

**Medical Tourism**  
**Global Competition in Health Care**

**Chicago Medical Tourism Conference**

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by  
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*Ideas Changing the World*

# Why Medical Tourism?

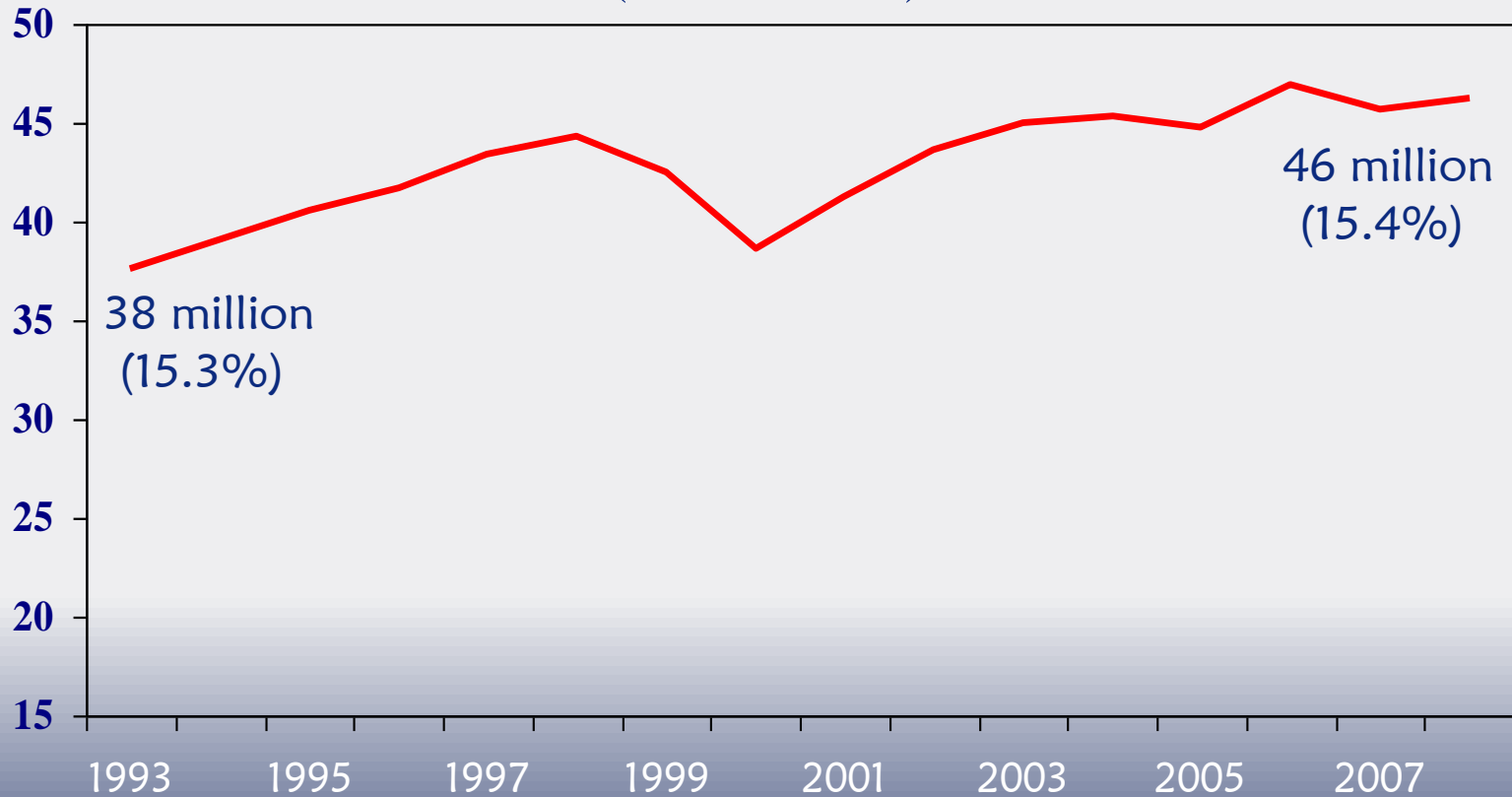
## U.S. Health Care Problems

*45 million lack health coverage*

- ✓ *Access to care is a problem*
- ✓ *Cost is high when care is needed*

# Uninsured U.S. Residents

(1993 to 2008)



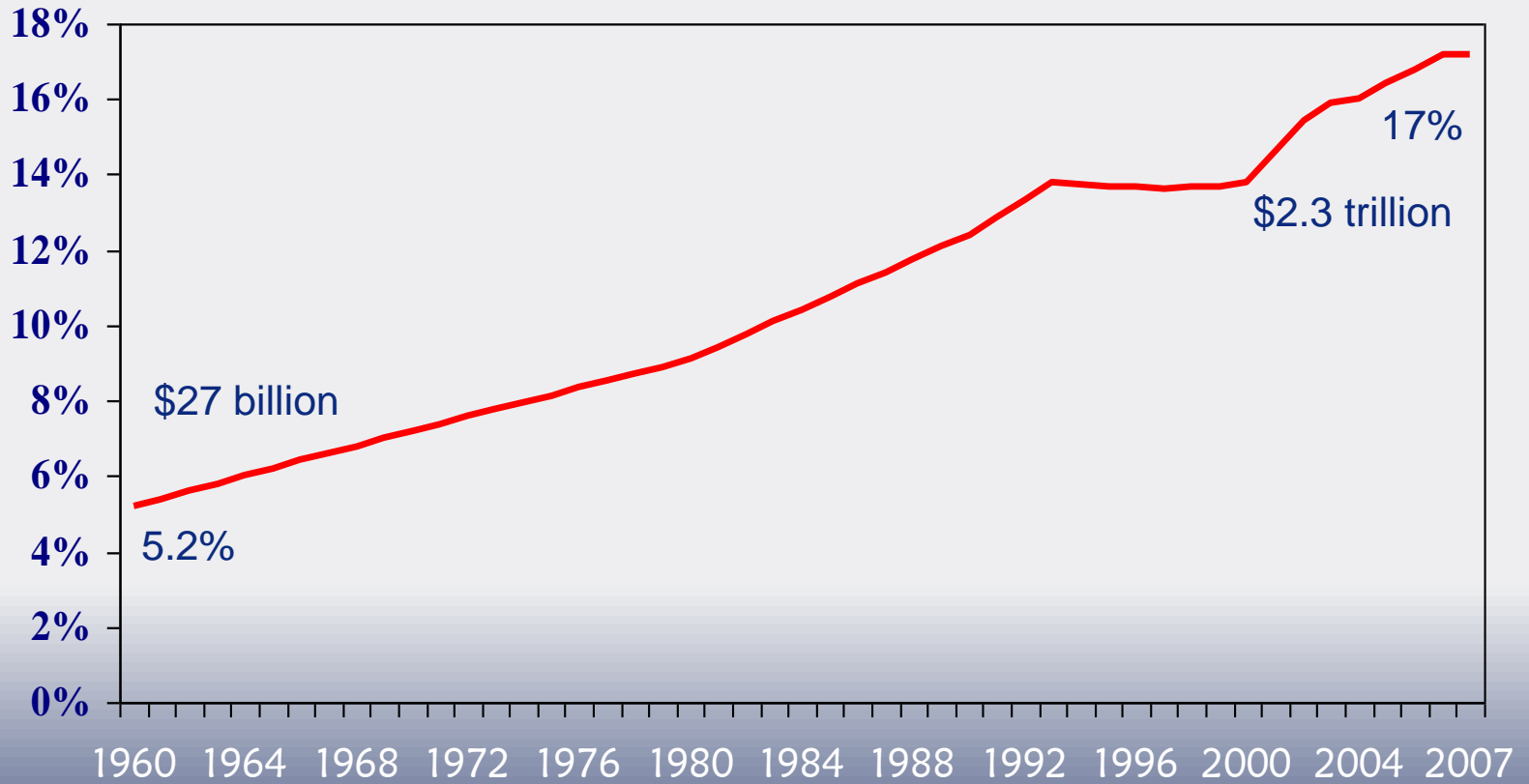
# U.S. Health Care Cost

## U.S. Health Care Cost is High

- ✓ *U.S. firms spend 8% of payroll on health benefits*
- ✓ *Medical spending is rising at twice the rate of national income*
- ✓ *Medical prices are rising at three times the rate of inflation*
- ✓ *No effective cost control*

# U.S. Health Care Expenditure

(Percent of GDP)



# National Health Expenditures

(1960 to 2008)

(billion)

\$2,400

\$1,800

\$1,200

\$600

\$0

\$2.3 trillion

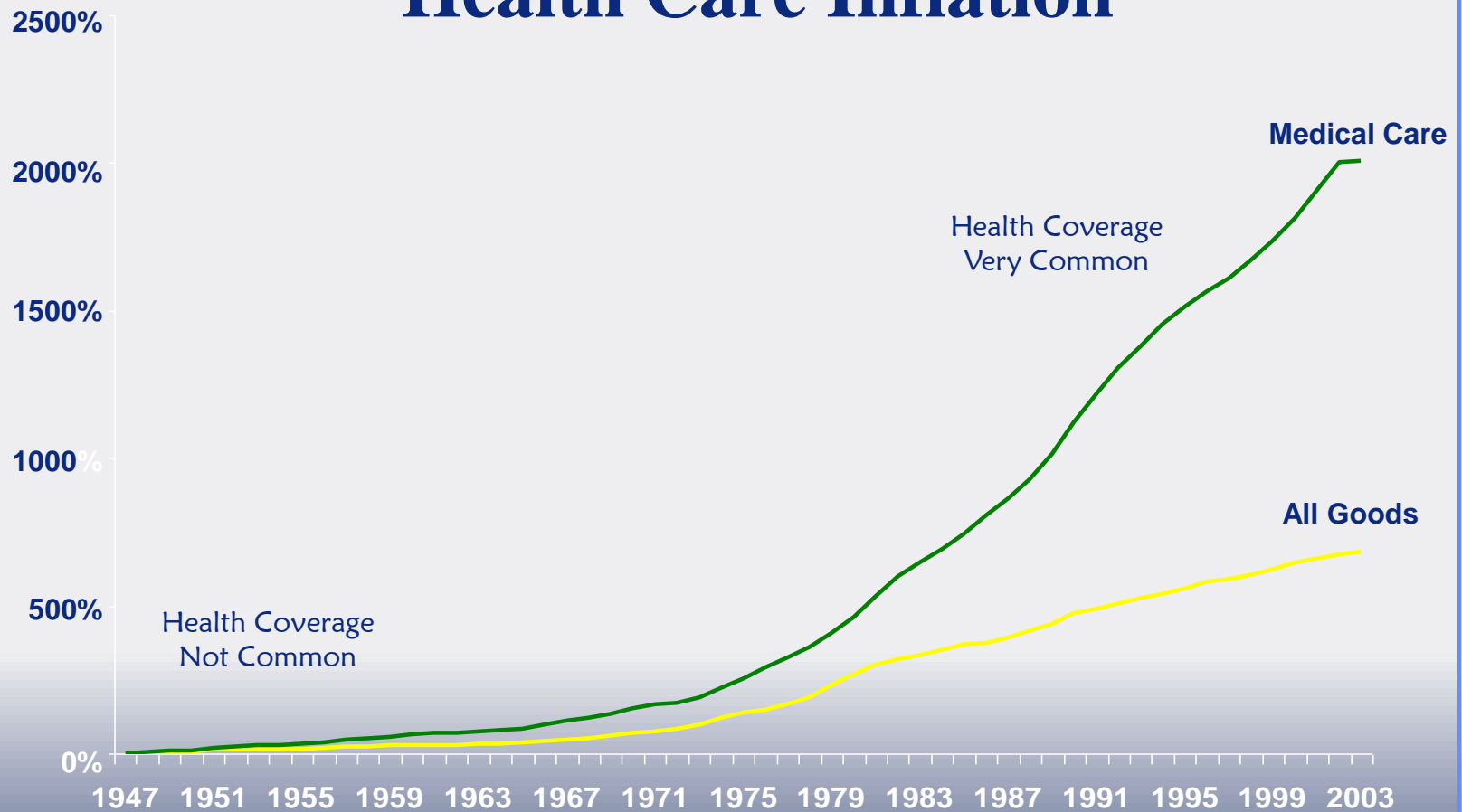
Health Coverage  
Not Very Common

Health Coverage  
Very Common

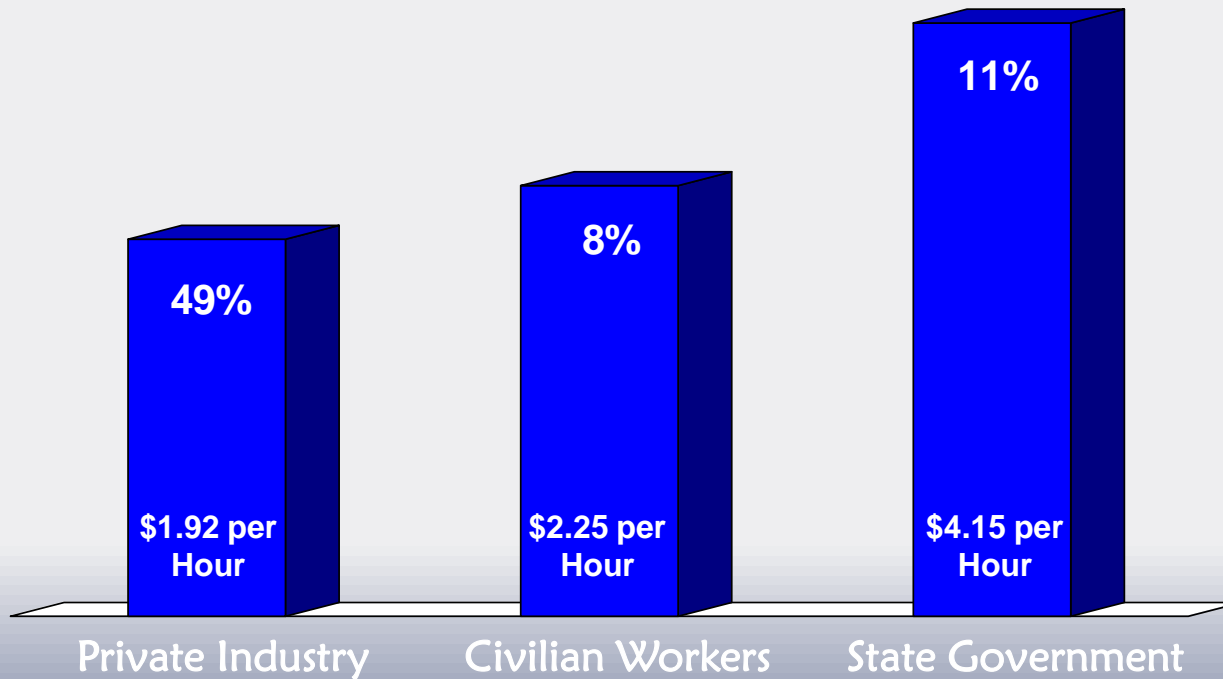
\$27 billion

1960 1970 1980 1990 2000 2003 2004 2005 2006 2007 2008

# Health Care Inflation

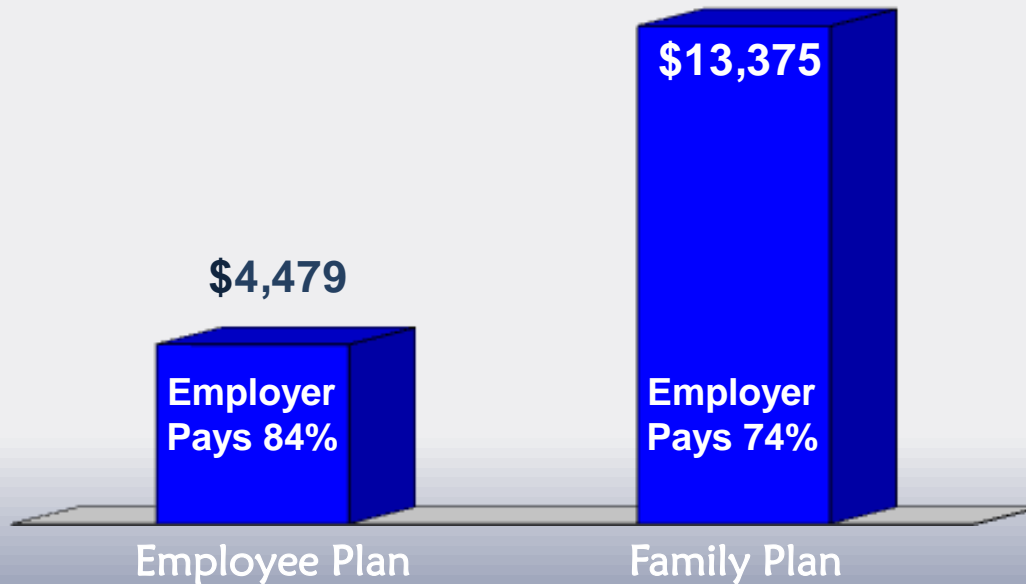


# Cost of Employee Health Coverage





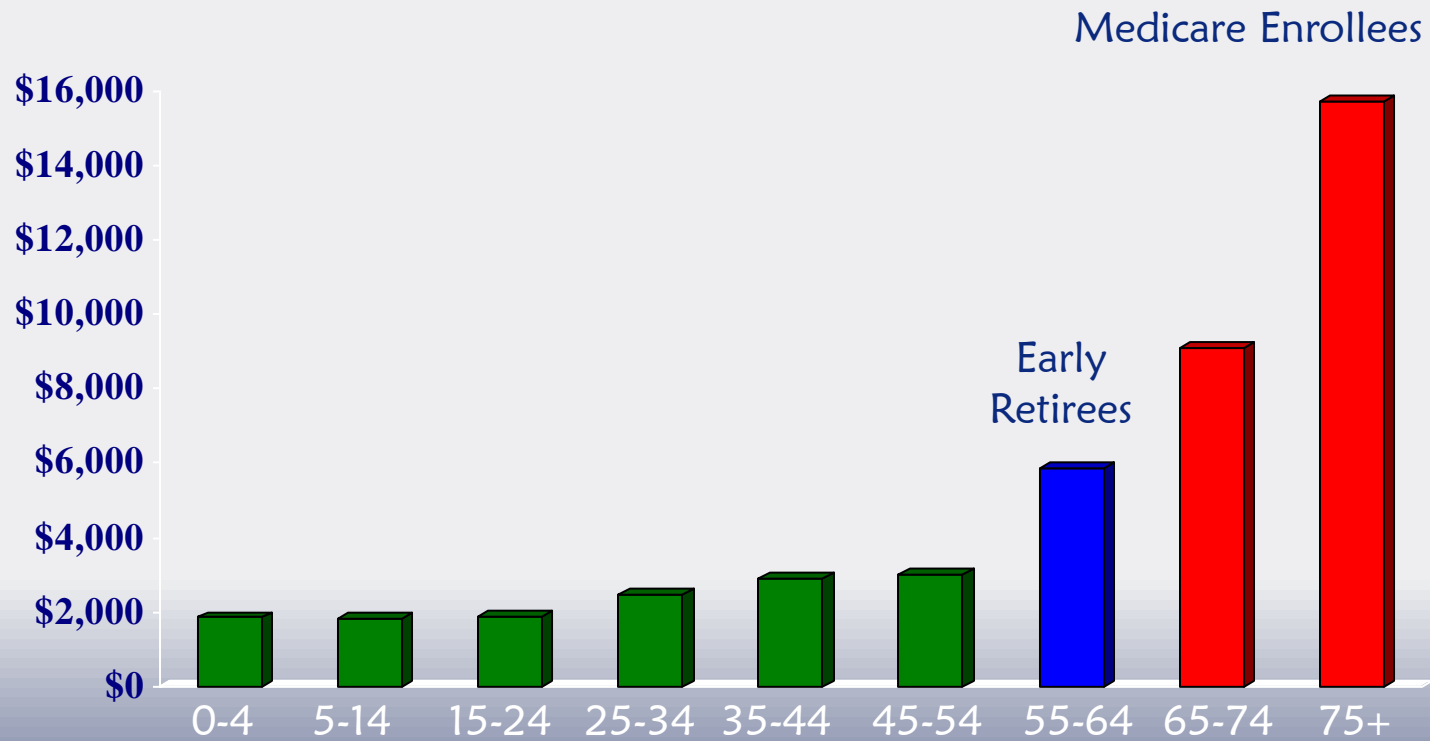
# Cost of Employee Health Coverage



# Why Outsource Health Care?

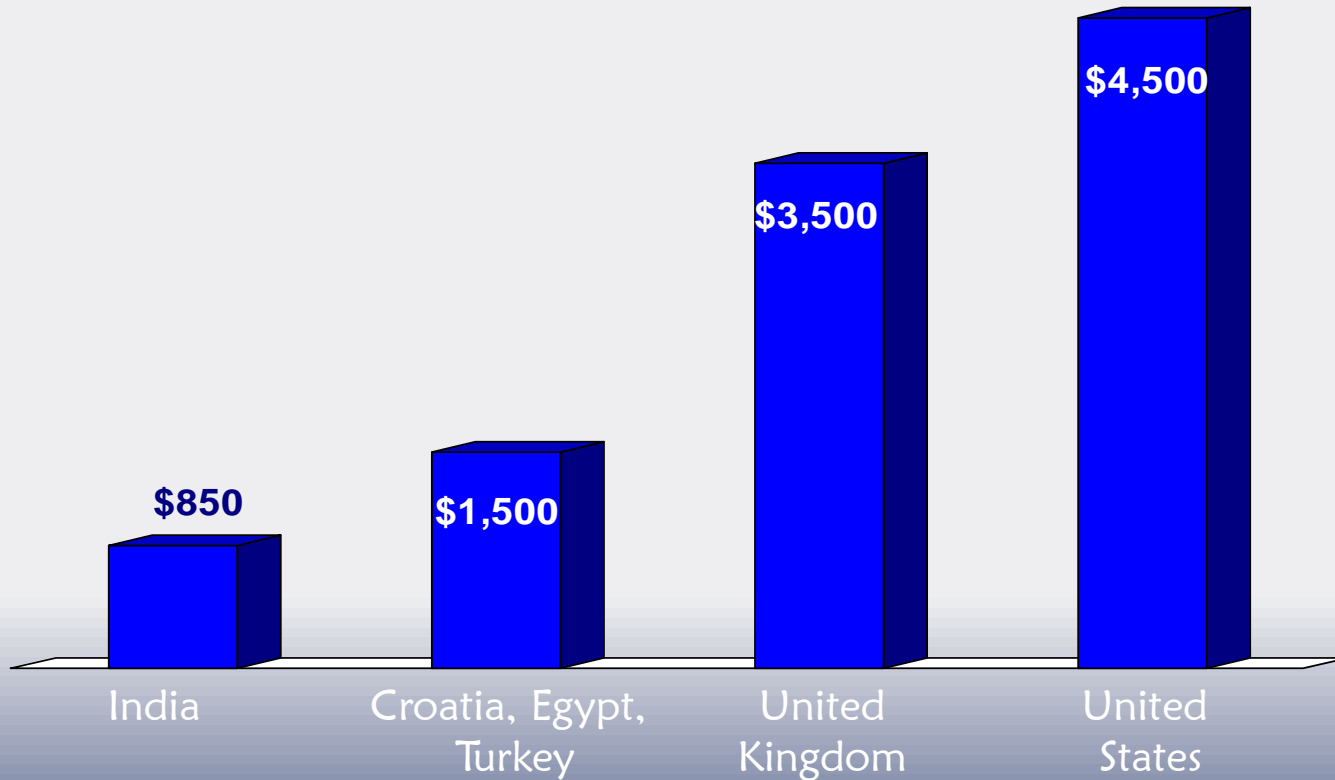
- About 20% of patients use 80% of medical care
- Medical services are 50% to 80% less expensive abroad
- Quality of many foreign facilities exceeds U.S. averages
- Many workers would be willing to travel for care abroad with the appropriate incentives

# Annual Cost of Medical Care by Age



# Cost of Rhinoplasty

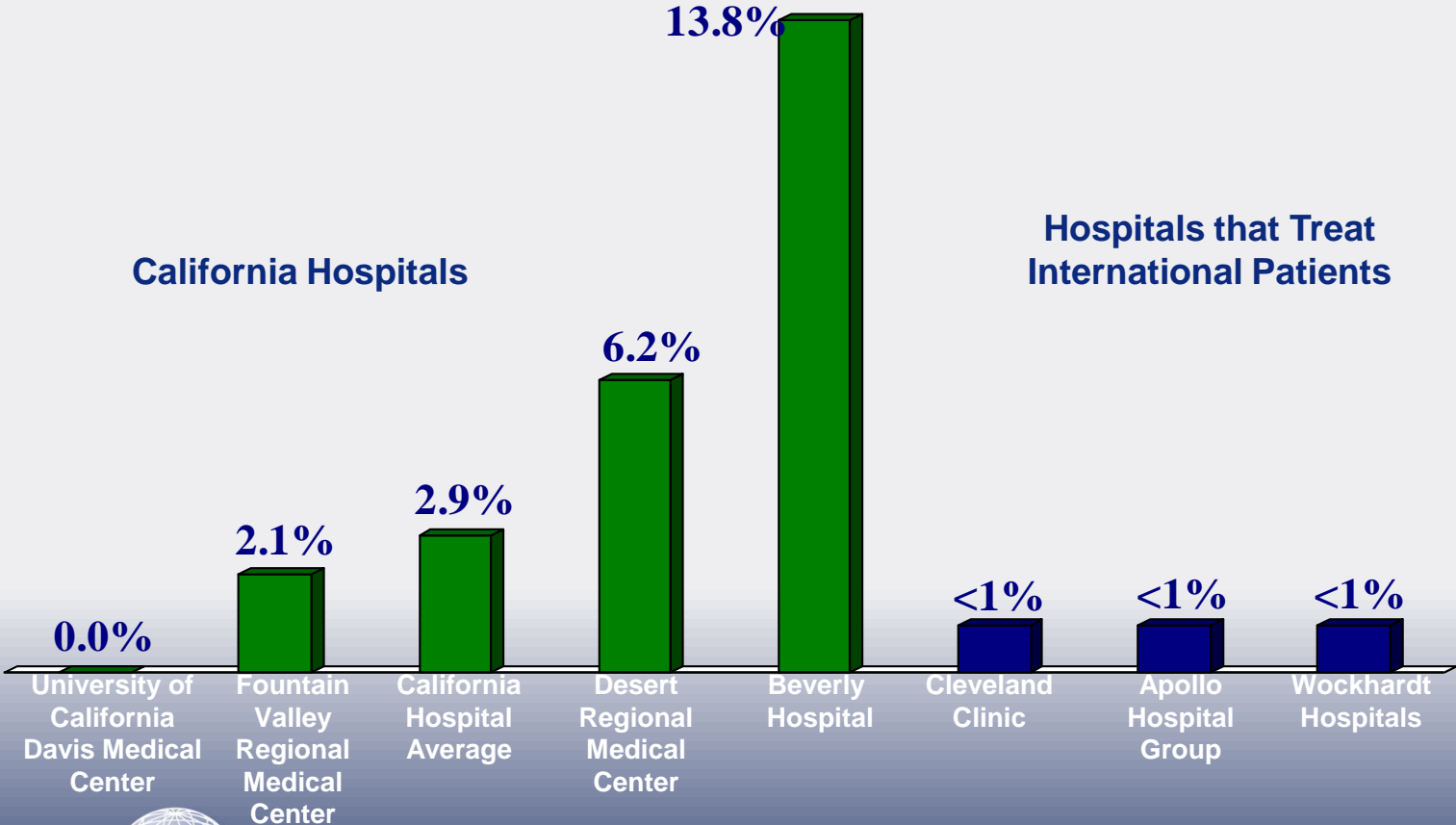
(thousands of U.S. dollars)



# Annual Cost of Medical Care by Age

Surgery	U.S.	India	Thailand	Singapore
Heart Bypass	\$130,000	\$10,000	\$11,000	\$18,500
Heart Valve Replacement	\$160,000	\$9,000	\$10,000	\$11,500
Angioplasty	\$57,000	\$11,000	\$13,000	\$13,000
Hip Replacement	\$43,000	\$9,000	\$12,000	\$12,000
Hysterectomy	\$20,000	\$3,000	\$4,500	\$6,000
Knee Replacement	\$40,000	\$8,500	\$10,000	\$13,000
Spinal Fusion	\$62,000	\$5,500	\$7,000	\$9,000

# Cardiac Surgery Mortality



# Obstacles to Medical Tourism

## Solution: Travel Incentives

- ✓ *<10% to save \$500 to \$1000*
- ✓ *10% (insured); 25% (uninsured) to save \$1000 to \$2400*
- ✓ *25% (insured); 38% (uninsured) to save > \$10,000*
- ✓ *Provide casualty coverage*

# Potential for Medical Tourism

- About 11% of employer plans cover medical travel
- Insurers and employers exploring options
- About 30 procedures with quick recovery cost \$220 billion annually
  - ✓ *Outsourcing 25% would save \$45 billion*



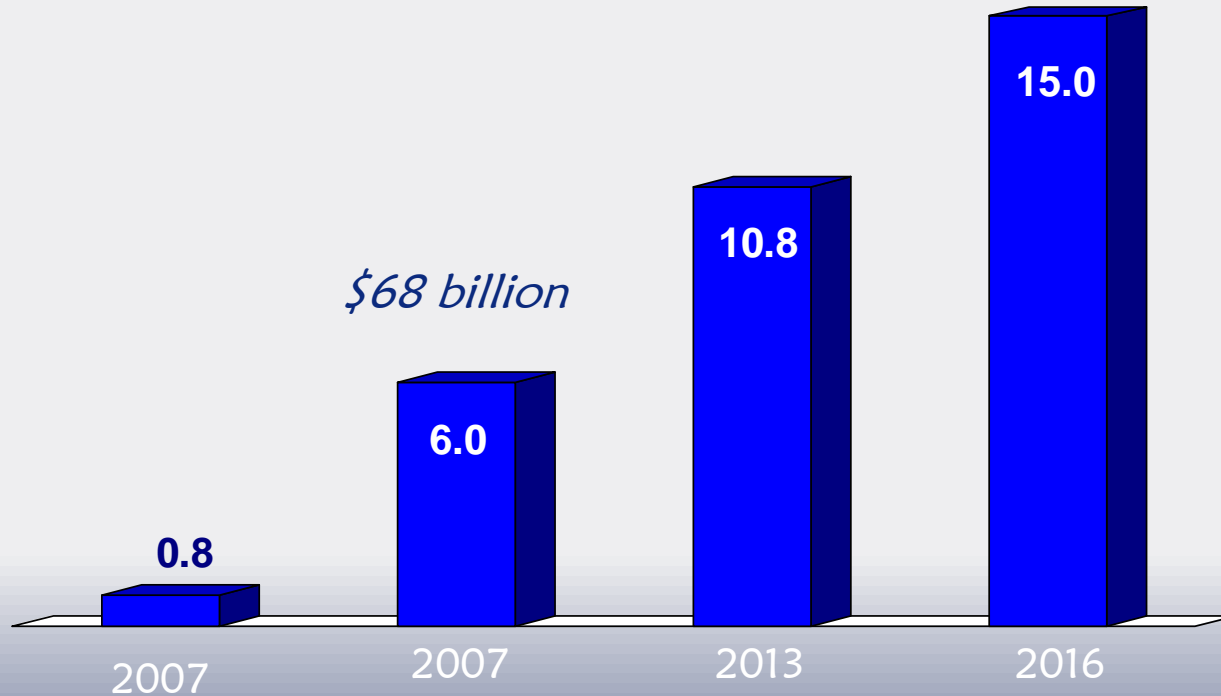
# Benefits of Medical Tourism

## Why Treatment Abroad Costs Less

- ✓ *Lower labor costs*
- ✓ *Less malpractice liability*
- ✓ *Efficient operations*
- ✓ *Less third-party payment*

# Americans Traveling Abroad for Care

(millions of patients)



Source: Deloitte Center for Health Solutions

# Obstacles to medical Tourism

- Third-party payment
- Cautious health plans
- Entrenched interest groups
- Federal and state laws
- Follow-up care
- Legal protections

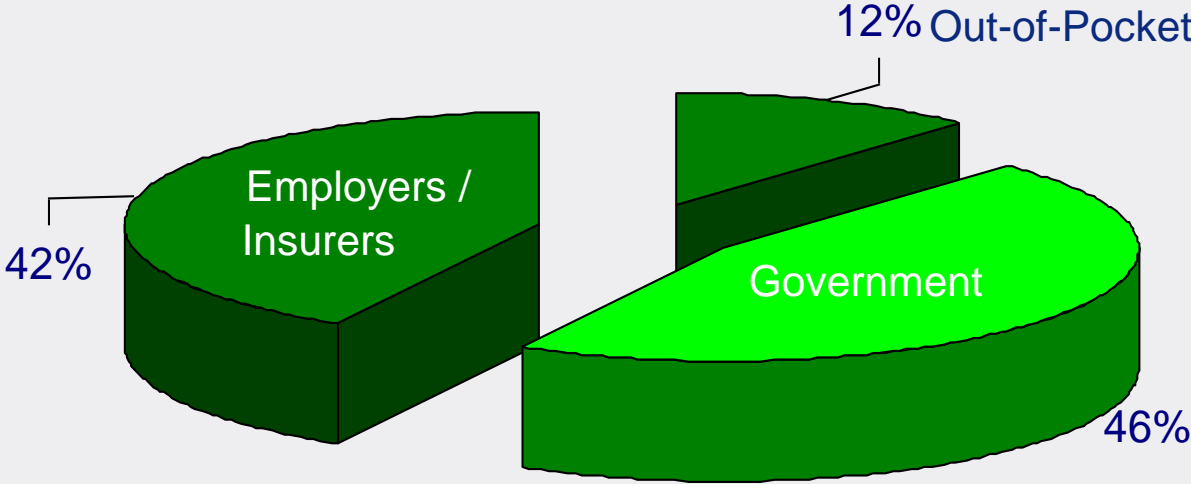
# Obstacles to Medical Tourism

## **Problem: Third-Party Payment**

- ✓ *About 88% of medical bills are paid for by third-parties*
- ✓ *Only about 12% are paid out-of-pocket*
- ✓ *Insured patients have little financial incentive*

# Sources of Health Care Spending

(88% Third-Party Payment)



# Out-of-Pocket Payment

▪ Hospital care	3%
▪ Physician care	10%
▪ Prescription drugs	25%
▪ Long-term care	33%
▪ Dental care	50%

# Obstacles to Medical Tourism

## Cautious Health Plans

- ✓ *Medical travel more common in other countries*
- ✓ *Global competition more common in other industries*
- ✓ *Insurers want to see competitors try it first before committing*
- ✓ *Employer plans may not have enough volume*

# Obstacles to Medical Tourism

## Entrenched Interest Group

- ✓ *Hospital associations*
- ✓ *Medical societies*
- ✓ *State medical boards*
- ✓ *Employee unions*



# Obstacles to Medical Tourism

## Federal and State Regulations

- ✓ *State insurance commissioners*
- ✓ *Medicare and Medicaid*
- ✓ *ERISA may limit size of incentives*
- ✓ *Health reform could reduce demand*

# Obstacles to Medical Tourism

## Needed Public Policy Changes

- ✓ *Get out of the way!*
- ✓ *Modernize state laws*
- ✓ *Allow financial incentives*
- ✓ *Lead by example*

# Obstacles to Medical Tourism

## Needed Private Policy Initiatives

- ✓ *Give workers the option*
- ✓ *Create financial incentives*
- ✓ *Partner with networks or providers*
- ✓ *Don't wait for others to go first*

# Conclusion

*Uwe Reinhardt: Medical tourism... “has the potential of doing to the U.S. health-care system what the Japanese auto industry did to American carmakers.”*

*Many workers would be willing to travel if they are assured quality is high and they share in the savings.*

*When traveling abroad for care becomes commonplace, some U.S. providers will begin to compete on price.*



*Ideas Changing the World*