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How will the medical tourism industry in the United States develop?

by [Dale Van Demark](#) | Fri, 03/02/2007 - 3:24pm | [permalink](#)
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The US medical tourism market is still a burgeoning industry. As such, its development will be dictated by a variety of factors.

The US medical tourism market is still a burgeoning industry. As such, its development will be dictated by a variety of market factors and the reactions of a variety of market sectors.

1. Quality. One issue facing the US medical tourism industry is one of perception – the US consumer perception of the quality of overseas providers. While the high quality of overseas providers is well-known to industry watchers, the question remains of how US consumers will take to traveling to what they may otherwise consider a “third world” or “developing” nation for complex surgery. Accreditation by respected organizations, such as the Joint Commission, may help convince consumers of the quality of providers, but will accreditation satisfy the US consumer? What are the standards US consumers can look to? Are there reliable sources of information? What are overseas providers doing to education the US consumer? How will US consumers react to the reporting of overseas medical “horror stories”?

2. Employer Participation. Unlike much of the world, US employers play a significant role in the choices available to US consumers of health care. Employers have provided preferred provider networks for decades. Accordingly, employer participation in the medical tourism industry would provide a boost to the medical tourism industry. But the initial efforts of some employers have produced strong reactions from labor unions. Will employers eager to save money of health benefits push to make medical tourism a part of the benefits they offer? Will medical tourism become a negotiating point under labor contracts? To what extent will employers investigate overseas providers, and how do they ensure their employees receive quality services? Will employers incorporate medical tourism into their self-insured health plans?

3. Third-Party Payer Participation. Medical tourism will grow more rapidly as an industry if third-party payers are willing to participate. While government payers are unlikely to include medical tourism in their reimbursement policies, private payers have already begun to offer products that include a medical tourism component. Will the lack of Medicare/Medicaid participation limit the growth of the medical tourism industry significantly? How have insurance companies assessed the quality of overseas providers? What level of incentives will be necessary to generate beneficiary participation?

4. Liability and Malpractice. While medical tourism offers tremendous cost savings, it does come with increased risk, to consumers and payers. Individuals receiving medical care overseas would need to resort to the legal process available in the foreign country should anything go wrong. This may mean limited and difficult to obtain remedies. This, in turn, could lead to pressure on insurers and employers. What are the liability risks for insurers and employers? Can insurers and employers take steps to shield themselves from liability? Should employers and insurers offer indemnification to assist consumers who receive inappropriate care? Will employees and beneficiaries be willing to waive liability in order to receive lower cost health care?

5. Government Reaction. The Federal government is convening an interagency committee to examine medical tourism, and a West Virginia legislator has proposed legislation to promote medical tourism as a cost savings measure. Are the federal or state governments in a position to help or hinder the medical tourism industry? Can the government “fix” the health industry to relieve the pressure to seek medical treatment elsewhere?

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Mr. Van Demark is a partner in the Health Care and Life Sciences Practice in the firm's Washington, DC office. He practices in the firm's corporate and finance practice group, focusing on tax exempt health system transactions and private equity investments. Mr. Van Demark also provides tax exempt counseling to both tax exempt organizations and those seeking business relationships with tax exempt organizations. Mr.

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6. US Healthcare Providers. Medical tourism represents competition for US healthcare providers. On the other hand, some US healthcare providers have participated in the operations of overseas providers, such as John's Hopkins and Harvard. Will US providers embrace medical tourism and seek to create opportunities from medical tourism? Will overseas providers seek access to the US markets by investing in US providers?

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Mr. Van Demark's experiences include:

- Representing tax exempt health systems in merger and acquisition, joint venture and restructuring transactions
- Assisting tax exempt health systems develop, implement and evaluate governance and tax exemption compliance and best practices
- Advising clients on matters relating to tax-exempt qualification and compliance, including issues relating to private inurement, intermediate sanctions, and joint ventures
- Representing investors in venture capital and debt financing
- Assisting clients in organizing and structuring investment and management vehicles
- Assisting clients with respect to management and ownership issues, including issues relating to compensation and dispute and conflict resolution.

Prior to joining EBG, Mr. Van Demark spent five years as a transactional lawyer with a leading Washington, DC law firm, and two years as a business lawyer in Connecticut.

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#1: Medical Tourism

Submitted by **Mike Mussler** (not verified) on Mon, 03/05/2007 - 3:18pm.

All questions and no ideas or answers is simply is frustrating.

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#2: Medical Tourism is already here

Submitted by **David Harlow** on Mon, 03/05/2007 - 5:35pm.

It was only a matter of time before globalization hit the health care economy. The fact that it is *sooo* much cheaper to send Mr. Jones from Boston to Bangkok for a double knee replacement (together with Mrs. Jones, with a week on the beach thrown in for good measure) than to provide his care locally is a testament to the craziness of the system we love to hate. (Economists can prognosticate more intelligently than I can on the question of how long we can save money by sourcing goods and services abroad, but I don't think this will last forever.)

Until we have a true global economy (i.e., with equivalent standards of living, prices and wages throughout a unified economy) there will be interest in the savings available by going to South Asia for major surgery.

And there should be.

There are undeniable savings available, and there are reasonable quality standards in place (Joint Commission international accreditation, for example). Many physicians practicing in centers catering to medical tourists trained in the U.S. and Western Europe. There is a growing number of middlemen identifying the best health care providers abroad and facilitating communication among U.S. patients, their local physicians, and the overseas providers (as well as facilitating transportation, etc.). These middlemen are well-positioned to filter out additional providers as well.

Will there be horror stories related to overseas health care? Sure, just as there are horror stories related to health care right here at home. Any sentinel event should be subject to scrutiny wherever it occurs.

Given the overwhelming financial responsibilities of industrial employers to their retirees, the growth of self-insurance and the rate of medical inflation in the U.S., among ther factors, medical tourism is here to stay and will be on the rise.

The questions sketched out by Dale will have to be answered on the fly, as more and more individuals are exposed to the medical tourism experience for medically necessary as well as for elective procedures.

-- **David Harlow**

HealthBlawg

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#3: Medical Tourism

Submitted by **Dale Van Demark** on Mon, 03/05/2007 - 6:26pm.

I can understand the frustration of the drafter of the first comment. The participants in the medical tourism/medical travel industry face many questions as they develop the industry further (which is true of any new industry). And as David noted, the high quality and low cost that can be found for medical services overseas will likely cause the industry to continue to grow.

I expect to hear many answers at the conference - but also just as many questions.

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#4: Market

Submitted by **Anonymous** (not verified) on Fri, 04/27/2007 - 12:17am.

I will be attending the conference at the Venetian in a few days. I was wondering if Mr. Van DenMark could comment on the size of the current market in the USA and any good faith estimates of what it might be in say

compensation and dispute and conflict resolution.

Prior to joining EBG, Mr. Van Demark spent five years as a transactional lawyer with a leading Washington, DC law firm, and two years as a business lawyer in Connecticut.

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2012? In addition what resources are there to identify other markets out there such as the Canadian, English, Carribean, Latin Americans,etc.

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#5: medical tourism within or coming to united states

Submitted by [dmaclellan \(not verified\)](#) on Wed, 05/09/2007 - 3:19pm.

Mr. Van DenMark;

Could you please comment on the current status, the development of, and the future trends of the medical tourism industry within the united states, for patients who either already reside here as us citizens, or those coming from other countries to obtain care here.

Undoubtedly, the medical tourism industry is strong in other areas of the world, with specific countries often specializing in particular areas of practice or procedure .

However, where does the us stand in this developing form of seeking medical care, and what opportunities are present here? What difficulties are present as well, such as the cost associated with us care, and other factors.

Finally, can the us emerge as a significant participant in the global market and how can they do so?

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#6: Thanks to the two

Submitted by [Dale Van Demark](#) on Fri, 05/18/2007 - 6:27am.

Thanks to the two individuals who posted the last two comments.

As we saw at the conference, and will undoubtedly discover at the conference in December, there is significant interest in the US market. Foreign providers looking to US for patients have traditionally relied on the self-pay market. Now, however, US insurers and employers are looking at medical tourism as an option to lower costs. In this regard, the southern California cross-border plans may serve as a model.

Another factor to consider when evaluating the industry is the development of medical tourism "destinations" for US consumers. Not many providers (beyond providers of cosmetic procedures) have actively marketed themselves to the US consumer. This is beginning to change. (Also - look forward providers trying to open facilities closer to the US market.)

US entrepreneurs and private equity are also investigating ways to participate in the medical tourism industry. Right now, with the industry still developing, there is a tremendous amount of experimentation with business models and approaches to industry participation. As with most things, following the money would be an effective way to follow how the market develops.

Of course, a key to the development of the industry will be the ability of foreign providers to convince US consumers that the quality is there. JCI accreditation is one factor, but other factors exist as well, including local accreditation and certification and the existence of centers of excellence.

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#8: Two additional way to spur medical tourism

Submitted by [Raphael Encaoua](#) (not verified) on Sun, 05/20/2007 - 11:43am.

Thanks for this excellent analysis of the situation. You have very precisely listed all the external factors that are hampering medical tourism today. Yet from a systemic point of view there are a few facts that could further your analysis:

The need of a end to end follow up system: I assume that people aiming at medical tourism are low cost seekers, but conversly there are not short life seekers! The main problem with medical tourism is people are opting for a quick patch without carefully estimating there post surgery needs. Only mentionning a knee cap surgery is enough to weigh in post surgery practices. What is needed is a good follow up service throughout the medical procedure, namely before and after the surgery so that there is a common basis between surgeons and doctors from both side of the Pacific or the Atlantic (depending of the location you will finally choose).

Tele consultation: people need to get some hints about such surgeon or that hospital. Many people are just wandering through websites with no real insight about where there are heading to. Being at Bumrungrad in Thailand (I worked as an investment banker in Southeast Asia a while ago), I finally came to the point where I think that Asian Hospital are better than European Hospitals (I am French indeed). All in all there should be some iniatives stemming from these low costs hospitals to forge a real tie with their prospective clients and I assume that tele consultation is a good way to do it. Patronizing also (a fellow medical tourist advising you...)

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#9: Medical Tourism : Destination USA

Submitted by [David Harlow](#) on Mon, 05/21/2007 - 8:41am.

Medical Tourism (inbound to the USA) has long been a means for health care institutions to find patients who will actually pay charges. See, e.g., <http://www.partners.org/international/>

US providers are now branding facilities abroad as well (e.g., the Abu Dhabi Cleveland Clinic -- see <http://cms.clevelandclinic.org/body.cfm?id=666> -- down the road from the Abu Dhabi Louvre, also under development on a new man-made island)

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#10: cheaper

Submitted by [Diplas](#) (not verified) on Thu, 05/24/2007 - 11:24am.

Cheaper. This is the word for medical tourism. People goes overseas for cheaper treatments. I have a question: how the hack do other countries to handle such lower prices for complicate treatments? I'll try the answer myself: less greed.

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#11: Best Health Tourism

Submitted by [Anonymous](#) (not verified) on Sat, 06/16/2007 - 5:35am.

Best Health Tourism is designed for all people. It contains tips for Child Care, Dental Care, Health tips for Office life, Health tips for pregnancy, Skin care for Dry, oily and normal skins. How To Raise A Healthy Child. Like to publish your ideas on Health and tourism?

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#12: Hai

Submitted by [Anonymous](#) (not verified) on Thu, 06/21/2007 - 5:15am.

Thanks for the nice post. In case if you are interested on my site on Health Tourism and blog on Health Tourism please visit www.besthealthtourism.com

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#13: Has Anyone Actually Tried Medical Tourism?

Submitted by [Has Anyone Actually Tried Medical Tourism?](#) (not verified) on Mon, 03/03/2008 - 12:41am.

[Has Anyone Actually Tried Medical Tourism?](#) We've read about it, heard about it, and even talked about it. But how many of us know someone who has gone on a health vacation to India? Anyone ever come back from Thailand with a new hip? Is there any forum where real people can discuss real medical tourism issues - <http://www.healthmedicaltourism.org>

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#14: Update

Submitted by [Dale Van Demark](#) on Mon, 03/03/2008 - 7:01am.

It has been a year since I posted my initial entry here, and there have been a number of comments and questions posted since then. Accordingly, I thought I would take a moment to update the six items I originally posted:

1. Quality: Quality standards, and the communication of those standards, continues to be an issue for overseas providers and medical tourism facilitators. However, organizations, such as the Medical Tourism Association, are beginning to explore ways to provide standardized information on quality. As more third-party payers begin to develop products, they are developing their own methodologies to determine the quality of overseas providers as well.
2. Employer Participation: It is happening - and sometimes because of interest expressed by employees.
3. Third-Party Payer Participation: This is happening as well. Payers are coming up with a variety of plan designs, and are assessing issues arising under state insurance regulations and ERISA, depending on the product under development.
4. Liability and Malpractice: Employers and payers are understanding better the liability issues associated with bad outcomes and are taking steps to minimize risk. Although, because this is a relatively new industry, and there is no case-law, things can change. Consumers also have the option to obtain some travel insurance protection against bad outcomes through medical travel insurance products that are being offered or are under development.
5. Government Reaction: Medical tourism seems to be under the radar in this election cycle.
6. US Healthcare Providers: US providers are very active in the international market - and many are trying to attract medical tourists to their US facilities. There are many reasons US providers look abroad, and not many have embraced medical tourism.

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#15: I think the medical tourism

Submitted by [Debt Settlement](#) (not verified) on Mon, 03/17/2008 - 12:53pm.

I think the medical tourism industry in the United States will improve in the next years. I can see that now it's hard but we have to be understanding

because there are some problems that need fixing first. I`m not worried because i know that some day everything will be great.

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#16: Medical Tourism is gaining pace and popularity

Submitted by [Healthbase](#) on Mon, 03/31/2008 - 12:53am.

We watch it on TV and we read it in the newspaper every now and then about people who are traveling halfway around the globe for medical treatment. All this points to the fact that medical tourism is growing. We are a [medical tourism facilitator](#) called [Healthbase](#) and have witnessed the growth ourselves. For media coverage on medical tourism, click here: <https://www.healthbase.com/hb/pages/medical-tourism-news.jsp>.

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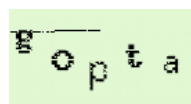
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