from the legislation include limitations on products offered on exchanges (Youngman, 2012b).

Other insurance regulations already exist which limit the ability of insurers to offer medical tourism as an option. For example, the state of Texas prohibits insurers from offering price incentives to travel for medical treatment. The law emerged as a result of lobbying efforts by doctors who wanted to limit the appeal of medical tourism due to the close proximity to

Mexico (Cohen, 2011). In California on the other hand, medical tourism is in many cases not only allowed, but encouraged (Cohen, 2011).

Many health insurance products limit medical tourism options explicitly or implicitly by limiting in-network or out-of-network coverage. Health insurance coverage or state law may require a physician providing services in a state to be licensed in that state, which may affect the ability of an out-of-state or out-of-country doctor to perform long-distance consultations (Krasner, 2012). Medical malpractice legislation or medical malpractice liability insurance coverage may also limit a doctor's ability or willingness to provide follow-up care to medical tourists who have traveled out of the country (Cohen, 2011).

Constant review of changing legal landscape.

Key industry players should remain aware of the explicit and implicit limitations on the industry written into current legislation and trade agreements. With healthcare reform underway in the United States, and with a global economic slowdown which may result in the implementation of further legislation or the breakdown of trade agreements, there will likely be many changes to the legal environment for medical tourism in coming years.

Factor #5: Collaboration and Cooperation Across Industries

Strategic alliances between facilitators and other industry players.

Many medical tourism facilitators form strategic partnerships, including partnerships with facilitators in other countries, partnerships with insurance companies or domestic employers, and partnerships exclusively with providers accredited by the Joint Commission International (JCI) or International Organization for Standardization (ISO). Other partnerships exist between affiliated hospitals or hospital chains (Gan & Frederick, 2011b).

Alliances between employers and medical providers.

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Corporate employers are opting into the medical tourism option in order to reduce the cost and increase the quality of healthcare benefits for employees. Two emerging trends include the inclusion of a medical tourism option in services covered by health insurance, and the use of exclusive contracts between employers and medical providers to establish bundled payment deals for employee care. This trend has spurred the growth of domestic medical tourism, and may on a much smaller scale impact the growth of outbound medical tourism (Youngman, 2011b).

Leading the way for medical tourism coverage by health insurers are some of the most well-known names in the insurance industry, including Aetna (Medical Tourism Association, 2009), Blue Cross and Blue Shield, and United Group Program. These insurers have initiated pilot programs with medical tourism options, either through corporate employee benefit plans, or for individuals (Deloitte, 2009). However, despite the pilot programs implemented, health insurance companies are not providing the demand for international medical tourism which was previously expected. Insurance pilot programs have instead provided more support for growth in domestic medical tourism as employers seek ways to reduce the cost of employee healthcare expenses (Youngman, 2012b).

The development of healthcare alliances between employers and medical facilities is another growing trend, and is contributing to the growth domestic medical tourism in the U.S. (D'Ariano, 2010). In 2010, the #1 rated heart care facility Cleveland Clinic entered an agreement with Lowe's home improvement retailer to provide heart surgery to employees needing treatment for an agreed upon bundled payment (Glenn, 2012). The use of bundled payments has emerged within the healthcare industry as a solution to rising costs and the need for quality, and can reduce uncertainty for payers and patients regarding the overall cost of

treatment (Dobson et al., 2012). Under the agreement between Lowe's and the Cleveland Clinic, employees of Lowe's worldwide travel to the Cleveland Clinic to receive top-quality care, reducing the cost to Lowe's while simultaneously reducing the employee's portion of the cost. Lowe's covers the cost of travel and accommodation for the employee and a family member so that the cost of travel is not an impediment to employees, and waives the employees' \$500 deductible. As an employer of over 200,000 people, Lowe's views the alliance with Cleveland Clinic as a success. The program has saved money for Lowe's and for its employees by reducing the cost of treatment. Lowe's believes that the higher-quality of care that employees receive also reduces future costs because employees are less likely to have to be readmitted for care in the future, and because employees are able to return to work more quickly (Yin, 2010).

Other companies have engaged in similar agreements with the Cleveland Clinic, including Kohl's, Rich Products Corporation, Boeing, and Alliance Oil (Gamble, 2012; Glenn, 2012). This year, Wal-Mart, the nation's largest private employer, entered into a bundled payment healthcare agreement with six prominent centers of excellence in six different states to provide specialized care for over 1 million employees and dependents covered under the company's health plan. Coverage for procedures under the program will be at no cost to employees, while reducing the overall cost to Wal-Mart for employee healthcare, while increasing accessibility to high-quality care for employees (The Advisory Board, 2012). Last year PepsiCo announced a similar flat-rate bundled payment agreement with Johns Hopkins Hospital in Baltimore for its 250,000 employees and dependents (Dance, 2011).

These bundled payment agreements help employers predict health care costs, because costs can vary wildly from state to state and at different hospitals. The medical travel option allows access to high quality care at a previously agreed-upon price. This emerging trend

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provides opportunity for localities with high-quality centers of excellence, and suggests that revenue will flow in their direction. Localities that want to develop into leading medical tourism destinations should therefore recruit and develop their centers of excellence. Corporate domestic medical tourism benefit agreements provide a way for medical facilities to expand their patient base by drawing patients across state lines. One of the challenges of developing a healthcare cluster is the “network effect” which requires a certain volume of participants in order to draw future business. Alliances between companies and centers of excellence are a great way to foster such development, and has a self-reinforcing effect once implemented.

H2H: Medical tourism integration between hotels and healthcare.

As Simon Hudson, an expert in tourism marketing, pointed out in an article last year, “some individual hospitals and regions in the U.S. are beginning to position themselves as medical tourism destinations, but few stakeholders have recognized the opportunities in bridging the gap between hotels and healthcare” (2011). He suggests future research based on a model that includes the “‘Hotels to Healthcare’ (H2H) part of medical tourism, an overlap between hotels and resorts and the medical facilities themselves, often resulting in the provision of an integrated medical tourism facility. An increasing number of hospitals and health resorts that are geared towards medical tourism are building rooms that feel more like a hotel than a hospital room (2011).” Indeed, H2H is an emerging trend. The “Hotels Bridging Healthcare (H2H) Conference” which took place in the summer of 2012 focused on the ways in which “hotels and hospitals could strategically connect, share experiences, and provide quality services to patients, their families, and guests” (University of Delaware, 2012).

The partnership between hotels and healthcare offers benefits to both sides. The healthcare-oriented hotels allow hospitals to move patients out of hospital units sooner, freeing

up capacity for other patients (Hindu Business Line, 2012). Hotels receive another source of demand which may account for a significant portion of room nights sold, and which may come at a higher average daily rate (Hindu Business Line, 2012). Hotels may be exposed to less cyclical demand fluctuations as well; the Hotels Bridging Healthcare Conference promotion claims that “in the recent economic downturn, hotels connected to hospitals appeared recession proof” (University of Delaware, 2012).

Factor #6: Develop Core Strengths

Many of the most successful medical tourism destinations leverage existing strengths to foster the growth of medical tourism in their destination. For example, Orlando has successfully fostered its medical tourism industry and its convention industry, and has leveraged the opportunity to use each industry to support the other. The Healthcare Convention & Exhibitors Association (HCEA) has consistently ranked Orlando as a leading Healthcare Meeting Destination (2011). The convention industry brings in healthcare industry professionals, supporting the development of Orlando’s medical tourism city (Jeter, 2009). Orlando serves as an example of ways in which destinations seeking to develop medical tourism can play off of existing strengths. Locations which draw seasonal tourists and part-year seasonal residents may be able to market medical options to existing visitors. There are some locations within the U.S. which have seen an influx of retirees; those locations may achieve success by developing medical tourism treatment options that are in high demand among the elderly, such as hospice care or arthritis treatments. Destinations with strong tourism sectors which provide entertainment and leisure activities or have other attractions should leverage those strengths to draw consumers. The medical tourism industry should be considered within the context of a destination’s existing strengths and characteristics.

“Build it and they will come” is a risky strategy.

Ian Youngman, a writer for the International Medical Travel Journal, has described many of the failures of medical tourism destinations that have followed what he calls the “The Field of Dreams’ mantra of “build it and they will come (2012a).” Many large projects have taken place worldwide to build large medical facilities based on the idea that simply by building supply, demand would follow. This has proven false in many cases. The debt-fueled building spree that many governments undertook in order to draw tourism dollars from overseas has failed to draw the expected demand. The cases where such investments proved successful were mostly cases of hospitals being built to expand capacity where there was already existing demand. Youngman points out that value from medical tourism can come to hospitals that already exist to cater to local populations, instead of building entire facilities that will be dependent on medical tourists exclusively (Youngman, 2012a). This research suggests that destinations may be more successful by supporting existing centers of excellence that cater to local and regional populations, and simply expanding their international patient base to capture a share of the medical tourism market. Centers in the U.S., such as the MD Anderson Cancer Center, have established international reputations, and are therefore able to develop international patients. The addition of new facilities in order to build healthcare clusters which will serve local, regional, national, and international markets is a much less risky strategy than from-scratch development of medical tourism hospitals.

Factor #7: Effective Market Segmentation and Marketing

Ian Youngman has also highlighted some of the challenges of medical tourism market segmentation and marketing strategy. In a recent article titled “How medical tourism lost its way...and how it can get back on track” Youngman argues that the medical travel industry has

made several mistakes which are resulting in the failure of medical tourism businesses. He argues that the industry needs to do better market research, stop engaging in back-to-front marketing, and develop a greater service orientation with a business strategy focused on real customer needs (2011a).

Engage in customer-focused market research.

Medical tourism is a broad market and there is a need for segmentation in order to develop products and services that meet consumers' needs, and to price them and market them effectively. Much of the hype over medical tourism has led to the misconception that cost is the only driver for demand, and that consumer flows would go one direction, from the U.S. and other developed countries to underdeveloped and developing countries (Youngman, 2011a). In reality patient flows go in multiple directions and patients travel for different reasons. Youngman also points out that for some consumers traveling from one state or region to another, domestically, may be a greater travel distance than the distance between some countries. The size of geographic regions, states, and countries affects the flow of patients; therefore focusing on "domestic vs. international" may conceal the true distances traveled (2011a). Furthermore, from major city airports in the U.S., it may be easier to fly direct to a large city in another country than to fly to a regional airport in the U.S. Medical tourism providers have missed the largest and closest segment of consumers by focusing on international patients from a small number of countries. For many medical tourism businesses, the target market may include domestic and regional travelers.

Another misconception is that price is the only driver. Because medical tourism providers worldwide were misled to believe they needed to focus on cost, they failed to develop the types of products and services that consumers really wanted, and they used the wrong

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advertising tactics to try to draw patients (Youngman, 2011a). The focus on cost in marketing can give consumers the perception of lower quality (Youngman, 2011a). There is a “base level” of care that a patient will expect, so a focus on price may send the wrong message. “Medical tourism may focus on lower cost, but the message has to be of lower price for an equivalent or better quality of care than you can get at home (Youngman, 2011a).” As centers of excellence around the world compete for patients, a greater emphasis on quality may be necessary for business survival.

Stop engaging in back to front marketing.

Because medical tourism products and services are not developed based on good market research, they are incorrectly designed, incorrectly priced, and incorrectly marketed. Instead of learning what consumers want, and focusing on the overall patient experience, the industry tends to focus on making a product, and then trying to sell it (Youngman, 2011a). Other experts agree that the medical tourism industry needs to develop a more service-oriented view that focuses on consumer perceptions of value. Bill Cook, Director of Training Programs at the Medical Tourism Association, says: “A common error is to focus too much effort on selling *our* services instead of zeroing in on the ultimate value that these services provide to our patients” (2012). He advises marketers to “stress benefits over features. For example, instead of just rambling on and on about the state-of-the-art technology available at your hospital, tell prospective patients precisely how this technology will lower their risk for complications” (2012).

Both Cook and Youngman stress the need for medical providers to think more like hospitality and the tourism profession, and make the customer’s experience the focal point of strategy, product design, delivery, and marketing. Marketing involves successful communication to the potential patient that communicates the value of the service offering, and which gives them

an accurate picture of what their medical tourism experience will be like. Likewise, successful service delivery involves not just a high-quality medical treatment but also high-quality human interaction that focuses on their needs and concerns (Cook, 2012).

A focus on overall customer experience drives positive word-of-mouth marketing.

The effect of word-of-mouth on business is well-known; yet the medical industry has been slower to adapt a model that focuses on customer satisfaction than the hospitality and tourism industries. The focus on quality outcomes of medical procedures may obscure the importance of a patient's satisfaction with the *entire* experience, including the interaction with staff, doctors, and facilitators. Improvements in patients' satisfaction levels can result in positive word of mouth marketing by consumers to other potential consumers, improving the image of medical tourism.

Factor #8: Build a Positive Relationship with Community

One of the arguments against the development of medical tourism involves worries that residents in the medical tourism destination will have restricted access to healthcare locally due to the rising prices driven by international demand. "There are concerns whether the more 'affluent' international patients actually put pressure on the 'resource constraints' for the local communities. This would make healthcare less affordable for the less affluent local consumers" (Gan & Frederick, 2011a). Other experts claim that the development of medical tourism can reverse "brain drain" of medical professionals out of the country, keeping them in their local communities and increasing the supply of quality medical services within the country. Other arguments include the fact that medical tourism development provides jobs and increases wages for locals, while drawing revenue which is re-invested in local economic development (Gan &

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Frederick, 2011a). Revenues may also decrease the strain on government budgets, increasing the financial resources to expand public healthcare for local populations.

While opposing views are taken regarding the ethical and moral implications of medical tourism, it can be assumed that both positive and negative effects will exist for destination populations. Medical tourism providers which develop relationships with local communities, provide “beds for locals” in hospitals, and participate in improving the health of local populations, will receive more local support and a more positive brand reputation. Investments in the health of local populations also provides a more thriving labor pool and may promote a healthier middle class which can become future consumers of healthcare.

Conclusion

Recent research on medical tourism has shed light on the trends affecting the market and has challenged previous assumptions regarding the medical traveler as a consumer. This research suggests that the potential for growth is substantial, and the barriers preventing consumers from entering the market are being effectively reduced.

One major implication of recent research is the fact that it underscores the global aspect of the market and expands the reach of the medical tourism market. Because medical tourism is a global phenomenon and is attractive to a wide variety of consumers, it represents substantial opportunity to expand business using existing property locations and existing clientele without major capital investment. Existing customers who already use a hotel chain for corporate or leisure travel can be targeted to marketing for medical travel as well.

The young, well-educated, cosmopolitan consumer is already being targeted by hospitality and tourism marketing. The aging baby-boomer population is already a major target demographic for tourism (Lehto, Jang, Achana, & O'Leary, 2006), and for medical care as well

(Edelheit, n.d.a). Combining the two products, tourism and healthcare, creates the opportunity to sell medical tourism options to consumers who are already shopping for both services separately. Furthermore, the fact that patients don't focus primarily on quality or cost separately, but are interested in overall value, means that the medical tourist can be accommodated at different price points, from luxury to budget leisure options, according to their individual needs. In addition, the finding that many medical tourists are shopping for dental care, minor surgeries, or even preventative care, which are not heavily invasive and do not require long recovery time or specialized post-procedure care, suggests that such guests will be able to participate in leisure activities and will not require re-designed guest rooms or services. Little investment would be required for hotels to accommodate many medical travelers.

For those guests who require more invasive procedures, longer recovery times, and more personalized nursing care, guest services departments will have to adapt to accommodate. Hotels and tourism operators are rapidly trying to adapt to fill individual and corporate travel needs for international medical travel. Changes to room design, the addition of on-site nursing care and pharmacies, travel coordination to and from medical facilities, and other services which cater to the medical traveler can be implemented. Medical travel facilitators offer options for recovery and follow-up care both in the destination country and at home, and facilitate cross-border communication between doctors, and between the doctor and patient. Partnerships between tourism, hospitality, and healthcare providers are essential to make the patient experience satisfactory. There is a great need for market segmentation in order to better understand target consumers, and a more consumer-centric focus should be developed for marketing, product and service delivery, and performance measurement.

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Many of the barriers to consumer entry are being brought down by managing consumer perceptions of the experience and quality of care in cross-border destinations, especially in underdeveloped nations. The increased focus on accreditation, institutional partnerships and arrangements between hospitals in different countries and health insurance providers have helped to reduce the perception of risk for the patient. Institutional arrangements indicate that health insurance companies and employers, as well as U.S. hospitals with overseas partners or subsidiaries, will be doing a large part of “selling” the idea of medical tourism to consumers. Hospitality and tourism marketers will be working alongside these other industries to market the idea of safe, effective, and affordable medical travel to consumers. The benefit to hospitality and tourism managers is that their marketing efforts will be reinforced on multiple fronts, because consumers will be pitched the same product by insurers, employers, and quite possibly by governments who are increasingly viewing medical tourism as an option to lower costs of public health care. In addition, increased media attention that focuses on positive patient experiences, and positive reviews by friends and family who have tried the international options will help to reduce the psychological barriers to participation. Since most medical travelers are happy with their experience, they actively market on behalf of the industry sharing their experiences and referring friends and family (Ehrbeck, Guevara, & Mango, 2008). The discovery that so many young consumers are opting for medical tourism is promising, since they are more likely to spread information and share their experiences through social media and online networking.

In addition to lowering the perception of risk among consumers and entrepreneurs, institutional arrangements create a huge opportunity for innovation in the market. Involvement and collaboration across the industries involved, including insurance, healthcare providers, tourism operators and facilitators, hotels, restaurants, local governments, and capital investors,

have adapted to the growing needs of the industry to accommodate the medical tourist in multiple ways. There is significant potential for growth when industries can collaborate to meet the needs of a new and growing market. In addition to lowering costs for consumers and creating viable options for medical care which may not have been available to patients in their home countries, the institutions involved in the industry have the opportunity to impact the communities in destination countries as well by providing jobs and economic growth, while showcasing their culture and attractions for worldwide travel. There is room for partnerships between medical tourism providers to help make access available to citizens in the destination countries through lower costs, easier access, and charitable giving.

Areas for Future Research

As the market for medical tourism continues to evolve, there are some important research questions which need to be explored:

- Are medical tourism providers reaching all the market participants, or are segments of the consumer base being ignored? Research supporting market segmentation is needed.
- Will the percentage of medical tourists seeking lower costs and/or quicker access begin to make up a larger percentage of the market for medical travel? While medical destinations in underdeveloped nations cater to those looking for lower cost, will we see an increase in consumers from within underdeveloped nations, who may not have had access to such care in their home country prior to the rise in medical tourism?

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- What trends in human resource allocation are taking place with regards to training, education, and the cross-border flow of medical and hospitality professionals?
- Current studies are underway centering on the consumer and their decision making process, satisfaction, habits, perceptions, etc. More research needs to be done to understand the consumer, and to compare consumer perceptions and decision-making according to different variables.
- As younger Americans find themselves burdened with higher healthcare and health insurance costs, will Generation X and Generation Y join older generations in the market for cross-border care? What other demographic trends can we see within the market with respect to socioeconomic status, race, and other consumer characteristics?
- What has been the result of pilot programs for employers to offer employees a voluntary medical tourism option within medical benefit packages? How can such programs be used as an example for employers and city/state governments to reduce the burden of rising healthcare costs and give their employees better value for healthcare?
- What changes have occurred with regards to consumer perceptions and expectations, as well as post-experience satisfaction? Are consumers increasingly viewing healthcare as a product or commodity that can be provided through global markets, just like other services? Within this view to consumer attitudes, more research should be conducted to understand the barriers to consumer entry

into the market, including language barriers, fear of immersion into a foreign culture, fear of crime or political unrest, worries related to complications arising from procedures or medical malpractice, insurance coverage barriers resulting from non-coverage in another country, difficulty in finding out about destination options and coordinating the medical and travel details, etc.

- Further exploration is needed regarding the effects of international trade agreements and government involvement in healthcare and tourism sectors on medical tourism. The competing forces of the elimination of borders through trade liberalization and the persistence of borders through the assertion of state sovereignty are essential to the continuation of medical tourism have a profound impact on the market. What case studies exist with respect to certain borders, and how can they be used to facilitate the allocation of medical care to those who need it? These issues are important with regards to labor, capital, and resource allocation, as well as the reduction of consumer and entrepreneurial risk.

The above research areas are only a few areas where research is needed on the subject. Although the involvement of multiple industries in medical tourism can be a source for miscommunication and misunderstanding, it is also a benefit, because academics and professionals are tackling the unknowns head-on from multiple directions, and the potential for collaboration is substantial. Recent institutional arrangements across the industries involved will provide case studies to shed light on future opportunities. The growing popularity of medical tourism will draw further attention and make consumers more aware of medical tourism as a choice in their decision making. Market players have significant opportunities to accommodate

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the growing needs of this budding market for international and domestic medical travel and will need to grow and adapt within the industry as it continues to take shape.

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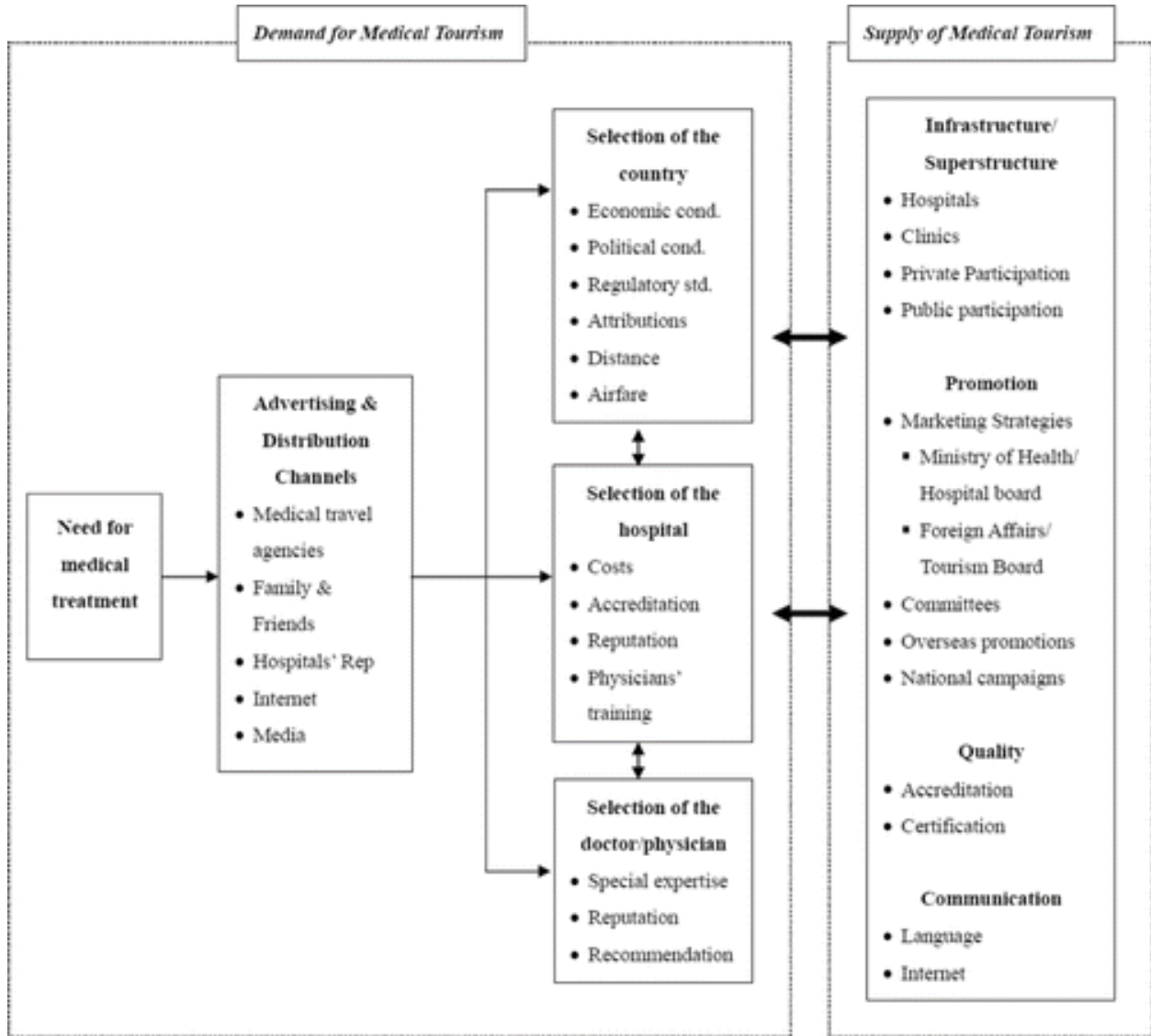
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Appendix A:

Heung, Kucukusta, and Song: Proposed Supply and Demand Model of Medical Tourism:



(Heung, Kucukusta, & Song, 2010)