

New tourist attractions

More patients looking at home before going abroad for medical procedures

By Jennifer Lubell

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Galichia Heart Hospital in Wichita, Kan., recently decided that it could break into a market monopolized by overseas hospitals—and offer high-quality, more-convenient care to patients.

In conducting research of medical tourism options in other countries, “we visited hospitals in Singapore, India and the Philippines—the biggest areas drawing Americans,” says Steve Harris, the 85-bed hospital’s CEO.

What the hospital’s administrators found was that the travel experience to these countries “was awful,” Harris says. Recovering from heart surgery or hip replacement, then having to sit for 20 hours on a plane back to the U.S. from some common medical-tourism destinations, isn’t an ideal situation for many patients, he says.

Harris also contends that many questions remain about the overall quality of care in some countries.

The hospital decided to challenge itself to see if it could offer comparable prices on heart procedures and other services for which patients are increasingly turning to overseas hospitals to save money. According to Harris, the facility cut its price for a coronary bypass to \$10,000—down \$40,000 to \$50,000 from what the typical major medical center would charge—and offering discounts on other procedures to patients willing to pay cash upfront, including a hip replacement for \$12,000, about one-third of the going U.S. rate, which is about \$30,000, Harris estimates.

Major hospitals in India, by comparison, typically charge about \$8,000, “but add a 20-hour plane ride and you’ll be in the same ballpark,” if you chose an institution in the Midwest, Harris says.

Medical tourism has been on the rise and the number traveling abroad for medical care is expected to increase dramatically over the next decade. In 2007, an estimated 750,000 Americans went overseas for medical care, a number that’s projected to rise to nearly 6 million by 2010, according to a 2008 report from the Deloitte Center for Health Solutions.

It’s difficult to gauge, however, whether medical tourism within the U.S. is surging, or if the trend is just gaining ground in general as patients seek more affordable healthcare options. “Because medical tourism is primarily for the uninsured making independent decisions, it is tough to judge the size of the industry, and very difficult to understand the number of people going overseas and in the U.S.,” says Michael Chee, communications director with Healthplace America. The company offers a travel-for-care benefit directly to health plans that offers discounts—including travel and lodging—on surgeries performed in 35 locations throughout the country.

At a time when patients are looking for more affordable, quality healthcare options in the midst of a dismal economy, heart procedures and hip replacements costing thousands of dollars less in places such as Costa Rica, India or Malaysia can look very attractive. Some hospitals in the U.S., however, seeking to bulk up their patient base and fill beds during lower-volume periods, have decided that they can compete with these institutions by offering discounted surgeries.

Saroja Mohanasundaram, CEO of Healthbase, a medical tourism company based in Newton, Mass., believes that the trend of looking at home instead of abroad for less-expensive procedures is growing.

Healthbase was formed in 2006 and typically works with overseas hospitals in 16 countries including Belgium, Costa Rica, India, Mexico, Singapore, Thailand and Turkey, to arrange procedures such as orthopedic, cardiac, spinal fusion and spinal artificial disc replacement, bariatric, cosmetic, and dental treatments. Healthbase started getting calls from a small number of U.S. providers in California and Kansas last summer, Mohanasundaram says.

“They said, ‘We can give you a good price to take care of those patients,’ who are mostly uninsured” but have money saved up to pay for the surgery, she says. Soon, other hospitals in the country—some in remote areas that saw an opportunity to fill empty beds by offering these types of economical procedures—started calling the company with similar offers, Mohanasundaram says.

Healthbase has since started working with healthcare providers in California, Florida, Kansas and Nevada, “and we expect to have providers in 11 states by the end of the summer,” she says.

Galichia, a hospital that contracts with Healthbase for discounted care, takes on about two medical tourism cases a week, or approximately 100 a year, which alone generates \$1 million in revenue per year, according to Harris.

“This is all cash; patients are uninsured but with means—or money, and they pay upfront,” Harris says. Consumers want high-quality, discounted services, and if they can get that in the U.S., they’ll pay for it, he says.

Reducing rates for procedures seems counterproductive from a financial standpoint; prior to its discounted options, Galichia was charging \$25,000 to \$50,000 for surgeries. There are several reasons why the hospital can afford to do it, Harris explains. “First, our variable costs are only about \$2,500 for an off-pump” coronary artery bypass, Harris says. “Therefore we have a positive contribution margin of \$7,500 on these cases. Second, we have extremely low complications.”

Most of the patients at Galichia come from within the U.S., but about one-third of the total comes from Canada. “If anybody in the Obama administration says we should emulate the Canadian healthcare system, they should talk to some of the Canadians who come to us and pay out-of-pocket for surgery in the U.S.,” Harris says. Most of the procedures involve orthopedics or cardiology.

Gary Shearer, a 60-year-old heart patient from Seattle, had considered Thailand for aortic-valve replacement surgery, but instead opted to go to Galichia Heart Hospital, preferring to stay in the U.S. “I figured the care was probably as good if not better,” says Shearer, whose catastrophic insurance only would have covered a small portion of his surgery at another U.S. hospital.

He ended up paying \$22,000 for the procedure out of pocket, which would have cost \$132,000 at a local hospital in Seattle. Hospitals have discovered that the medical tourism business is an especially useful way to fill beds on weekends. “When we looked at our business, we noticed that most of our patients are admitted on a Monday and recover and leave the hospital by Thursday,” Harris says. The hospital has arranged things so that “tourists” come in on Thursday when volume is lower and go home Sunday or Monday.

“The goal here obviously is to increase our bottom line, but there’s also a social need for this,” Harris says.

In his view, overseas operations carry too many risks and there’s no guarantee the care will be of higher quality. “With us the fixed rate is paid upfront, and there’s no risk for that.” The patient in turn benefits from quality and regulations that come with U.S. hospitals, “not that hospitals outside the country aren’t good, but if you’re

talking about an eight-hour plane ride or two-hour plane ride, it's a lot easier and more affordable.”

While it's true that interest is growing to travel within the U.S. for procedures, the numbers remain small compared with medical tourism overseas, Mohanasundaram says. In most cases, the patient still pays more to get care within the U.S. as opposed to traveling overseas, and that includes airfare.

Knee-replacement surgery, for example, would cost about \$40,000 in a Texas hospital, and a patient working through Healthbase could trim roughly 50% by getting the surgery in California or in Kansas, she says, where the procedure would likely cost \$16,000, including travel and accommodations. However, the same procedure would still be far less expensive, about \$10,000 (including travel) in India, she adds.

“Affordable healthcare really depends on the financial situation of the patient,” says Patrick Marsek, managing director of MedRetreat, a medical tourism company in Chicago that primarily works with overseas facilities. In his view, “people need more of a savings than what's offered in the U.S.”

Patients traveling to any of the destinations that are affiliated with MedRetreat can save 50% to 80% on surgeries, depending on where the patient originates from and what destination they choose. A New Yorker traveling to India, for example, can save up to 80% on a procedure, Marsek says.

He also challenged Harris' assertion that U.S. hospitals do a much better job with after-surgery care, at a better price. “We've spoken with day surgery centers in the U.S. and have found that they may not be adequately prepared for medical travelers,” Marsek says. Because of regulations, patients' day surgery center recovery accommodations are shorter, only up to 24 hours, whereas patients who travel abroad through MedRetreat will receive an extended hospital stay with 24-7 nursing care for about \$150 per day. “Once you're released from the hospital, you will spend between seven and 14 days in a four-star hotel, which costs only \$100 a day. So, post-op care is closely managed for a longer period of time.”

Marsek says that all of the overseas hospitals he works with are accredited or are in the process of being accredited by Joint Commission International. To date, more than 220 public and private healthcare organizations in 33 countries have been accredited by JCI.