

POLICY BRIEF

TOWARDS INNOVATIVE, LIVEABLE, AND PROSPEROUS ASIAN MEGACITIES

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TOWARDS INNOVATIVE, LIVEABLE, AND PROSPEROUS ASIAN MEGACITIES: MEDICAL TOURISM

INTRODUCTION

Thanks to rapidly improving technology and medical practice standards, medical tourism is able to combine the allure of exotic tourist destinations with the promise of affordable and high-quality health care. Medical tourism also offers alternatives to western medical knowledge and procedures, such as traditional medicine including yoga, homeopathy, and “Chinese medicine”.

Rising medical costs and lengthening queues for medical procedures in the Western world combine with other factors like “favorable foreign currency exchange rates [in developing economies], rapidly improving technology and medical practice standards” (Garcia & Besinga, 2006) and the draw of the “tourism factor” to compensate for the lack of insurance portability in developing countries. Accordingly, health tourism is among the fastest growing sectors in Asian economies like India, the Philippines and Thailand - expanding at an estimated rate of 20 percent annually and should be worth about US\$4 billion by 2012 (Yap, Chen & Nones, n.d.).

The paper of Castillo and Conchada (2010) looked into the state of medical tourism in the Philippines beginning with a discussion of the evolution of the medical travel industry; The paper highlighted the

impact of the sector on the domestic economy, and identified its strengths, obstacles, and prospects, with particular focus on the sector as a city innovation. Quoting from the paper’s executive summary, the findings of the study are as follows:

- “In the Philippines, the medical tourism industry emerged in the 1960s when American and European patients visited the country in search of relief from Catholic faith healers (De Vera, Huang, Khan, Qin & Tan; 2008). The sector expanded its range of services to include cardiovascular and pulmonary treatments with the establishment of the Philippine Heart Center, National Lung Center, National Kidney and Transplant Institute. This not only attracted patients from North America, Europe and

Written by
PAULYNNE J. CASTILLO and
MITZIE IRENE P. CONCHADA
School of Economics,
De La Salle University

Southeast Asia but also medical experts – such as doctors, nurses, and other healthcare professionals – from the region “to study, train and practice [their respective specializations] in these hospitals” in the 1970s (Garcia & Besinga, 2006)”.

- “Today, owing to the support of public policy and private sector investments, the domestic industry is able to provide a number of procedures and treatments under the medical care, surgical care, women’s health, dental care, and optometric sub-sectors. Indeed, the Philippine government estimates the country’s health and wellness tourism to have contributed US\$1.65 billion to the country’s 2005 GDP (1.26%). The sector is also said to have grown by 2.4% in 2006 and 8% in 2007. With the aid of the public-private partnership, however, the government puts the potential of the industry to the tune of US\$2 billion a year – equivalent to some 700,000 medical tourists annually (Vequist & Valdez, 2008)”.
- “The industry helps to utilize the more than 85,000 bed capacity – 50.4% in the private sector and 49.6% accounted for by the public sector – in the 1,832 hospitals – 61.7% is privately managed and the, balance, 38.3% is government operated – in the country. The impact of the health tourism, however, is not limited to the medical field – which includes not only health providers such as doctors, private hospitals, etc., as well as the foreign and domestic patient they

serve – but also the tourism industry (i.e., hotels, restaurants, travel consultants, spa clinics, etc.), business processing outsourcing (i.e., medical transcription segment, assistants for medical tourists, etc.) and the various institutes for collaboration such as learning institutions (i.e., medical colleges), government institutions, and industry associations like the Spa Association of the Philippines and the Pharma and Health Association (De Vera, Huang, Khan, Qin & Tan; 2008)”.

- “As well-functioning infrastructure, skilled workers and support industries (i.e., hospitals, transportation, etc.) abound in the National Capital Region and the CALABARZON area, most of the government (i.e., East Avenue Medical Center, Lung Center, National Kidney Institute, Philippine Children’s Medical Center, and Philippine Heart Center) and private tertiary hospitals and clinics (i.e., St. Luke’s Medical Center, Capitol Medical Center, Asian Hospital, Makati Medical Center, Medical City, and the University of Sto. Tomas) engaged in health tourism are concentrated in these areas. A closer look at the number of bed statistics per region depicts the almost bleak situation of tertiary hospitals in the regions other than NCR and CALABARZON. For instance, the Zamboanga Peninsula registered only 350 beds, which is lower than the national average of 2,076 beds per region”.
- “In competing with its neighboring

Asian countries offering similar services, the Philippines possesses the following strengths:

1. cost of medical services in the Philippines is lower than its Asian competitors – cheaper by about 19% across selected treatments as compared to Thailand and 57%-195% below the cost of selected procedures in Singapore.;
2. relatively abundant supply of high quality medical labor force - in 2000, for instance, nurses in the country numbered in excess of 330,000, or about 4.4 nurses per one-thousand population, whereas doctors in 2003 were estimated at more than 95,000, 1.2 per one-thousand population, which are above the average ratios for developing countries (Vequist & Valdez, 2008);
3. continuous improvement of medical facilities and infrastructure with the solid backing of the national government as evidenced by the sector's inclusion in the Medium-term Philippine Development Plan, Investment Priorities Plan and the creation of the Philippine Medical Tourism Program, which give priority to the sector's needs as it endeavors to attract foreign investors, improve infrastructure and efforts to enhance its credibility and maintain its competitive edge through accreditation and upgrading of facilities and skills of medical practitioners; and
4. hospitable and English-speaking

population”.

- “The industry’s potential in Asia alone is placed US\$4 billion, 20% growth, in the next three years (Yap, Chen & Nones, n.d.). Growing concerns regarding healthcare access, coupled with longevity worldwide, will attract more patients needing hip/knee replacements, bypasses, transplants, etc. to developing countries offering health tourism services. Complementing the growing needs of First World and Newly Industrialized country patients is the growing number of health insurance providers that are now “[extending] their networks to include selected healthcare institutions around the world” (Kalshetti & Pillai, 2008). Accordingly, in time, a greater number of foreign patients can use their insurance plans to finance procedures performed abroad, thus expanding the global market for medical tourism”.

Similarly, the paper challenges the private and public sectors to address the factors that hinder the growth and development of the sector, including:

- “The most important of the industry-level concerns identified by De Vera, Huang, Khan, Qin & Tan (2008) include the lack of portability of insurance plans, narrowing the gap between private and public health services, lack of framework for dealing with customer concerns, better cooperation between institutes for collaboration, and development of a market niche. Similarly, De Vera, Huang, Khan, Qin & Tan (2008) lists the following critical country-

level weaknesses that must be tackled without delay: high cost of travel, improving the quality of overall infrastructure, and the egress of Filipino medical practitioners”.

- “Despite the priority given by the government to social infrastructure, public health services still suffer from low investment in facilities and scarcity of skilled medical practitioners. In fact, per capita government spending on health (US\$) was pegged at a high of US\$39/ Filipino in 2005 and 2006 and a low of US\$29 in 2002. Consequently, as about 80% of health costs is paid for by the individual himself (out-of-pocket), access to healthcare in the Philippines is still limited to individuals or households belonging to the upper economic classes. The gap, as feared by industry critics, will widen with the promotion of medical tourism”.

POLICY IMPLICATIONS

An important step in enhancing the competitiveness of the health tourism industry is the public-private sector partnership created in 2004 under the Philippine Medical Tourism Program (PMTP). Presently, the collaboration between the sectors is limited to making basic services available like the yellow book registration. The partnership – if brought to its full potential - could be a boundless source of ideas and resources that would create an enabling environment to aid the growth and development of the sector (De Vera, Huang, Khan, Qin & Tan; 2008), particularly in establishing a system that would successfully integrate

the services offered by both the tourism and medical sectors. The two key components of this system in which the government could take the lead are: 1) identifying and facilitating tie-ups with target markets; and 2) creating a one-stop shop for medical tourists, particularly in recommending hospitals for particular medical procedures, expediting visa processing, advancing the immigration and customs processing of documents of medical tourists upon arrival in the Philippines, and strengthening the legal means of addressing the grievances of patients.

Most importantly, the equity implications of promoting the medical tourism industry must be factored into the overall policy pertaining to the sector. "Indeed, the

sector is in a unique position to shape the quantity and quality of public medical services offered in the country through the establishment of an equity-sharing agreement, facilitated and enforced by the government, between medical tourism hospitals and public healthcare facilities. The policy will require hospitals that cater to foreign patients to contribute a designated percentage of its profits to the improvement of medical services (i.e., acquisition of medical equipment, upgrading of facilities, training of medical practitioners, enhancement of public medical personnel compensation and benefit packages, etc.) provided by government operated hospitals and clinics (Galvez-Tan. 2010). Accordingly, growth in the industry will not only directly benefit the private sector but

public healthcare sector as well in terms of a higher standard of healthcare for all. A model for this type of arrangement is the cross-subsidy policy to which the University of Sto. Tomas Hospital adheres."

"Lastly, while Philippine government support in terms of policies is well-documented, an assessment of the effectiveness of these measures must be undertaken, not only to determine which initiatives are most successful in aiding the sector but also in identifying the needs of the medical health industry that are not being currently met and, thus, enabling stakeholders to fully realize the potential of the Philippine medical tourism sector."

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CONTACT INFORMATION

DLSU - Angelo King Institute
Room 223 St. La Salle Hall
2401 Taft Avenue
1004 Manila

Angelo King International Center
Corner of Arellano Avenue and Estrada Street
1004 Manila

+63-2-524-4611 loc. 287,
+63-2-524-5333, +63-2-5245347 (Fax)
<http://aki.dlsu.edu.ph>
AKI@dlsu.edu.ph