Riding the Wave
Medical tourism in Asia is currently generating US$1.3 billion in revenue and is expected to grow to US$4.4 billion by 2012, growing at a CAGR of 19%. The major countries competing for medical tourists in Asia are Thailand, Singapore, India and Malaysia. The main attraction for seeking medical treatment in these countries includes lower costs, quality treatment, and less waiting periods. Thailand has presented itself as a leader in medical tourism in this region with more than a million patient visits in 2005, generating revenues of US$615 million.

Till the recent military coup, Thailand had an edge over other countries in the region in attracting medical tourists. The country is a highly popular tourist haven. It has a relatively low-cost of living, a very friendly and tourist friendly culture, and a relaxing environment for recuperating patients. For that reason, Thailand’s medical tourism services are focused on treatment areas that are more popular amongst vacationers such as cosmetic surgery, dentistry, LASIK and general medical check.

However, with competition heating up for medical tourists’ dollars globally, Thailand cannot simply rest on its current success. To maintain its dominance, Thailand must expand its capabilities and move up the value chain of medical offerings. Already, the more reputed private hospitals in the country such as the Bumrungrad Hospital and Bangkok General Hospital are marketing and promoting their capabilities in performing higher-end surgical procedures such as hip replacement, heart bypass and organ transplant. But are the efforts of the private sector sufficient at maintaining the inflow of medical tourists? This paper examines Thailand’s opportunities as well as the growing threats it faces internally and externally.

Private Sector is the Engine that Drives Medical Tourism
Medical tourism growth in Thailand has been largely led by the private sector. When revenues from private Thai patients dried up on the onset of the Asian Financial Crisis, Bumrungrad Hospital began to venture out to source for overseas patients. It was through these pioneering efforts that Thailand’s medical tourism industry was born. Since then, other private healthcare groups have followed suit.
Now, private hospitals vying for the medical tourists’ dollars treat this segment seriously as one their primary source of revenue rather than just an alternative. Significant investment in the latest technology, quality certifications (ISO), accreditations (a total of 33 hospitals) and attracting highly skilled doctors have been made to stay ahead of competition. Bumrungrad Hospital has even gone to the extent of investing in premier marketing tools to attract foreign patient. Other successful marketing avenues employed by Thai hospitals include tie-ups and affiliations with travel agencies, referral agencies and patient home-country hospitals.

Unlike in other countries like Singapore and Malaysia, the Thai government had initially taken a rather passive role in developing medical tourism. However, the huge success of the private sector has led to greater involvement by the government. The government of Thailand recognizes the strong potential for medical tourism and the value it will add to tourism industry overall. Several initiatives to support and promote the sector have since been implemented. Visa procedures for foreign patients have been simplified. There are plans to invest US$10–15 billion in the next 10 years for the construction of new hospitals. Government expenditure on healthcare is also on the rise, and was estimated to account for nearly 13.6% of total government expenditure in 2005. Students are being funded to attain higher medical education abroad on the condition of serving in Thailand after completion of their educational courses.

Only Destination in the Region to Attract Patients from All Over the World

Patients from the US and Europe constitute about 20% of the total inflow of foreign patients to Thailand — the same is growing every year by around 40% for US and 50% for Europe patients. Aside from cosmetic surgeries, a higher proportion of US and European patients tend to seek higher-end treatment such hip and knee replacement and organ transplants than South East Asian patients who will go for mainly general medical check ups.

After 9-11, travel restrictions have diverted Middle Eastern patients from their traditional destinations such as the US and the UK to Thailand. The number of Middle Eastern patients has grown exponentially since then. Bumrungrad alone saw Middle Eastern patients increased from 5,000 in 2000 to 70,000 in 2005. An astonishing 1,300% growth!
Thailand is unique in that it attracts patients from different parts of the world instead of just a particular region or country. Malaysia, Singapore and Australia are dependant to a large extent to one source of medical tourists, namely the Indonesians. Aside from Thailand’s natural attractiveness as a tourist haven, the proactive and aggressive marketing efforts of private hospitals at sourcing from new markets have tremendously enhanced the country’s awareness as a medical tourism destination globally.

**Is the Medical Tourism Industry Healthy?**

All these efforts have not only translated into volume growth but also value increase for Thailand’s medical tourism industry. In 2004, the inflow of foreign patients coming to Thailand for medical reasons was around 790,000 generating revenues of US$531 million. The number of foreign patients has grown by 27% annually and was estimated to be around 1.28 million in 2006. In terms of revenue, medical tourism has shown an annual growth of 35% over the same time period (2004–06) and is expected to show an annual growth of 20–30% till 2010.

However, is this growth sustainable in the long-run? Many hospitals in Thailand still promote themselves firstly, as a low-cost venue for medical vacation. Low-cost remains its main draw among medical tourists. As a comparison, a basic operation like hip replacement in Thailand is at least 5 times cheaper than in the US. Health screening packages in Thailand often bundled with hotel and travel packages, is half of what Singapore is charging.

Unavoidably, Thailand faces credibility concerns when it comes to complex higher-end surgical treatment. Bumrungrad Hospital for instance, had to market and promote itself as an “American” managed hospital to avoid the perception of low quality services.

Without a shift towards higher-end medical offerings, Thailand may risks being typecast as a low-end destination hence, limiting the potential revenue medical tourism can generate. A balance between its bread and butter services such as cosmetic surgeries and health checks versus the higher-end surgical treatments such as hip/knee replacements, heart bypass and organ transplants has to be achieved. It is estimated this shift will increase revenue per patient from US$615 million in 2005 to US$2.23 billion by 2010.
Concerns have been raised about Thailand’s deteriorating security environment, with the recent New Year day series of bombings in Bangkok. In the past, tourists have shrugged off unrest in the South, where insurgents have escalated a campaign for an independent Islamic state. However, foreign visitors’ sentiments may change with the violence now appearing in Bangkok itself. After the highly visual Tsunami images and effects, Thailand needs to now project its usual image of serenity and peace. This is not the case at this moment. Singapore is watching closely and may leverage on this.

“Lion City” May Take Up the Lion’s Share
Thailand is not alone in seeing the potential of medical tourism. Competition is heating up globally as well as regionally. India, Singapore and Malaysia are amongst the more aggressive in the region promoting medical care as a tourist attraction. Merging medical expertise and tourism has become a government policy in these countries. Thailand faces competition from both ends— low-cost treatments from India and Malaysia as well as high-end medical services from Singapore.

India and Malaysia have their limitations in being an all-appealing medical tourism destination. Cost-savings for instance, may not be enough for India to foster its medical tourism ambition. The sight of the country’s slumps in its main cities, open sewers and garbage strewn streets would unnerve the confidence of potential patients on the hygiene standards. Malaysia, on the other hand, faces a shortage of medical manpower in terms nursing staff as well as doctors to further boost its reputation as a quality medical hub.

Singapore may be the only real competition for Thailand. The city state provides a complete spectrum of healthcare services from primary care such as health screening, to quaternary care services such organ transplants. Singapore is renowned for a broad range of specialist care such as cardiology, gynecology, oncology and neurosurgery. According to the World Health Organization, Singapore health system is ranked the best in Asia and amongst the best in the world ahead of Japan and the US.

Singapore no longer remains contented servicing its traditional source of foreign patients, specifically Malaysians and Indonesians. Private healthcare groups such as Raffles Hospital and Parkway Group Healthcare have marketing offices in Greater China, South Asia, the Middle East, Indochina and even Russia to raise awareness and market their medical services.
Moreover, Singapore’s concerted efforts to boost tourism, with more retail and leisure options and the upcoming integrated resorts are expected to increase the island’s attractiveness in tourism overall.

Most importantly, price differentials between services offered in both countries has decreased. Singapore is offering equivalent medical treatment at comparable prices to Thailand. Without the cost advantage, Thailand risks losing its competitive edge as Singapore continues to build awareness and raise the country’s profile in medical tourism.

The above issues raise the following key questions:

• Will there be a clear-cut market leader in medical tourism among Asian countries in the 5 near future?

• How much share can Singapore capture from Thailand? Does Singapore want and need Thailand’s “cosmetic surgery business”?

• Will Thailand ever move-up the value chain and be considered a serious center of excellence for higher-end medical treatments?

• What else can Thailand do to supplement its current medical tourism activities?

About Clearstate

We are Growth Engineers and Innovation Architects. We are devoted to work side by side with our clients to outpace competition, close growth gaps, and deliver breakthrough improvements in performance and profitability. Our clear focus on Asia Pacific provides our client a better understanding of intrinsic regional strategic issues.

Ivy Teh heads the global healthcare and life science practice at Clearstate. She has led multiple regional and global advisory engagements for healthcare multinationals. She has also worked extensively with South East Asian government bodies to boost healthcare tourism. She is a recognized authority in the field of healthcare tourism and medical diagnostics equipment marketing strategy.

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