

## Medical Tourism, the Future of Health Services

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### ABSTRACT

'Medical tourism' is a term used to refer to a travel activity that involves a medical procedure or to activities that promote the wellbeing of the tourist. This paper utilises the factors in Porter's diamond to evaluate, analyse and discuss the growth and development of medical tourism. Unacceptably long hospital queues and high costs of medical procedures in western society have created a demand for medical tourism. Hence, as this new global product gains popularity, increased monitoring and greater accreditation of this service is required to keep pace with an increase in its international demand.

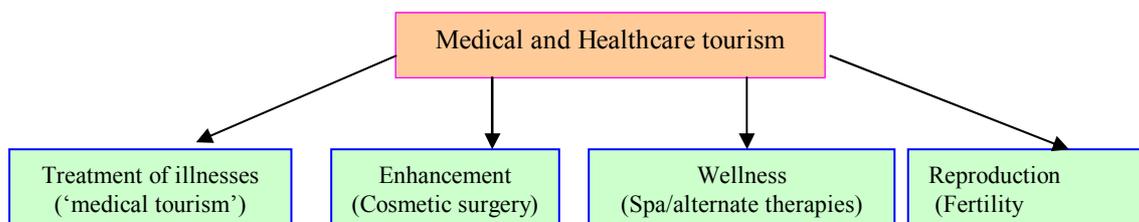
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### 1.0 Introduction

Travel itself exposes travellers to various mental and physical challenges in their new environment as part of their experience (Freedman and Woodhall 1999; Cetron, *et al.* 1998; Isaacson and Freaan 1997; Lederberg 1997; Morse 1995; Wilson 1995). This is especially so when the medical tourist is ill and debilitated and, therefore, more susceptible to contracting illnesses from the destinations. However, the cost benefit for the travelling medical tourist to receive medical treatment often compensates for this travel risk at the destination.

There are numerous definitions of tourists (Theobald, 1998). However, it is accepted that tourists are travellers who have travelled and stayed away from their home environment for 24 hours or more, and hence, have often utilised some form of accommodation facility. Those travellers who do not meet this 24 hour criterion are generally referred to as 'visitors'. For travellers that travel overseas for medical purposes, conceptually, they would meet the definition of a tourist. Since medical tourists are travellers whose main motivation for travel is for a specific purpose, medical tourists can be categorised as a group of special interest tourists, hence participating in a form of special interest tourism (Douglas, Douglas, and Derrett, 2001).

There is no one definition for medical tourism but it is generally accepted that this term is used to refer to travel activity that involves a medical procedure or activities that promote the wellbeing of the tourist. Figure 1 illustrates the components of medical and healthcare tourism (TRAM, 2006).



Source: Modified from TRAM 2006

Figure 1: Medical and healthcare tourism and components

The term ‘treatment of illnesses’, generally includes medical check-ups, health screening, dental treatment, joint replacements, heart surgery, cancer treatment, neurosurgery, transplants and other procedures that require qualified medical intervention. These can range from healthcare services that can be provided by a local general practitioner to complex surgical procedures such as transplants.

‘Enhancement’ procedures are carried out mainly for aesthetic purposes. Some of these procedures require qualified medical personnel but much of this work is non-disease related (unless disfigurement is caused by disease). Examples of such procedures include all cosmetic surgery, breast surgery, facelifts, liposuction and cosmetic dental work.

This component of the tourism and healthcare tourism is traditionally most associated with the tourism and leisure industry. The ‘wellness’ segment of medical and healthcare tourism promotes healthier lifestyles (Bennett, King and Milner, 2004). Therefore, these products can include treatment in spas, thermal and water treatments, acupuncture, aromatherapy, beauty care, facials, exercise and diet, herbal healing, homeopathy, massage, spa treatment, yoga and other similar products. There is normally no need for a qualified doctor to provide these services, although many professionals providing these services, are often accredited members of the various associations.

‘Reproduction’ tourism is an increasing and growing area of medical tourism travel. Under this component, there are patients who seek fertility-related treatments such as *in vitro* and *in vivo* fertilization and other similar procedures. In some situations, the travel is motivated and influenced by the legislation in the country of origin and host country. Some fertility procedures are illegal in some countries. Furthermore, ‘birth tourism’ is also included in this category (TRAM 2006). This category involves a pregnant mother who travels to another country to give birth to her baby in order to utilise the services, which are often free. In addition, a further advantage for her is to have her child gain citizenship of the new country and thus be able to reside permanently in the new location. At times, potential parents travel for the purposes of adopting children because the legislation and supply of babies for adoption is easier in host countries.

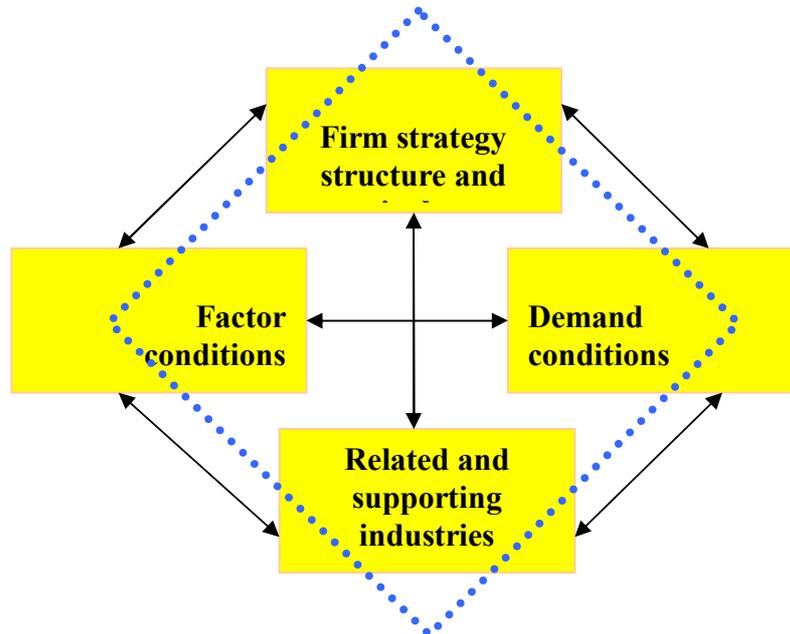
The scope of this paper mainly focuses on and evaluates the medical tourism areas that rely on medical and healthcare intervention, which often saves lives, relieves pain and provides various surgical procedures.

## 2.0 Porter’s diamond

Porter’s diamond of national competitive advantage is a modern international trade theory (Porter, 1990). It was derived and used to conceptualise the four conditions that are important when conducting international business. These four factors originate from earlier country and firm-based theories. In simple terms, the country based theories relate to the international trade theories of nations as a unit of business and the firm-based theories are those which relate to the firm as a unit of business. International business can be defined as commerce or business involving one of more countries and/or businesses located in a different country (Fisher, Hughes, Griffin and Pustay, 2006). In either situation, it involves cross border or trans-border commercial activities, hence including the complexities arising in different legislation, political environments, cultures, societies and other factors. As medical tourism generally involves the participation and activities of people and transactions in more than one country, this is appropriately relevant to international business.

Originally, Porter’s diamond of national competitive advantage was developed from the observations of the practices of about one hundred international businesses across ten different countries. Therefore, many of the components would encompass and consider most of the elements that are essential for the strategic decision-making of a firm intending to conduct international business. In the shape of a two dimensional diamond, four main components are included in this model (see Figure 2). These include factor conditions, demand conditions, related and supporting industries, and firm strategy, structure and rivalry. Two additional, elements, which refer to chance and government, were later included in the

conceptualisation to recognise the importance of these two additional components in the influence of international business.



Source: Porter (1990)

Figure 2: Porter's diamond of national competitive advantage

### 2.1 *Factor conditions*

With factor conditions, many medical tourism products are located in warm, pleasant environments. Therefore, the basic factors, which include ideal climatic conditions, natural resources and geographic location, are an advantage for medical tourism especially for those visitors from colder climates. In addition to these basic factors, there are advanced factors that have assisted in the development of medical tourism. These include investments made by people, who usually offer medical tourism services, predominantly in private hospitals (companies) and governments. Other advanced factors include the utilisation of the world-wide web resources for the communication and marketing of the medical tourism product internationally. In terms of quality, it is said that there is little difference in the medical tourism services offered in the advanced western countries and those in the eastern or developing countries. Quite often, medical doctors and their staff are trained in western countries, have worked in western hospitals and then returned to their country of origin (eastern or developing countries) for various personal reasons (CBS, 2004; 2005). Furthermore, the recruitment of foreign-trained doctors by these private hospitals, plus attractive work conditions have helped to staff these hospitals with well-qualified people. Therefore, the quality of such healthcare services are equivalent and the services far better than that found in the hospitals in developed countries.

Labour, in a large population, is relatively cheap in developing industries. Therefore, many of the activities involved in financing a hospital can be managed at a cheaper cost because salaries are generally lower and, in turn, the savings are passed along to the patient who pays much less for the same healthcare service than that found in their home country.

### 2.2 *Demand conditions*

As the ageing population increases, there is increasing demand for medical services, and, quite often, this demand cannot be met in many western countries under the public healthcare service. For much of the population, private healthcare is too expensive and so patients are placed onto public waiting lists for medical treatment. As these lists get longer and the price of healthcare increases, it is logical that alternative measures, which can serve this necessary demand, will be supported to improve the quality of life of these patients. Quite often, simply the cost of an expensive holiday could finance medical treatment and a recuperative break away in the destination country. This is very attractive for many

people. Both physical and mental well-being are addressed (Garcia-Altes, 2005; Henderson, 2004). The former is taken care of by surgical procedures, the latter involves recuperation and pampering in an exotic location that can promote mental health and wellbeing during this process. Hence, such a medical tourism experience is very attractive.

A further demand for medical tourism is created by the increasing population that do not subscribe to private healthcare insurance. There are various reasons why some people do not have medical insurance - these are usually cost-related. Consequently, this would be a group of patients who would either benefit from medical tourism, or, not be able to afford any treatment at all.

Insurance companies that have to pay for the cost of medical treatment of their insured clients are continuously seeking ways of reducing their expenses and improving their services. These companies are gradually creating a demand for medical tourism as well. Where companies allow flexible claims for healthcare services, these companies may pay a smaller amount of compensation to their clients who have paid less for their medical treatment received overseas. For example, India has targeted the National Health Service to explore the use of medical services overseas. Such international business arrangements are somewhat like a sophisticated form of subcontracting or off-shoring of services, which is a commonly utilised business strategy to reduce costs.

### **2.3 Related and supporting industries**

Since medical tourism involves a form of travel to a foreign location, there is demand for some form of accommodation in the hospital or in a hotel and also for local travel at the destination. Therefore, medical tourism relies upon a developed infrastructure. The tourism industry includes the provision of travel by the airlines and accommodation in hotels and motels and also taxis for local travel. Furthermore, there are activities that cater for the leisure and recreation of tourists, which can provide ideal facilities for a relaxing and pampered recovery from any medical procedures. With such sound infrastructures in place in most developing countries, not much further infrastructure investment is required by local businesses and host governments. In addition, foreign governments are aware that the value of the tourism dollar can be increased by the introduction and support of medical tourism and so have supported businesses investing in this new industry. Furthermore, it is recognised that a medical tourist rarely travels alone. It is common for another relative to accompany the patient and, therefore, the accompanying person or entire family may travel to the selected destination and stay for the necessary duration of the medical treatment. Governments further encourage medical tourism by allowing visas to be easily obtained and so do not hinder the process.

### **2.4 Company strategy, structure, and rivalry**

This factor shifts from the macro-related (at country level) toward those at micro level (at level of the firm) in the Porter's diamond. At micro level, the future of individual enterprises (including hospitals) participating in medical tourism will be dependent on their strategy, structure and rivalry. Although medical tourism is supported by governments, as with other tourism businesses, those companies, which do not provide a quality service and maintain a good customer satisfaction rating, cannot remain sustainable in the market environment. As medical tourism becomes more attractive to many countries, there will be much more international competition and rivalry. Therefore, with medical treatment being equal across many countries, the tourist would begin to select their target destination based on other reasons. Some medical enterprises have compiled packages to make it easier for tourists who then do not need to spend so much time in researching their travel and accommodation requirements (Medical tourism, 2005a; 2005b). With the medical tourism facilities increasing in demand over time, as with other international business operations, there is room for multinational enterprises that can offer such healthcare services internationally. With a multinational enterprise comprising staff that is recruited internationally, there are facilities within the structure of the firm to enable these enterprises to expatriate medical staff to manage future subsidiaries around the world. Although doctors are required by law to register with the local medical associations before they can practice in the local environment, there is no such requirement for the CEO to manage and start such operations in any country. Thus, it will not be unusual in the near future to have different forms of entry modes in medical tourism, such as with franchising agreements or joint ventures.

Table 1 lists a range of countries that are currently offering international medical tourism healthcare services. This table shows that almost all the countries in the world offer some form of medical tourism services. As the benefits of medical tourism is realised in financial terms and for the wellbeing of the patients, more resources from governments and private investors in this industry will be provided.

Argentina	Bulgaria	Czech Republic	Iran	Mexico	Saudi Arabia
Australia	Canada	Dubai	Israel	Netherlands	South Africa
Bahrain	Cayman Islands	France	Japan Jordan	Oman Peru	Switzerland
Bangladesh	Chile	Germany	Korea	Philippines	Taiwan
Barbados	Costa Rica	Greece	Lebanon	Poland	Thailand
Belgium	Cuba	Hungary	Lithuania	Romania	Turkey
Brazil	Cyprus	India	Malaysia	Russia	

Table 1 International medical tourism provision of service

Source: TRAM (2006)

### 2.5 Keeping up with developments

As with all rapid developments, there will be some need to regulate and monitor institutions in order to ensure and maintain the health and safety of medical tourists. It is more likely that this process will be reactive to issues and problems rather than proactive in preventing problems from emerging. With some medical tourism procedures, such as heart surgery, hip replacements, cochlear implants and dental surgery, it is necessary to be aware of the qualifications and training of surgeons, operating teams and the reputation of the medical facilities offering the treatments. It cannot be taken for granted that the same level of health standards apply in the domestic and international environment. Nevertheless, the utilisation of overseas health services is not too different from the better known subcontracting or the off-shoring of services, such as those used in call centres and other business services. Since medical tourism decisions are sometimes based on higher costs and average expertise in the domestic situation (in comparison with the cost of medical services abroad at lower prices and sometimes of better quality), medical tourism is likely to be the new global trend for providing medical services through necessity rather than choice for many future medical tourists.

With the range and scope of medical procedures offered in the international marketplace, different countries offer different levels of control over their domestic medical tourism services. This can be risky and dangerous (Menck, 2004). In the worst case scenario, either post operative recovery does not go well and patients need to prolong their stay at the destination and therefore incur additional costs, or, if patients have returned home, they would have to seek further medical care and treatment in their home country. This would increase the cost of the overall treatment for their condition especially for cosmetic procedures, which are monitored less (Connell, 2006). Hence, 'buyers beware' is currently the norm than the exception. Therefore, in the early days of global investment in this new product, the monitoring or accreditation of these products can significantly increase their international demand. The way forward is towards some form of international monitoring of the global medical tourism product and services at governmental and global levels. This would require a large degree of international coordination and cooperation between the nations beyond that exhibited by the current day situation.

### 3.0 Conclusion

Medical tourism is becoming a new and emerging international business that is gradually increasing in importance. In capitalising on the tourism infrastructure that supports this industry, nations do not need to invest much more in supporting medical tourism. As an international business, this is not too different from the subcontracting or the off-shoring of services. With higher costs and expertise, in the future, medical tourism is likely to be the new global trend for providing medical services. The rapid developments in medical tourism demands have left the policing and legislation behind. It would be imperative for this legislation to catch up in order to protect the vulnerable that are unable to make well-informed research-based decisions. It remains to be seen in the future which countries will adopt the proactive stance to strategically avoid future problems to maintain and protect their country's reputation in this important and growing area of healthcare.

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### Authors' Backgrounds

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