

## Chapter 2. Literature review

### *Medical tourism development in context of economic globalization*

More than 50 countries of the world determine the provision of medical services to international patients as a high prior area of national development. In conditions of globalization, the level and quality of medical services are equalizing in different countries, thus only the price factor becomes a determinate of country's competitiveness in the medical services world market. In this regard, the flow of patients from countries with highly developed health care system to emerging markets with conditions to obtain good quality medical services at more competitive prices is forming (Table 1).

Table 1 - Prices for medical services in the countries of the world (% , 2016)

Source: *Deloitte, 2017*

1	USA	100%	5	Mexico	40-60%
2	Costa – Rica	45-65%	6	Singapore	25-40%
3	India	65-90%	7	South Korea	40-45%
4	Malaysia	60-80%	8	Thailand	50-75%

The level of local population access to medical services also determines the conditions for the world market of medical services formation. The low availability of medical services in different territories (for example, due to the limited state budget or existing beurocratic formalities) and demographic trends (an increase of the elderly in developed and some developing countries, the

world population increase) also stimulate outbound medical tourism. The most important prerequisites for medical services receiving in other countries are also higher quality of services (professional medical care, rehabilitation services), access to modern technologies for diagnosis and treatment of various diseases, as well as treatment with more effective drugs that are not represented in the country of patient origin (*Census, 2009*).

From the point of economics and business view the specialists departure abroad or to the regions with pinpoint demand for any kind of medical services is very beneficial, since permanent location on the site of stationary points is far from always expedient (*Anand, 2009*). It is possible that the medical personnel expansion outside of own region is nothing more than a new business model that will demonstrate the active development of the medical tourism market in the near future.

The emergence of new opportunities in the medical services markets' internationalization can be accompanied by corresponding difficulties. On the one hand, health services' trade at the international level leads to higher competition and, as a result, better quality of service delivery and greater accessibility for the population. On the other hand, there are problems of qualified personnel "leakage" abroad (*Heung, Kucukusta & Song, 2010*). At the same time, the national policies of countries have a significant impact and can promote the development of globalization in the provision of health services, and to restrain this process. But it is undeniable that in international competition conditions the interests of the state, the system of medical services providing will be improved through the retention of qualified personnel and support for the balanced existence of private and public medicine.

Thus, the higher the country's technical and economic development, the more developed its service sector, the more part of the country's medical

services goes beyond the national territory and is mediated by international exchange, expanding the degree of economic openness of the country in the medical services world market. As the market develops, the medical services market transcends national borders and demonstrates a constant increase in the international interconnection and economic entities interdependence at different levels - from specialized medical centers to the largest international medical corporations. Undisputed fact of modern development is the growing economic integrity of the world medical services market in economy globalization.

*Thailand at the the global medical tourism current state*

Table 2 - Expenses for medical tourism in the countries of the world (2016)

Source: *Department-of-Health, 2017.*

#	Country	Bln, USD	#	Country	Bln, USD
1	United States	\$167.1	11	Mexico	\$8.9
2	Germany	\$42.2	12	China	\$7.8
3	Japan	\$28.6	13	Spain	\$7.6
4	France	\$24.1	14	South Korea	\$5.6
5	Austria	\$14.0	15	Thailand	\$5.6
6	Canada	\$13.8	16	Australia	\$5.0
7	United Kingdom	\$12.3	17	India	\$4.7
8	Italy	\$11.7	18	Russia	\$3.8
9	Switzerland	\$11.4	19	Portugal	\$3.4
10	Mexico	\$8.9	20	Greece	\$3.3

The volume of the medical tourism market will grow by 15.7% by 2022 compared to 2017, and will reach an incredible \$ 143.8 billion in absolute figure (Department-of-Health, 2017) (Table 2).

Most of the foreign patients are attracted by such countries as Thailand, India, Mexico, South Korea, Japan, Malaysia, Taiwan, Singapore, Israel, Germany, France, Brazil, South Africa, the UAE, etc. Moreover most countries recognize a certain "specialization" in medical tourism market: For example, Singapore is famous for stem cell therapy, Brazil is developing cosmetic surgery, Thailand offers the world best rehabilitation and care, Germany is specialized in high technologic surgeries and Barbados is the ideal place to treat infertility (*Connell, 2006*).

Table 2 - Criteria for choosing the direction of medical tourism and the place of medical services purchase abroad

Source: *Herrick, 2017*

Criteria	% <sup>1</sup>
Recommendations of relatives, friends, colleagues	52%
Specialized internet sites	40%
Personal experience	32%
Travel agents	16%
Free catalogs and brochures	11%
Media: newspapers, radio and television	7%
Paid travel guides and magazines	7%
Recommendations and reviews of friends in social-media	5%

<sup>1</sup> Totally can be more than 100% because respondents could choose more than only 1 answer

Experts note that the competition between the leaders of medical tourism in the future will be harder, and local governments will have to take serious measures to keep their industries afloat. We are talking about multibillion-dollar infrastructure investments, as well as simplifying the visa regime for foreign patients and their attendants, legal protection, combating crime and improving the security of foreign guests. So, in 2011 Thailand went on an extension the visa-free stay for foreign patients from the countries of the Middle East (to 90 days).

Table 3 – Some facts on world medical tourism development

Source: *Ehrbeck, Guevara & Mango, 2008*

80%	Of Medical tourists are driven by savings
38%	Of Medical travel are about cosmetic surgery
≤ \$ 30 000	- total costs per patient in 92% of cases
от \$ 7475 до \$ 15833	the average cost of one medical tour
Latin America and Asia	Are Regions-leaders of medical tourism
Mexico and India	Countries - leaders of medical tourism
~ 76%	Patients in the medical tourism - Americans

Nuwire Investors placed Thailand in the top five of countries providing the best opportunities for foreign patients and investors in medical shpere. Medical tourism in the country in recent years has shown high growth rates. According to official data, 20% of all foreign tourists are participants of medical tourism. In 2016, 1.85 million tourists visited Thailand for medical purposes, 33% of

them - US citizens, 29% - representatives of China and 18% - tourists from Japan. In 2016, the income of clinics was more than \$ 2 billion. It is important that the price of medical services for foreigners and Thai residents are similar (*Aizura, 2017*).

In Thailand there more than 1000 hospitals, 470 of them are private. The largest private hospital in Asia, and the first Asian hospital, certified by ISO 9001 and accredited by JCI are also located in Thailand. Today 37 hospitals in Thailand have JCI accreditation, and all of them are private owned. The medical tourism industry in Thailand is promoted, firstly, by private hospitals. Thai doctors are happy to work in international clinics, where they earn an average of 70% more than in public hospitals. Medical tourists come to Thailand from almost all countries of the world (*Aizura, 2017*). The main countries and regions are: Japan, Middle East, USA, China, Great Britain, Western Europe, Australia (*Smith, 2015*).

Among the factors determining the inbound medical tourism development in Thailand can be identified:

- competitive cost of medical treatment. The cost of treatment in Thailand is only a small fraction of the cost of appropriate procedures in most Western countries. Prices for treatment are usually 20-50% lower than in the West. Such a low cost allows the patient to put into the budget the cost of own restoration and even rest after a complicated procedure (Table 4).

- high quality of medical services;

- well-developed tourist infrastructure. Thailand is one of the leading tourist destinations in the world - a paradise with unique beaches and delightful views. The country has a rich culture and an amazing cuisine, and people are friendly and are very nice to foreigners. Due to the tourism, the level of service here is very high, which contributed to the success of medical tourism industry.

Thais make every effort to provide the highest level of service for visitors. Accordingly, foreigners are happy to receive such a high level of service, whether in a hotel or in a hospital.

Table 4 - Comparison of the cost of major surgical operations in the United States and Thailand (in US dollars)

Source: *BusinessWeek.com*

Major Surgery		
Procedure	Average prices, USD	
	In the USA	In Thailand
Coronary bypass surgery	130000	11000
Heart valve replacement	160000	10000
Angioplasty	57000	13000
Hip replacement	43000	12000
Replacement of knee joint	40000	10000
Hysterectomy	20000	4500
Spondylodez	62000	7000

Cosmetic and plastic procedures		
Mammary gland enlargement	3500-4000	2600-3200
Breast lift	4000-4500	2600
Reducing the size of the mammary glands	4000-4500	2900
Implant of buttocks	4000-5000	4000
Buttock lift	4000-5000	2400
Implant cheeks	2000-2500	1200
Chin plasty	1700-2000	700
Correction of eyelids	2500-3000	540
Facelift	4500-5000	2400
Chin lift	2500-3000	1400
Correction of the shape of the nose	3500-4000	1200
Liposuction	2500-3000	1200
Abdominoplasty	4500-5500	3000
Dental procedures		
Cleaning	100-300	25-50
Restoration of tooth color	800-1200	100
Tooth whitening	350 - 500	150
One implant	3500	2000



Amalgam filling	200-500	20
Metal Ceramic Crown	600-1000	300-470
Ceramic crown	5500	470-500
Treatment of the tooth canal	500-2000	150

### *Russia as a market for Thai health services*

Interest in the medical tourism sector in Russia is quite high. About 6.2 million Russian-speaking users of Yandex.ru (biggest Russian search engine) monthly seek for current offers of medical care abroad. For example, only request "treatment in Germany" are monthly turned to the search engine Yandex by 10 thousand unique users people (Vetitnev & Dzubina, 2013). This high interest is explained by the unsatisfactory state of medicine in Russia. Russians are extremely unhappy with health care. According to research of Russian sociologists, 53% of the citizens surveyed in Russia assess the health status in Russia as "bad," "satisfactory" was called by 40%, and "good" - only by 5% of Russian respondents (Vetitnev & Dzubina, 2013). About 34% of doctors consider health care in Russia as unsatisfactory. So the risk of treatment in Russia is also rather big.

Wealthy citizens of Russia now choose other countries that provide a high level of medical services. Leading positions in the list of countries popular among this category of Russian tourists are Israel (45%) and Germany (20%). The high interest and trust for these countries medicine is conditioned, in the opinion of experts, by the absence of a language barrier, by the relatively close geographical location (for the European part of Russia), and by the high status entrenched in the medical successes of these countries. Further by the popularity are Turkey,

Singapore, and Switzerland, France and the countries of Eastern Europe such as Poland, Hungary, Czech Republic, Lithuania and others.

The most popular among Russians for many years are services in such areas as cardiology and cardiosurgery, transplantology, eye surgery, oncology, orthopedics, plastic surgery, neurosurgery. All those areas require an availability of modern equipment and relevant technologies for hardware treatment and diagnostics. Often demanded are maternity services, all sorts of diagnostics and check-up (diagnosis of one day), medical rehabilitation.

Among the foreign health resorts, Central and Eastern European countries are preferable for Russians, including the Balkans and the Baltics (66%), Western and Northern Europe, including Iceland (44%), the North-East and South-East Asia (40%).

According to the survey visiting health resorts, Russians prefer treatment with the using of natural resources: 63%, 61% and 46% of respondents respectively prefer treatment with thermal waters, medicinal springs of mineral water and medicinal mud; general therapeutic treatment, cosmetic procedures, wraps and inhalations are chosen by 35%, 32%, 26% and 18%, respectively. The leader among the procedures is a health massage, which 67% of respondents prefer.

As a market for the Thai tourist product sale, Russia is also interest because of Thailand's tourism potential popularity in the Russian market, presence of Russian-speaking diaspora, permanently (or for a long time) residing on the territory of Thailand, which, on the one hand, provides the demand for services among Russian-speaking consumers In the low tourist season, on the other, the possibility of finding Russian-speaking staff for Thai clinics (for example, to provide translation of documents or interpretation). Equally important is the availability of regular transport connections of Thailand cities with the Russian regions (which, in

the case of organizing charter flights, is also not very expensive), as well as the lack of visa formalities.

Meanwhile, there are problems that limit the opportunities for Thai health tourism promoting, for example, a reduction of the Russian tourism market capacity (including the medical tourism market) as a result of the economic crisis and devaluation of the ruble exchange rate in 2014, a sharp increase in the differentiation of Russia tourist demand structure (wealthy clients prefer to treat in Europe, the United States, Israel, while middle-income consumers, whom Thailand could attract reduced the expenses for tourist trips, the weak popularity of Thai health tourism, especially in the regions of Russia, the image of Thai medical tourism, limited only by massages and sex-change operations.