



## Have Back Problems - Will Travel

Medical tourism grabs the attention of foreign governments, U.S. health-care innovators and the wallets of the uninsured.

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Concerned your back problems will get in the way of that vacation to Bali? No worries, now you can get both taken care of at the same time.

The Medical Tourism industry earned global revenues of \$20 billion (USD) in 2005 and the Asian market comprising India, Singapore, Thailand and Malaysia stood at approximately \$2.5 billion in 2006. While the global market is predicted to double in size to \$40 billion a year by 2010, it is estimated that the Asian market will generate in excess of \$4.4 billion by 2012.

Governments and service providers have been quick to recognize the potential of Medical Tourism and have leveraged existing strengths and taken concrete initiatives to tap into the larger potential of this as a key revenue generator for their countries' economies. Innovators in the US are also moving quickly in an effort to reduce the nation's healthcare burden as well as benefit financially.

The Cleveland Clinic's CEO, Delos "Toby" Cosgrove has embraced this trend and signed a 15-year contract in Abu Dhabi to build, select the staff and manage a hospital. Cosgrove has inked similar arrangements in Vienna, Toronto, Saudi Arabia and Egypt.

The clinic has a long history of seeing patients from around the globe – as many as 5,000 patients per year. However, that's decreased dramatically since September 11th. Now the Cleveland Clinic is meeting patients half way around the world and getting many other offers to collaborate and monetize their intellectual property.

## A Revenue Generator

On the economic front, Medical Tourism is rapidly growing into a valuable revenue generator for countries such as Thailand, Singapore, India and Malaysia. The flow of medical tourists has increased by as much as 20 – 30 % a year and governments target to generate revenues of USD 1 -3 billion by 2010 - 2012.

Year		Singapore	India	Malaysia	Thailand
2005/06	Total No. Medical Tourists (Approx. Thousands)	350 - 370	175	150	1,000
	Estimated Revenue (USD Million)	900	333	400	803
2010/12	Estimated Revenue (USD Million)	3,000	1,100- 2,200	600-1,000	1,200 (2008)

Published estimates of Medical Tourism revenues for Asia in 2012 are forecasted to be in excess of USD 4.4 billion; a look at the targeted figures from the four countries above point to revenues of USD 6 - 7 billion in the next 5 years. Add to these potential revenues from initiatives in South Korea and Philippines and the combined pool could well add up to approximately USD 8 billion.

The key factors that support the growth of Medical Tourism are well established and now other emerging drivers too are making their presence clearly known: growing costs of providing healthcare have triggered some businesses and insurance companies in the US to outsource healthcare services to reduce spending on health.

This apart, large numbers of uninsured citizens of the US are choosing to have complex as well as relatively less complex procedures carried out in Asian countries. Further, if the first experience is positive, patients are likely to return for follow – up treatment or even new procedures, for themselves as well as family.

The substantial outflow of patients from their home countries has seen private hospital groups such as the Raffles Group and Parkway Group in Singapore establish marketing offices abroad; hospitals also have linkages with facilitator agencies all of which generates enterprise and

employment opportunities, both in the destination country as well as patients' home countries.

The shifts in accessing health services will contribute significantly to the revenues earned by countries that offer Medical Tourism, leading industry watchers to comment that after Information Technology, Medical Tourism will be the next major driving force for the Indian economy. It is estimated that Medical Tourism will account for 3-5 % of the India's healthcare delivery market while Singapore estimates that Medical Tourism will contribute 1.1% value to GDP by 2012.

There is the promise of benefit for all nations above from initiatives in this arena, yet the countries set to boom appear to be Singapore and India with targeted revenue growth in the range of 230 – 260% supported by strong governmental will and commitment to growing this industry.

### State of the Art Technology

Medical Tourism competes directly with healthcare services in patients' home countries and in the face of this competition, destination countries are bound to deliver superlative healthcare. This requires extremely high caliber medical professionals as well as state of the

art technology, which are already well established in several Asian countries.

Minimally invasive surgery is well established and robotic surgery is currently in use for cardiac and neurosurgical procedures in India and Singapore. A LargePond study also shows that Image Guided Surgeries are already quite widely employed in neurosurgical procedures in South Korea.

In light of the commitment to medical tourism, the adoption and use of state of the art technology can only move upwards. According to LargePond estimates, there were ~ 475,000 cardiac procedures carried out in India in 2004 and the number is estimated to increase to ~ 675,000 (~9%) by 2008. Such trends in India and other nations present tremendous potential for manufacturers of medical devices and imaging systems in a variety of applications such as interventional cardiology, neurosurgery, orthopedic implants and replacements to name a few.

The upward trend also offers great potential to manufactures of hospital beds and furniture. To illustrate this, LargePond estimates that by 2010, the projected revenues from electric beds alone will average USD 12 million across India, Malaysia and Thailand.

Accreditation is yet another indicator of meeting service requirements and leading hospitals in India, Singapore and Thailand have received Joint Commission International Accreditation. These apart, other prominent hospitals in these countries and Malaysia also have ISO 9000/9001/9002 accreditation.

With hospital groups such as Wockhardt in India tying up with health insurance companies in the UK, US and Singapore, accreditation could assume high significance in the context of insurance payouts, resulting to overseas treatments to being delivered by hospitals at a certain standard of service delivery.

This in turn suggests the potential for healthcare industry companies to invest in:

- Stepping up their presence in countries with established Medical Tourism and those with potential in the near term future.
- Providing training services to healthcare providers/personnel in using their products to deliver quality service that matches gold standards

## Triggering Investment

The evolution of Medical Tourism has seen hospital groups extend beyond their home country boundaries into different nations. Companies are consolidating their positions by way of mergers and acquisitions as well as joint ventures. There are several instances of these in Asia.

- Apollo/Glencoe Hospitals Ltd, a joint venture between Apollo Hospitals Ltd and the Parkway Group of Singapore has a hospital in Kolkata (India) and has plans to set up two more in India. The group also has plans to manage/set up hospital projects in Mauritius and Fiji.

- Pantai Holdings and the KPJ group of Malaysia are looking to expand their healthcare and clinical support services in the ASEAN.

- Bumrungrad International Ltd of Thailand manages the group's international operations and facilities in Myanmar, Philippines, Bangladesh and an upcoming facility in Dubai.

- The Indonesian Lippo Group's First REIT is the first listed Singapore REIT that gives some exposure to the Indonesian healthcare market. The company's acquisition strategy includes investments in healthcare and its related assets that would be in their shareholders' interest. Potential acquisition targets include assets in the Asia Pacific region, in countries with high growth potential.

First's portfolio comprises three hospitals and one hotel in Indonesia, and all of these are strategically located to attract a large number of potential patients (including international patients) and hotel guests.

## Conclusion

As developed nations grapple with healthcare costs and an increasing pressure on their healthcare delivery systems, Medical Tourism strengthens its foothold and is here to stay. Countries that offer Medical Tourism are committed to providing world class services at affordable prices – and sophisticated and premium healthcare services are now more readily available without compromising on the quality and standards of treatment. Super specialty hospitals and hospitals offering superlative services in various specialties illustrate this point. For instance, India has several hospitals with a focus on cardiology while key hospitals in Singapore offer liver and kidney transplant services. Specialty hospitals in Thailand offer plastic surgery and lasik treatments.

Developed destinations such as Singapore, Latin America, India, Thailand and Malaysia are on a rapid growth path and are markets that marketers in the healthcare industry should target first to capitalize on the Medical Tourism industry. Developing destinations such as Indonesia, South Korea and the Philippines would come next as plans for medical tourism take shape and the industry comes of age in the next three-five years.

**By the year 2016, the Centers for Medicare and Medicaid Services (CMS) projects health spending in the U.S. will be nearly one-fifth of GDP (19.6 percent).**

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