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Medical Tourism Research in 21st Century

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ABSTRACT

Medical tourism is developing a new dimension in Malaysian healthcare system and its diversifying the national economy. In order to be competitive in this emerging industry, Malaysia needs to identify and implement competitive strategies based on the needs of medical tourists globally and the availability of its resources in the country. Literature review shows the study on medical tourism is focusing on wide variety of issues ranging from cost, promotion, barriers and cultural aspects. This conceptual paper would like to propose the extension of Porter model and Peng Y model of internationalization in medical tourism research. Porter model usually used in manufacturing and service oriented research. Whereas Peng Y model usually used in the international business studies. As medical tourism is moving forward to be a competitive industry and it is happening globally, it is wise to extend or associate those two models in the medical tourism research. Therefore, this paper is focused on competitive strategies, institutional based strategies, industry based strategies and resource based strategies that the health care centers need to adopt based on the both models. A theoretical framework is proposed to research emphasizing on the above four strategies in medical tourism.

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Introduction

Medical tourism has emerged as one of the fastest growing segments over the last few years. The low cost of treatments in countries like India, Malaysia, and Thailand have coincided to provide a mega boost to the Asian medical tourism sector. Malaysia as a new market entrance among the developing countries is promoting medical tourism in the country by emerging with private healthcare centers.

Malaysia as one of the most popular tourist destination in the ASEAN region and one of the fastest growing medical tourism market in Asia (Voigt, Laing, Wray, Brown, Howat, Weiler, & Trembath, 2011) has the opportunity to capture bigger market share in this emerging industry.

Therefore, studies on medical tourism should be focused on determining the basic needs of the medical tourists (Heung, Kucukusta, and Song, 2010) and medical tourists' expectation (Shah, 2008) in the medical tourism industry.

Baring this in mind, this study is designed to identify the factors that can affect the medical tourists' satisfaction that contribute to competitive advantage of the healthcare centers. This study will also focus on the competitive strategies that the healthcare centers can adopt through Porter's Competitive Advantage Model.

The outcome of the study is expected to be used by the healthcare centers to improve their service and device relevant strategies to increase their competitiveness and be more focused on the objective of the organization.

Besides improving the healthcare industry in Malaysia, the information obtained from the study is expected to help boost the medical tourism industry in Malaysia and help Malaysia to become a future medical hub in Asia.

Literature Review

Defining and conceptualizing medical tourism

History

Health-Tourism.com (2011) traced medical tourism history back to ancient times which has strong link between religion and healthcare. Medical tourism was focused to mineral thermal springs, sacred temple baths, hot springs, iron-rich mineral springs and therapeutic temples in Europe and Yoga and Ayurvedic medicine in India. From 1900 to 1997, the USA and Europe became world healthcare centers for quality high-end medical treatments for the rich and famous.

During the Asian economic crisis in 1997 Asian countries marketed their healthcare as international destinations due to a cheaper exchange rate. After the 9/11 event, with JCI accreditation and partnerships with prominent US-based health providers' medical tourism continued to grow in Asia and Latin America as emerging healthcare destinations.

Though medical tourism is not a new phenomena, based on industry viewpoint it is a new area in the global tourism arena. It has become increasingly important in the developing countries of Asia and Latin America. The availability of the facilities and focus of medical tourists vary according to time and venue. The growth of medical tourism was determined by culture, religion, beliefs, new inventions and technological advancement in the modern medical science. In the new era, medical tourism has becomes affordable to the middle to upper class citizens seeking quality healthcare with relatively cheaper cost.

Definition

Medical tourism definition varies according to the demand side of the interpretation (departure countries) and the supply-side of interpretation (destination countries). Connell (2006) defined medical tourism as 'out-of-country health care', 'international medical travel' or 'health-related travel'. However, Bies and Zacharia (2007) highlighted medical tourism

as outsourcing medical or health care. Therefore medical tourism can be defined as outsourcing healthcare facilities which vary according to the availability of the resources in promoting healthcare as international trade in a particular country. In this study, medical tourism will be focused as quality medical care provided which involves medical procedures by trained medical professionals or surgeons who involve medical treatments for illness, enhancement and reproductive medicine.

Market Opportunity

As globalization increases, health care would continue to cross borders, giving birth to new trends and issues related to medical tourism (Leon-Jordan, (2010). Bauer, (2009) reported that the medical tourism as a powerful force reshaping the future of healthcare. Karuppan (2010), reported that the well to do medical tourist from US travel abroad for cosmetic surgery while the uninsured, the middle aged and financially distressed patients travel for elective surgery. The young, well-educated and insured patients are traveling for medical treatment at the best value for money. In contrast Peters and Sauer, (2011) reported that the US middle class Americans are traveling most frequently for medical care abroad. The most visited destinations of these tourists are India (47%), Costa Rica (35%), Turkey (29%), Brazil (29%), Malaysia (24%) and Mexico (24%).

Therefore it is concluded that the type of inbound patients received depend on the type of treatment needed and the availability of the needed medical care in the destination countries. In order to become the regional medical hub, Malaysia needs to identify the need (demand) of medical tourists and match with the availability of medical services (resources) in the country to promote medical tourism industry in the country targeting the international medical tourists.

Supply and demand in medical tourism

Pacock and Phua (2011) reported that now the trend of medical tourism has changed towards the developing countries due to the globalization and increased acceptance of health service as a market commodity for patients who shop for health overseas using new information sources, new agents to connect to the health care providers and inexpensive air travel to reach destination countries. Figure 1 explains the movement of medical tourists around the world as reported by McKinsey& Company, 2008.

Medical tourism market-drive is viewed upon demand and supply factors. Lack of health insurance, underinsured patients where the patients have to pay out-of pocket fully or partially for medical treatments, unaffordable price of health care in US (Menvielle, Menvielle and Tounois, 2011; Turner et al. 2007; Leon-Jordan et al. 2010; Peters et al., 2011) are identified as the important economical marker drive contributing to the demand of medical tourism from the United States and Europe medical tourists.

Moreover, demographically growing aging population (Turner et al., 2007) and the aging baby boomers (Connell et al. 2006) in western countries created demand for the affordable medical care through medical tourism. Besides that, long waiting hours for surgical procedures in United Kingdom and Canada (Turner et al., 2007; Lin et al. 2010) and availability of medical services that are not available in the US (Peters et al. 2011) encourages outbound medical tourism from the developed countries. Figure 1 shows that from North America 45% of medical tourists are travelling to Asia, 26% are from Latin America and 39% are from Europe.

The growing middle-class, upper-middle class and the upper-class citizens from the developing countries such as Indonesia, Vietnam, Cambodia, Malaysia, China and India who are willing to travel abroad to get quality healthcare that are not available in their country (Turner et al. 2007). Therefore, figure 1 show that 93% of medical tourists from Asian countries are travelling within the Asian countries for medical treatments due to the availability of high quality healthcare services than their country (Turner et al. 2007).

Chambers et al. (2008) identified Asia and Latin America countries as the major players of medical tourism industry in the global context. Figure 1 supports this statement by explaining movement of medical tourists around the globe to Asian countries (North America 45%, Europe 39%, Middle East 32%, Africa 95%, Ocenesia 99% and Asia 93%) rather than only 6% of medical tourist from Asian countries travelling to North America and 1% to Europe.

Based on economical point of view, relatively cheaper medical cost in developing countries (Lin et al. 2010; Connell et al. 2006) reduced cost of international travel and favorable economic exchange rates are identified as the important factors that contribute to the growth of medical tourism industry in the developing countries (Chambers et al., 2008).

The technical point of view, highly trained physicians especially those who are educated in the western countries such as United States, United Kingdom and Australia, improvement of technology and standards of the medical state-of-art facilities , qualified and personalized post operative care and the hygiene and safety medical services offered in the developing countries are compatible to western countries (Connell et al. 2006 ; Chambers et al. 2008) and less waiting hours (Lin et al. 2010) are important market drives for the emerging medical tourism industry

Government's encouragement through incentives for investment in medical tourism by private healthcare centers, tax deduction for revenue earned through medical tourism, flexible visa for medical tourists (Turner, 2006) and the level of private-sector investment in medical facilities (Chambers et al., 2008) will determine the sustainability and the growth of medical tourism industry.

Sustainability of the medical tourism industry not only depends on the demand of developed countries (Chambers et al., 2008) but also due to the demand from the rich and elites of developing countries. The demand and supply factors will encourage Malaysia's health care centers see their opportunities in promoting medical tourism to the US and Europe inbound market as well as to the rich and elites from the regional countries.

Medical tourism as competitive advantage

Cost

Lee (2007) also mentioned that medical tourism healthcare centers in Asia such as India, Thailand, Singapore and Malaysia easily accessible due to advancement in air travel, favorable exchange rates and the quality medical treatment offered. According to Lee et al. (2007), in international trade the competitive price attract the medical tourists. Therefore, to be competitive in the emerging medical tourism industry Malaysia need to compete on cost but at the same time emphasis on the quality of the medical services offered in the country.

Turner et al. (2007) reported that there is changing trend in promoting medical tourism where medical tourism companies are learning to attract high volume of medical tourist by offering

company packages (Foster & Masoh 2006; Yi, 2006). As brokerages shift to establishing out-of-country health care for corporate clients, international medical travel is becoming bureaucratized, standardized and normalized (Turner et al. 2007).

Regions with low wages, low rates of corporate taxes or special economic zones with no corporate taxes, inexpensive real estate, low-cost or non-existent malpractice insurance, favorable currency exchange rates and competent medical care could attract the international patients (Turner et al. 2007). Government of India, Thailand, Singapore, Malaysia, and the Philippines see medical tourism as progressive vehicle to diversify their economics, attracting foreign investment, promoting job creation, building the health services industry and using regional strength to benefit from the doctrine of competitive advantage (Turner et al., 2007).

Quality medical care

In medical tourism quality signals high standards of care and after care have become main concern of the brokers and destination hospitals (Turner et al., 2007). Therefore, physicians trained in countries such as United States, Canada, Australia and United Kingdom become the important indicator of professional competence (Turner et al., 2007) and noted at the web profiles of physicians to display quality and expertise to gain trust and attract medical tourists.

Globally recognized hospitals and universities are used as 'brand names' in marketing and advertising medical care offered in particular healthcare centers to attract medical tourists. India's Wockhardt Hospital associate Hospital of Harvard Medical International and John Hopkins Medicine International is affiliated with Apollo Hospitals Incorporated, and Duke University is working in conjunction with National University of Singapore to signal quality of care and help local facilities gain international recognition (Turner et al., 2007).

Peters et al. (2011) reported that international accreditations such as Joint Commission International (JCI) and British Standards Institute and International Standards Organization (ISO designation) are the most important factor when considering going abroad for medical care. These indicators are used to evaluate and market medical centers to the global clients (Turner et al. 2007).

Johnston et al. (2010) also mentioned medical tourism offers solution for development of health care infrastructure in destination countries and is setting Western-oriented standards of health care in destination countries. Moreover Turner et al. (2007) stated that advocates of international medical travel argue that increased patients volume generates better clinical outcomes as high volume combined with specialization enable providers to reduce errors in case management. Supporters of medical tourism stated that revenue generated from treating international patients can be used to cross-subsidize publicly funded health care

Satisfaction

Besides that, patient satisfaction has always and will be a fundamental requirement for clinical and financial success of any organization providing health care, regardless of specialty. Monumental changes in health care delivery systems have focused attention on more affordable, more available, more efficient and higher quality health care. (Nesreen, Waleed & Aibedami, 2008). In today's challenging business environment, competitive advantage lies in delivering notable high quality

service that results in a satisfied customers (Shamwell, Yavas & Bilgin, 1998).

Customer satisfaction represents a profitable competitive strategy variable because studies have shown that the public is inclined to pay more for care from quality institutions which are better disposed to satisfy customers' needs (Boscarino, 1992). Its value as a competitive tool also from the fact that hospitals with better images have been able to translate these into increased utilization and market share (Boscarino et al., 1992). Generally, service quality promotes customer satisfaction, stimulate intention to return and encourage recommendations (Nadiri & Hussain, 2005). Due to that, this study is intended to identify the competitive advantage of healthcare centers to influence the medical tourists' satisfaction in the medical tourism industry.

Future Researches in Medical Tourism

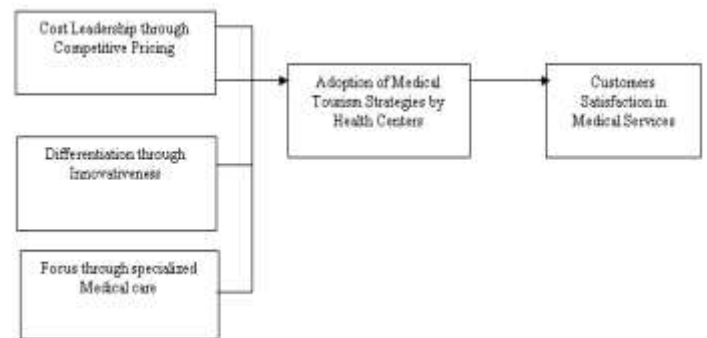


Fig. 1: Extension of Porter Model in Medical Tourism

Theme 1: Cost Leadership through Competitive Pricing

As current competition among health plans, hospitals and physicians are primarily based upon price (Miller, 1996; Porter & Tiesberg, 2004) and competition in the healthcare industry has resulted in lower hospital costs and health premiums (Enthoven & Vorhaus, 1997), it is suggested that healthcare centers adopt cost leadership strategy through competitive pricing as push factor in medical tourism. Therefore competitive prices for medical procedures and treatments will be identified as one of the independent variable.

Theme 2: Differentiation through Innovativeness

Service personal quality is defined as the core of the medical care industry (Mayuri, 2008). Zifko-Baliga and Krampf (1997) found that factors affecting service quality perception of hospitals were related to interaction to doctors and other staffs. Therefore, healthcare centers adopted differentiation strategy through innovativeness in promoting medical tourism through state-of art facilities, infrastructure and personalized care.

Theme 3: Focus through specialized Medical care

According to Usha, Bhimaraya and Shalini (2007), strategic planning areas include setting up of high quality standards, improving organ transplant/donor availability, education of Insurance companies for customizing medical insurance schemes and tapping the international market. Strategic development process and implementation is obviously a great plus for the hospital considering its growth, positioning in the region and the range of services such as new Cancer Centre and the success of cardiac centre. Therefore, healthcare centers adopt focus strategy through specialized medical care to compete in medical tourism.

A qualitative study will be conducted by distributing questionnaires among the medical tourists from 35 private healthcare centers specializing in international healthcare in

Malaysia. Medical tourists will be selected randomly from these centers and interview will be conducted to fulfill the questionnaire. The theoretical implication of the study will indicate how Porter's generic strategies significantly affect medical tourists' satisfaction. The practical implication of the study will suggest to the management of the healthcare centers the important factors to be focused to gain competitive advantage in medical tourism industry.

Conclusion

Therefore, it is suggested that health care centers participating in medical tourism can adopt competitive strategies based on the available skills and resources. The implementation of competitive methods through cost leadership strategy, differentiation strategy or focus strategy depends on the health care centers objective and focus in the industry. In order to sustain and gain bigger market share in medical tourism industry, health care centers need to focus on patients' satisfaction through competitive strategies.

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