Medical tourism takes a DOMESTIC TWIST

WITH A SHIFT IN EMPHASIS AND PRACTICE FROM FOREIGN TO DOMESTIC TRAVEL, PATIENTS ARE HAPPIER AND INSURERS STILL GET SUBSTANTIAL SAVINGS.

By Elayne R. Demby
Illustration by Dan Page

LAST SEPTEMBER, CARTER EXPRESS, A LOGISTIC, FREIGHT and transport firm based in Anderson, Ind., accomplished something that every self-insured employer wants to do. It saved 23% on an employee's surgery for prostate cancer. Plus, not only did the company spend nearly $12,000 less, but the employee was happy with his surgical experience.

How did Carter do it? The previous year Carter signed on to BridgeHealth International's domestic medical travel program. The employee/patient traveled from Indiana to Denver, where the hospital charged less for the cancer surgery than a local hospital would have charged, says Brandy Clark, a staff accountant with Carter. BridgeHealth negotiated the lower price for the employee's prostate cancer surgery at a Denver hospital and arranged the travel for the patient and a companion. Now that the ice has been broken, Clark expects more of Carter's employees and covered family members will take advantage of the program.

OVERCOMING OBSTACLES | The concept of medical tourism — that is, travelling to India, Singapore, Thailand or some other foreign locale for a surgical procedure — burst onto the scene several years ago with the promise of big savings on medical procedures. The savings are real. According to data from the Medical Tourism Association, a heart bypass operation that might cost $144,000 in the United States costs $8,500 in India, $24,000 in Thailand or $25,000 in Costa Rica.

However, despite significant cost advantages and better care, foreign medical tourism has remained stubbornly grounded. One reason for the sluggish uptake is that employers are reluctant to push for it. Because of cultural and liability concerns, it's not unusual for a sponsor to say that foreign medical tourism isn't for them, according to Robert Grant, the CEO of VoyaCare, Inc., a firm that provides beneficiaries of self-insured health care plans with medical tourism options.

But the biggest obstacle to foreign medical tourism, say experts, are the patients themselves. Travelling abroad for medical care does not appeal to many people, because of a perception that the U.S. medical system is better, says Vic Lazzaro, CEO of Colorado-based BridgeHealth International Inc. BridgeHealth provides domestic medical travel programs through a network of 30 hospitals across the United States.

Data seem to bear out Americans' unwillingness to leave the country. According to a 2009 Deloitte survey, only 9% of Americans said they would travel outside the country for a surgical procedure if they could save 50% or more. The survey also indicated that 67% were not likely to travel outside the United States for a necessary procedure, and 69% said they were unlikely to do so for an elective procedure.

People don't want to go to India or Thailand unless there is a great need, they're uninsured and they have little money, says Albert Hutchinson, the owner of Medical Concierge Co., in Dallas. Hutchinson's firm works with third-party administrators to provide domestic medical travel to their clients.

PRESSURE ON HOSPITALS

With some employers expressing an interest in sending patients overseas, the prospect of losing revenue has prompted some hospital networks to match lower prices. For example, when Maine-based supermarket chain Hannaford Bros. Co. announced in 2008 that it would offer incentives for health plan participants to travel to Singapore for knee and hip replacements, several Boston hospitals called Hannaford and offered to match the Singapore pricing.

Domestic medical tourism is really nothing new, say experts. Americans have been traveling within the country for care involving serious illnesses such as transplants and cancer for years, says Lazzaro.

What is different from years past, however, is the willingness of hospitals to negotiate lower prices. Hospital networks within the United States are now offering package deals that can save health plans substantial costs on major medical procedures.

With cultural and liability qualms alleviated, more employers are now encouraging health plan beneficiaries to travel within the United States for medical procedures. Among the employers utilizing domestic medical travel programs for their employees include Hannaford Bros. Co., Alpha Coal West and national home improvement retailer Lowe's.

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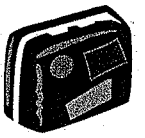

SAVINGS ARE KEY TO GROWTH

For the foreseeable future, the growth prospects for domestic medical tourism are greater than for foreign medical tourism, says Lazzaro. BridgeHealth Medical now works with 7 million participants in self-insured health plans through TPAs and smaller regional insurers, says Lazzaro.

VoyaCare had been focused on foreign medical travel, says Grant, but switched to domestic because of greater opportunities for growth. Employers reluctant to offer foreign medical travel benefits, he says, are much more receptive to the idea of domestic medical travel. "Companies are now saying that we don't have to send people all over the world; there are programs to send people within the U.S. and still get savings," says Hutchinson.

Savings are, of course, the main reason for the interest in domestic medical tourism. Health plan administrators can see immediate savings with the next surgery, says Lazzaro. Plan sponsors do not have to cut benefits, raise deductibles or shift costs to employees to save money on the health care plan. Plus, he says, employees get better quality of care.

The savings can be substantial — often 20% to 45% of the typical cost of the procedure, even with the additional costs of travel for the patient plus a companion and BridgeHealth's fee, says Lazzaro. Sanchez says that contracted rates for eligible procedures can be 30% to 55% less than having those same procedures done locally. Additionally, compared with foreign medical travel, travel expenses for domestic programs are generally lower, and many times patients can drive to their surgery location instead of having to take a plane, says Grant.

For employers, another benefit to utilizing travel programs is knowing the entire cost for the surgery up front. Health plan sponsors get a global rate — one bill — for the entire procedure that includes fees for all surgeons, anesthesiologists, etc., room, and all medical care until discharge, says Lazzaro. It provides sort of a safety net for self-insured companies, says Hutchinson, because they know exactly what the costs for a particular procedure will be up front, and so they can budget for them with more accuracy.

PREFERENCE FOR DOMESTIC TRAVEL

Besides the cost savings, one huge advantage of domestic medical travel is the willingness of participants to participate — the biggest hurdle of foreign medical tourism. Individu-

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— Robert Grant, CEO, VoyaCare

als with insurance generally do not want to go outside the country for care, says Alex Sanchez, managing director of Healthcare Concierge Services, a subsidiary of Miami-based Olympus Managed Health Care Inc. HealthCare Concierge Services has a program called the HCS Navigator, which is a consumer-driven program that provides information to the employer and the patient, says Sanchez. HCS does all the logistics, including getting the patients to the facilities and providing them information about the facility.

Conversely, people are more willing to travel within the United States for medical care, particularly when the care they receive is superior to what they can get locally. Generally, says Lazzaro, one-third of patients who are given the option choose to pick it up.

The incentive for participating hospitals to offer lower rates is that they are getting paid upfront prior to the procedure taking place, explains Grant. Chasing insurers or arguing over fees after services are rendered is time consuming and expensive. The prospect of getting paid upfront has led to many hospital networks now willing to give attractive pricing on the kinds of surgeries that lend itself to medical travel, says Grant. It's now possible to get bids quickly on procedures, says Hutchinson. He recently did a bid for a Utah company for eight different medical procedures, and got all the bids in within 20 minutes.

FOCUS ON QUALITY ▮ In setting up a domestic medical travel program, experts say quality of care should be a main focus. "It is important to note that domestic medical travel programs require deep and personalized thinking and execution," says Grant. "You do not want to only focus on cost. You don't want to send them someplace just because it's cheaper. You want to bring them into a lower-cost environment, but also one that's higher quality."

Simply placing someone in a distant, prestigious setting for a net reduced cost is an intuitively appealing proposition, but most likely is not the best solution, Grant says. "What is harder to do is finding the best care in the best setting for the specific patient and the totality of their circumstances," he says.

Not every procedure is appropriate either. Sanchez says the travel option is best for elective procedures where the overall costs are $40,000 or more. Hip and knee replacements, along with cardiac bypasses, are all surgeries that are potential candidates for domestic medical travel.

Clients for whom medical travel programs are appropriate include self-insured companies. Smaller self-insured plans, e.g., 500-1,000 covered lives, are particularly good prospects, says Lazzaro, because they are "feeling the pain" and could use the immediate savings these programs provide.

PRICING AND MARKETING ▮ At BridgeHealth Medical, plan sponsors can pay through a per employee, per month arrangement or a separate charge for each case. HealthCare Concierge Services also charges fees on a per employee, per month basis.

To give employees a reason to travel, Lazzaro recommends building incentives into the program — e.g., waiving all co-pays and deductibles for the procedure. Lazzaro also recommends a program for employees to educate them about centers of medical excellence and the benefits of medical travel. Furthermore, says Sanchez, if patients are shown that they can get better care, they are more likely to choose the travel option over a local community hospital.

Other broad issues to consider are how to market the program to patients. While U.S. medical travel has existed for decades, applying the "medical tourism" name may have a dampening effect, says Grant. Some individuals may view the "tourism" label negatively and that can impact uptake, he says. Instead, if the program is marketed as offering patients a highly personalized and effective care experience that requires some travel, many would be attracted. Lazzaro believes that the emphasis should be put on promoting the hospitals as centers of excellence where the patient will receive higher quality care then what is available locally.

It's also important to note, says Grant, that while major issues such as language and culture seem to be reduced when the travel is domestic, others still exist for patients, such as being away from the family during a major health event. These issues can be overcome and somewhat easier to manage because domestic travel is easier and less expensive, he says.

Grant believes that that domestic medical tourism is an effective, niche solution that should be considered in the near term to reduce health care costs. "We continue to see medical cost as a fundamental issue not adequately addressed. Employers and employees will be facing continued cost pressures. Well conceived and executed domestic medical tourism can address a portion of the problem," he says.

Domestic medical tourism, Grant says, presents a real opportunity to lower costs and achieve great outcomes by finding the right situation for a specific patient. **EBA**

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