

Medical Tourism: Why Americans Take Medical Vacations Abroad

By Diana M. Ernst

Key Points

- Medical tourism is the phenomenon of Americans saving thousands of dollars by seeking treatment in emerging health markets like India and Thailand.
- Costly health care at home is the result of several problems, some of which are policy-related, such as expensive medical malpractice lawsuits and prolonged, pricey FDA regulations.
- Foreign hospitals and doctors welcome the rise of medical tourism, and organizations are developing to help market their services.
- The globalization of health care means more competition and good quality at better prices. Policy makers should ease costly restrictions on American hospitals, doctors, and patients to help them compete.

Vacation and Surgery

Tourist destinations around the world welcome American travelers to keep their economies prosperous. Some American vacationers today return home with much more than t-shirts and touristy bric-a-brac. For example, they will return with a hip replacement. Medical tourism is well-known as a means of securing cosmetic procedures, but now, medical tourists are getting more than tummy tucks.

A growing population of Americans has discovered a cheaper way to get the critical health care they need. This new phenomenon is a role reversal for those accustomed to foreigners voyaging to the U.S. for top-notch health care - if they can afford it. As health-care prices skyrocket, even Americans can't afford it. Some go to India and Thailand for herniated disk repairs, heart surgeries, and even new procedures like hip resurfacing. And they return with a lot more money left in their pockets - sometimes 70-80 percent more than if they'd been treated in the U.S.¹

Ms. Jeanne Bennett of Raleigh, North Carolina, recently made headlines for traveling to India to receive hip resurfacing. This procedure reshapes the head of the femur with a prosthetic, which fits into the hip socket. It is a technique usually recommended for younger patients who do not need a full hip replacement. Bennett had suffered with an arthritic hip for years, despite being barely middle aged. When American surgeons told her to bear the pain until she could get a new hip, she sought alternatives. She flew to India where she had successful surgery, for \$5,600.²

It's Cheaper to Travel

This trend is not all due to U.S. health policy. For example, the American dollar is more valuable in many underdeveloped, foreign countries, where the pay scale is low and the number of patients high. Too much of this loss of medical activity, however, is due to bad health policy at home. Medical malpractice is not nearly so ruthless in foreign countries, where doctors can pay as little as \$4,000 a year for malpractice insurance. American doctors can pay 25 times that amount every year. Intense liability pressures in the U.S. forces doctors to change the way they practice medicine, avoid higher-risk procedures, and in extreme cases, close down their practices entirely.³

Medical tourists can save more than just money by going abroad for health treatment. In the United States, lengthy and strict FDA regulations delay cutting-edge procedures like hip resurfacing. FDA approval is also essential for insurers to cover medical treatments. Hip resurfacing is only available at some American medical centers, including Duke, where a few operations take place every month. In Europe and Asia, the technique is already established, and Indian doctors like Ms. Bennett's surgeon welcome the extra business. He performs hip resurfacing for as many as 15 Americans every month.⁴

We should mention other costly additions to the supply side of the U.S. health-care industry, such as Medicare and Medicaid expenses, which consume ever-higher percentages of the national GDP. Likewise, certificate of need laws inhibit new, specialized hospitals from developing unless they can defeat lobbyists who oppose competition.

Payers and Policymakers Take Notice

American employers are seeing the appeal of medical tourism. They too suffer from steep health-care liabilities and governments that continue to impose more costs. Recent policies threaten to put more strain on America's businesses by mandating that employers take on health-care benefits for all their employees. Small businesses suffer the most, which is why about 11 percent of the nation's small businesses may drop health benefits completely by next year.⁵ Maryland's unsuccessful "Fair Share for Health Care" bill (designed specifically to punish Wal-Mart for hiring non-union workers), Massachusetts' new universal health plan, and San Francisco's Health Access program all impose more costs on employers.

For employers, medical outsourcing may seem tricky at this nascent stage, but it also tenders an enticing solution to financial troubles. In some cases, an employer may actually save money by covering the operation, travel, and accommodation expenses for an employee *and* a spouse going abroad for treatment.

Blue Ridge Paper Products of Canton, N.C. is in the spotlight for going out and abroad on this medical limb. This month, the company will pay for an employee and his fiancée to fly to New Delhi for his shoulder and gallbladder operations. As an incentive, the company will offer him a portion of the money it expects to save, \$10,000.

Blue Ridge is in a delicate situation, seeking to preserve union support while simultaneously juggling new health benefits and legal liabilities. It's also hard for Blue Ridge representatives to know just how much money the company would save if medical tourism should become more widespread. Deterrents such as terrorism and meager liability standards will curb American enthusiasm for traveling outside U.S. borders.

Blue Ridge maintains that medical tourism is beneficial, however, for health outcomes as well as lower costs. Citing two recent Commonwealth Fund reports, a company spokesman commented that when compared to Australia, Canada, Germany, New Zealand, and the U.K., the U.S. ranks last in patient safety.⁶ Nevertheless, cheaper prices remain the leading incentive to travel outside the U.S. for health care.

United Group Programs, a leading health services company in the U.S., also offers services for American medical tourists and self-insured employers, having recently added Thailand's only Joint Commission International accredited hospital, Bumrungrad Hospital in Bangkok, to its list of providers. Jonathan Edelheit, vice-president of sales at United Group Programs, claims that sending patients to Bangkok for a heart bypass operation would save them \$60,000 to \$70,000 versus having it done stateside.⁷

Even lawmakers have spotted the new cost-saving opportunity in health care. West Virginia legislator Ray Canterbury, and cosponsors Ron Walters and Jeff Eldridge proposed H. B. 4711, now in committee, which would allow private insurance companies to incentivize consumers to have cheaper surgeries in accredited hospitals abroad.⁸

Large American insurance companies have not fully jumped aboard the medical tourism bandwagon, and the number of medical tourists remains paltry compared to the millions of surgeries performed in the U.S. every year. World Bank economist Aaditya Mattoo, in his study on cross-border trade and medical outsourcing, attributes the lack of interest among insurers to "institutional inertia."⁹ Legal and regulatory issues are very daunting, but foreign entrepreneurs are acting to mitigate those risks.

Global Competition is Thriving

Unsurprisingly, developing countries welcome the rise of this new industry. Though their facilities may not boast affluent surroundings, or ample physicians (India has only four doctors per 10,000 patients), private facilities are emerging that have adequate hospitals, technology, and excellent care on par with the U.S. and Europe.

Bangkok and Phuket in Thailand are two key locations for medical tourism, and India is right on their heels. Both locations are experiencing a 30-percent annual rise in American patients. Bangkok has six health care facilities with hospital accreditation from the U.S. and 200 U.S. certified surgeons.¹⁰ These places are also marketing their finest hotels for foreign patients to rest and recover.

HealthAbroad.net, IndUShealth, PlanetHospital.com, Medical Tourist Company, MedRetreat, and the Taj Medical Group are just some of the organizations offering information and resources about doctors, hospitals, and medical treatments and "medical holiday" packages in low-cost countries, as well as cost comparisons between procedures in those countries and Western countries. The largest of the companies serving medical tourists in India is Apollo Hospital

Enterprises. Apollo Hospitals usually provide Western patients with a package that includes flights, transfers, hotels, treatment and even a post-operative vacation. Americans who are underinsured or uninsured are using such tools. So are Canadian and British patients, whose national health-care systems mean long waiting lists for surgery.

Apollo Hospitals initially contracted with Britain's National Health Service to conduct medical tests for patients at much cheaper prices. Apollo's business grew significantly with the deregulation of the Indian economy, and the company imported modern medical equipment. Over time, patients from Europe, the Middle East and Canada began to arrive for treatment. Apollo now has more than 37 hospitals in India, and additional sister hospitals in Kuwait, Sri Lanka and Nigeria. Apollo has been so successful that it has offered its services and free beds to India's indigent populations.¹¹

Another Indian success story is Escorts Heart Institute and Research Centre, founded by Dr. Naresh Trehan, a cardiothoracic surgeon and former professor of surgery at the New York University Medical Center. His heart center has proven successful, with more than 35,000 open-heart surgeries since its establishment in 1988, and a very low death rate, 0.8 percent, for coronary bypass patients.¹²

With New Procedures, Come New Risks

While some American accreditation agencies do monitor the quality of foreign hospitals with the same standards used in the U.S., Americans must understand the risks involved in receiving medical treatment abroad. In today's litigious American society, medical malpractice suits involve high, and in many cases excessive patient protection regulations. In the countries where Americans go for cheaper treatment, no such guarantees exist. Also, the United States cannot intervene with foreign medical practice.¹³

Nevertheless, more Americans are finding domestic providers too expensive, and the dawn of medical tourism is simply the market springing up to perform a service that is lacking. The rise of medical tourism will certainly assist providers, hospitals and hotels in foreign countries that will benefit from increased business. These countries will have an incentive to welcome more foreign patients by enhancing the quality of their health care. For American providers, this means new competition and new risks. Globalization is knocking on the door of health care in the United States, and if it has any positive impact, it will be to help us better organize our health system, promoting increased competition, consumer driven health plans, lower costs, and quality.

Global Competition is Good. Let's Help America Compete

Public policy should not discourage this voluntary, mutually beneficial activity. Advocates of change and improvement in any industry know that competition is key. Supporters of medical tourism believe that the United States should have to compete globally, and their hope is that the expanding industry will raise the quality of care in this country. But hospitals and consumers in the United States must be allowed to compete on this international level.

Public policies for this new environment should battle the medical malpractice costs, exorbitant expenses for federal health-care programs, and the certificate of need laws that stifle the entrepreneurial initiative necessary for providers in this country to compete. Hospitals and doctors not only have to face domestic challenges but also those from eager and competent foreign businesses proving more viable than previously imagined.

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 - ³ MedRetreat, *Frequently Asked Questions*, (Washington D.C., MedRetreat, 2006). Available at: http://www.medretreat.com/medical_tourism/faq_s.html#FAQ7 as of August 15; Daniel P. Kessler, *The Determinants of the Cost of Medical Liability Insurance*, (Rockville, Maryland: Physician Insurers Association of America, April 25, 2006). Michelle M. Mello, "Understanding medical malpractice insurance: A primer," Research Synthesis Report No. 8, (Cambridge Massachusetts: Harvard School of Public Health, January 2006).
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 - ⁵ SurePayroll, *High Healthcare Costs Big Concern for Small Business Owners*, (Glenview, Illinois: SurePayroll, July 14, 2006). Available at: <http://surepayroll.com/spsite/press/releases/2006/release071306.asp>.
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 - ⁷ Julie Appleby and Julie Schmit, "Sending Patients Packing," *USA Today*, July 27, 2006.
 - ⁸ Kris Wise, "Bill would cover surgeries outside the U.S." *Charleston Daily Mail*, February 3, 2006. The hospitals described refer to those accredited by the Joint Commission International.

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