

## **Research**

# **Globalization of Medical Services from the Perspective of Medical Tourism**

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Factors such as language and cultural barriers, as well as differences in domestic legal systems have been said to make globalization of medical services difficult. In recent years, however, there has been a move toward internationalization, such as patients seeking treatment overseas, provision of medical services to other countries, and foreign investment by medical institutions. Hitachi Research Institute has been conducting surveys on such changes in the global medical environment. This paper introduces one of the trends, “medical tourism”, in Asia.

## **1. Increase in International Flow of Patients Particularly in Asia**

Medical tourism is broadly defined as “the practice of travelling overseas to obtain medical or healthcare services”. Ever since the 1990s, there has been an increasing number of patients receiving medical and healthcare services overseas, and there are predictions that the medical tourism industry will grow from a global size of \$40 billion in 2004 to \$100 billion by 2012. After the currency crisis in 1997, some Asian countries, particularly Thailand and Singapore, have adopted a national policy to actively attract foreigner patients with the aim to acquire foreign currency. At the same time, the more stringent restrictions to enter the US after the series of terrorist attacks have redirected the flow of people from the Middle Eastern countries to Asia, making the latter a major center for accepting foreigner patients (Figure 1 and Table 1).

## **2. Reasons for Development of Medical Tourism**

### **2.1 Needs for “Quality” Medical Services at “Reasonable Prices”**

Patients travel overseas in the hope of (1) seeking “advanced medical treatment” in terms of the level of skill and service, (2) seeking “low-cost medical treatment” compared to their own country, and (3) “sidestepping restrictions” by seeking medical services that are subject to legal or ethical restrictions in their country. The needs for these services have been boosted by the shift to an information era with the widespread use of the Internet, as well as the development of transportation networks by air and other means, which in turn led to an increased international flow of patients.

In a number of Asian countries, there are medical institutions that are increasing the number of foreigner patients (mainly wealthy consumers) by providing multilingual and multicultural support, as well as first-class services.

### **2.2 National Policy with Nurturing of Medical Industry Taken into Consideration**

Underlying the decision of these Asian countries to promote medical tourism as a national policy is the perception that attracting foreigner patients helps to (1) upgrade the hospitals’ medical and service standards amidst global competition, and (2) accumulate patient cases, thereby helping to develop the medical industry, including the biomedical sector.

In their efforts to encourage medical tourism, promotional activities have been carried out as a country, and a system has been developed to facilitate acceptance of foreign patients, such as by implementing systemic reforms including deregulatory measures related to medical visa and treatment by foreigner doctors, introducing services to handle ADR (Alternative Dispute Resolution), and establishing call centers (Table 2). In Korea, in particular, roles are divided among the central and local governments, with the former promoting comprehensive policies and the latter executing them. Measures implemented through cooperation among the government, local governments, and medical institutions have contributed to a sharp increase in the number of foreigner patients by about 10 times from 2007 to 2010.

### **2.3 Expansion of Operations by Multinational Medical Groups**

Private multinational medical groups with operations in different Asian countries have also contributed to the development of medical tourism.

For example, Raffles Medical Group and ParkwayHealth, which are major private medical groups based in Singapore, have established bases including medical facilities in different Asian nations, and adopt an international specialization system that refers patients to the main hospital in Singapore.

Asan Medical Center, a member of the Korea-based Hyundai Group, succeeded in increasing the number of foreign patients by expanding its operations utilizing the global network of the group. Its efforts include cooperation with Hyundai Medis, a concierge<sup>i</sup> service provider under the same group, providing medical examination as part of the training program to employees from affiliated companies of the Hyundai group, and working with bases in the US.

## **3. Needs and Issues Associated with Globalization of Medical Value Chain**

Medical tourism, defined as “patients travelling across national borders”, is none other than “globalization of the medical value chain”. Generally, a complete medical value chain is formed within the country, with the same medical institution offering services including “examination”, “treatment”, and “after-care”. However, development of medical tourism, where the series of services are provided by different institutions in more than one country, have created new needs as well as issues.

Patients travelling overseas are faced with new issues such as travel and lodging arrangements, and also language and cultural barriers. New services have been introduced in response to such needs, such as a concierge that provides one-stop services from recommendation of medical institutions to arrangement for sightseeing by family members of the patient.

Medical institutions like those mentioned in 2.3, which aim to become the core hospital of regions such as Asia, are putting in effort with emphasis on reinforcing their specialized fields of treatment and enhancing their level of medical skills and services, with overseas markets taken into consideration. To adapt to such trends of the patients and changes in the environment, strategies from a global viewpoint, rather than a domestic one, are necessary, and this applies not only to the medical institutions above, but also governments of the countries that are aiming to raise the overall standard of their medical and industrial infrastructures, as well as enterprises that are planning to expand their operations into the medical industry.

Additionally, with patients and hospitals becoming more globalized, it will also become increasingly important to have an advanced information-sharing infrastructure. Currently, medical records and other information are shared with the use of media such as CDs, and there is limited utilization of IT-related services. However, with the development of telemedicine/telediagnosis services and PHR<sup>ii</sup>, growing needs are anticipated for the sharing and management of medical and healthcare information on an international level.

Hitachi Research Institute will continue to focus attention on the globalization trends of medical services, as well as new needs and business opportunities that arise from such trends.

I Concierge: Private intermediary agents for attracting foreigner patients.

ii PHR: Personal Health Record. A system for the consolidated and lifelong management of each individual's medical and health-enhancement information.

Table 1: Flow of Foreigner Patients

(% , No. of Patients)

From \ To	Asia	Europe	South America	Middle East	North America
Africa	95	4	1	—	—
Asia	93	1	—	—	6
Europe	39	10	5	13	33
South America	1	—	12	—	87
Middle East	32	8	—	2	58
North America	45	—	26	2	27
Oceania	99	—	1	—	—

Sources: Mckinsey&Company, "Mapping the market for medical travel", May 2008

Table 2: Examples of Medical Tourism Promotion Measures

	Singapore	Korea
Strategy Name	Singapore Medicine	Medical Korea
Starting Year	2003	2009
Main Facilitators	Ministry of Health (MOH), Economic Development Board (EDB), Singapore Tourism Board (STB), International Enterprise Singapore (IES)	Ministry for Health & Welfare, Korea Health Industry Development Institute (KHIDI), Korea Tourism Organization (KTO), Korea Trade-Investment Promotion Agency (KOTRA), Korea International Medical Association (KIMA)
Direction	The goal is to become Asia's " <u>healthcare service hub</u> ", with a perception that upgrading of medical standards amidst global competition and accumulation of patient cases will be useful for the <u>development of the medical industry</u> .	One of the medical industry development measures by the Ministry of Health & Welfare is to promote "attraction of foreigner patients". The aims are to <u>improve the balance on services, enhance the global competitiveness of Korea's medical services, and create domestic employment opportunities</u> .
Priority Areas	Cardiac surgery, eye surgery, cancer surgery	Cancer surgery, heart transplantation, plastic surgery, Traditional Korean Medicine, esthetic dental treatment
Contents of Implementation	<ul style="list-style-type: none"> <li>• Introduction of a new medical visa</li> <li>• Promotion of collaboration between the national hospitals with medical institutions in Europe and US by the government</li> <li>• Acknowledging a wider range of qualifications of foreigner doctors and specialist physicians</li> <li>• Permission for conditional medical activities by medical school graduates from specific universities in the US and UK</li> </ul>	<ol style="list-style-type: none"> <li>(1) <u>Brand building</u> Selection of "Smart Care 36 2010" as the representative treatment and introducing it to other countries</li> <li>(2) <u>Development of systems</u> Revision of medical care law, introduction of new medical visa, etc.</li> <li>(3) <u>Improvement of services</u> Running of call centers, training of medical interpreters, etc.</li> </ol>

Material prepared by Hitachi Research Institute