



# A Healthy Getaway

## Can Medical Tourism Improve Healthcare for Canadians?

Written by David Stewart and Sabriya Karim

Canadians enjoy the benefits of a universal healthcare system, but the sustainability of “healthcare-for-all” is increasingly questioned. As the aging baby boomers strain the system and wait times continue to escalate, many citizens are concerned – especially since Canada was recently ranked 26 out of 28 developed nations in terms of physician availability, with only 2.3 doctors per 1,000 people. It is clear that the Canadian healthcare system, once synonymous with quality, is in trouble.

### The Waiting Room Fills, the Coffers Empty

Canada’s healthcare deficit has been growing since the late 1990s. During this period, healthcare costs more than doubled as drugs and physicians became dramatically more expensive, while revenues have lagged. To put this issue into perspective, healthcare

spending currently represents 11.7% of national GDP and approximately 42% of provincial spending. In contrast, education accounts for 20% of provincial spending. The budget deficit has led to wait times between referrals and treatments ranging from five to 36 weeks, contributing to Canada’s poor reputation amongst developed nations for access to healthcare.

Canadians are increasingly noticing the strains on the medical system, and have grown concerned. Nanos Research indicates that healthcare is the most important national issue amongst citizens and it was identified as the primary public concern by 35% of the population in 2010, up from 23% in 2009.

Healthcare will continue to face top-line challenges in the immediate future, especially considering the Canada Health Transfer Program – a fund transfer program that allocates federal dollars to provincial budgets – is set to expire in 2014. The program, which represents

20% of provincial healthcare funding, has not been renewed to this point, adding to the uncertainty of the system's sustainability.

## The Elephant in the Waiting Room

In June 2005, in the case of *Chaouilli v. Quebec*, the Supreme Court of Canada ruled that legislation prohibiting private medical care in the face of long wait times violates the Charter of Human Rights and Freedoms. This ruling effectively opened the Canadian market to private healthcare providers and led to the endorsement of private-sector health services by the Canadian Medical Association later that year.

The reality of long wait times has led to a sizeable jump in private spending on healthcare in Canada. In fact, the number of for-profit surgical clinics tripled between 2005 and 2008. These clinics provide hundreds of services in fields ranging from fertility to oncology. Canadians are clearly tired of the long wait times in the public system and those that can afford to are moving towards the more timely service offered by the private sector.

## Enter: Medical Tourism

It is clear that the Canadian healthcare system, public or private, is in need of change. Dollars from abroad could enhance medical care in Canada by making use of unused capacity in the system. Medical tourism is a rapidly growing industry in which patients travel across borders for healthcare services. Whether fueled by price, quality or location, medical tourism has been booming for over a decade. Americans represent the largest medical tourist segment, spending approximately US\$9 billion worldwide in 2010. With the U.S. driving the medical tourism industry, Canada has a tremendous opportunity to improve its own healthcare system with American consumer dollars.

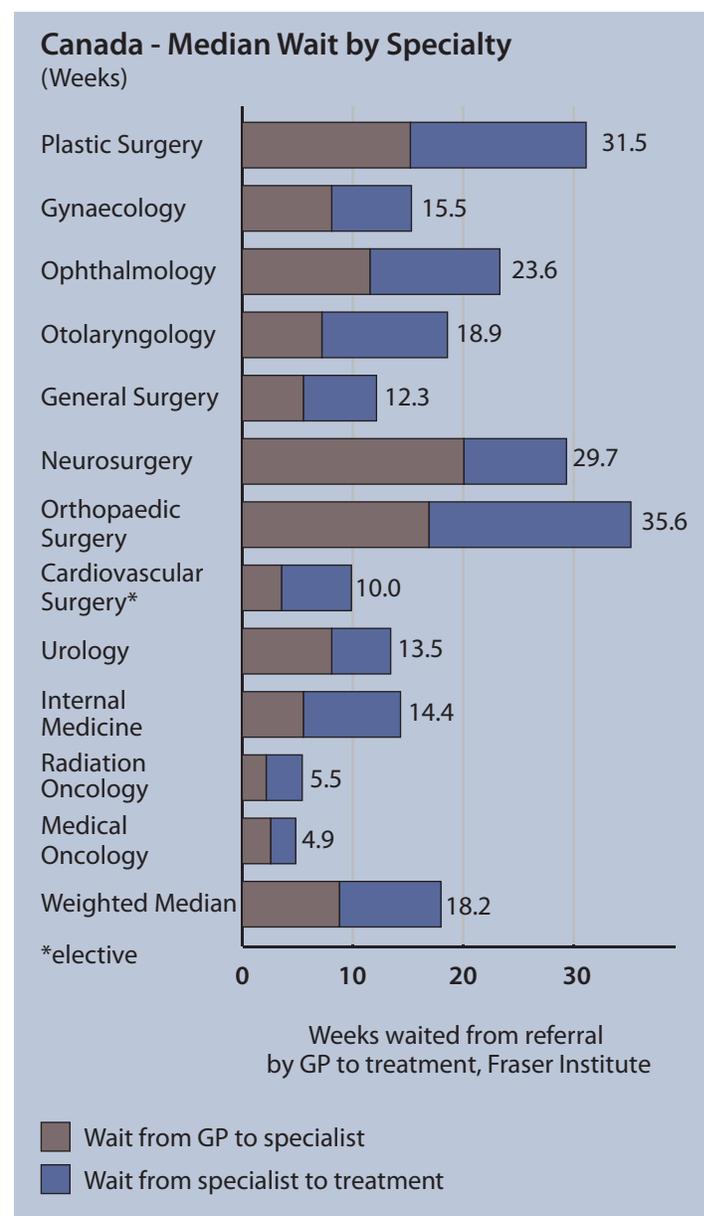
Canada has several competitive advantages over its international counterparts in attracting U.S. consumers. First, Canada can compete on price because of its lower costs. Due to the nationally-standardized procedural fee schedule in Canada, American medical tourists can avoid the higher price of surgeries in the U.S., which can run five times greater than the Canadian equivalent. But Canada's competitive advantage extends beyond price. Medical tourists also select destinations based on reputation, language, culture, legal risks and availability of follow-up care. With Canada's language, culture and low perceived care risk, American medical tourists will have fewer reservations about travelling to Canada than many other countries. Finally, Canada's location is a prime advantage; Americans can generally travel to Canada more cheaply than any other major medical tourism destination. Proximity proves to be a strong competitive force because tourists want to minimize travel should follow-up care be required. Canadian healthcare is well positioned to compete on any American medical tourist's key decision criteria.

Medical tourism could, in effect, subsidize healthcare for Canadian citizens and improve quality of service. With costs outpacing revenues for close to two decades, hospitals are in dire need of additional funding. The extra revenue stream supplied by medical tourists will allow the system to expand, creating more availability for Canadians. Medical tourism agencies, such as Canadian Healthcare International and Choice Medical Services, offer packages with flights, hotels, hospital bookings and procedures for medical tourists. These agencies are valid contributors to the state of Canadian medical care and should be embraced.

## Leveraging Medical Tourism for Canada

Skeptics may argue that healthcare costs will naturally increase if Canada were to serve American medical tourists: with more American patients in the system, wait times would surely have to increase. In reality, however, as ACCESS Global Healthcare President Helen Cosburn explains, Canada's tight health budget means operating rooms (ORs) are subject to closure days and physicians and nurses are sent home to reduce staffing costs. Such forced closures result in days, even weeks, of available ORs, staff and resources that create an opportunity to treat foreign patients, while generating revenue for the hospital. Canadian ORs are, in effect, running well below capacity due to hospital budget constraints. Medical tourism provides a two-fold incentive for Canadian doctors to perform surgeries on American patients. Opening the OR beyond the hours funded by the government allows a doctor to earn additional income and gain experience, which can be extremely valuable for a young physician.

The revenue from American customers will help to supplement provincial healthcare spending and expand hospital budgets.



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American spending would fill the gap simply by renting the OR during unused time. Length of stay in hospital beds can be controlled by filtering the services offered. Patient health, surgery type and bed availability all factor into the customer's post-operation length of stay and can be structured to eliminate any detrimental effects on Canadian patients. For example, cosmetic surgeries and hip replacements for healthy patients naturally have shorter recovery times than spinal surgeries for elderly patients. Restricting services to those patients likely to have a short bed stay, via screening at the first point of contact with a Canadian service provider will ensure that medical tourists have a net positive impact on the hospital's operations. Finally, doctors should be paid based on the Canadian fee schedule so that there will be no financial incentive to treat Americans over Canadians. Rather, doctors can supplement their personal income by performing additional surgeries, but only once their Canadian patients have been tended to. The number of hours doctors and nurses work is generally capped by budget constraints, resulting in fewer hours worked than the regulated maximum. Medical tourism is therefore a viable option to monetize this unused time while continuing to provide safe, high-quality healthcare to Canadians.

## Americans for Canadians' Sakes

Despite these benefits, the most difficult part of turning this solution into reality is convincing the Canadian public that there will be no increase in wait times. The first step of implementation is to make hospital accounting transparent. Treating foreign patients amongst Canadians who are waiting for treatment can raise concerns about availability of resources. But, as Cosburn explains, if unused capacity is utilized and revenue is kept separate, hospitals can show that cash flows realized from medical tourists support the healthcare system rather than hinder it. For example, these funds could be treated solely as a fundraising stream to refurbish the facility or purchase new equipment and thus reduce the burden on the hospital's budget.

As more Canadians realize there are critical problems in the healthcare system, they will grow more receptive to a new funding solution. Medical tourism may not be the only approach to solve Canada's current healthcare problems, but it is an excellent opportunity to supplement hospital budgets and create a more accessible, effective healthcare system for Canadians. Looser hospital budgets will translate into more government-funded OR time and shorter wait times for Canadian citizens.

The outlined steps, coupled with Canada's clear competitive advantages in attracting medical tourists, will help the country carve its niche in the rapidly developing industry of globalized healthcare services. More importantly, Canadians can see their access to healthcare improve dramatically. Citizens must acknowledge the declining state of Canadian healthcare and corresponding rise in the private system and move beyond it toward a solution. Opening ORs to American customers is a terrific way to help hospitals serve Canadians better. The days of 36-week wait times could become a thing of the past with creative approaches to supplementary funding.

*The authors would like to thank Helen Cosburn, President & CEO of ACCESS Global Healthcare, for her medical tourism industry insight*

## Comparison of Selected Medical Tourism Alternatives to U.S. Patients (Hip Replacement Surgery)

United States



Singapore



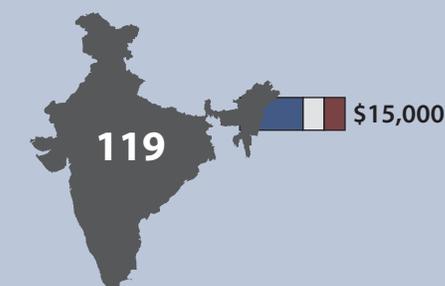
Mexico



Canada



India



Costa Rica



■ Procedure Cost

■ Lodging

■ Airfare

1 UN Human Development Index Rank