

Increasing Medical Capacity in Northern Australia through Medical Tourism

Australia's GDP could benefit \$6.8 billion annually by capturing just three per cent of the Asian medical tourism market. North Australia provides the ideal Australian location to pursue these opportunities due to its proximity to the Asian market. The benefits of this industry are visible in South-East Asia where medical tourism has been encouraged, creating major employment opportunities. These countries provide examples of government incentives that have successfully encouraged private investment. Both Darwin and Cairns hospitals have been used in response to natural disasters and terrorist attacks in the region, and maintaining these strong facilities is important to Australia's position as a humanitarian power in the region. Recently these facilities have come under pressure from increasing demand. By encouraging medical tourism, however, private sector investment in infrastructure could supplement the services these hospitals provide, while also encouraging general tourism.

A key factor driving medical travel is superior technologies or treatments in another country. In the developing countries of the Asia-Pacific, world class hospital facilities such as Darwin and Cairns have provided important treatment to overseas patients in a timely fashion. These two hospitals have been important in Australia's response to major natural disasters or terrorist attacks. Many critically injured were air lifted to these hospitals in the days after the 2002 and 2005 Bali bombings and the Boxing Day tsunami of 2004. More recently the Royal Darwin Hospital treated the then Timor-Leste President, Jose Ramos Horta, after he was critically injured in an assassination attempt.¹ In response to these events, efforts were made to increase the capacity of particular hospitals to deal with large-scale medical emergencies. Efforts were also made to increase the capacity of other countries in the region. One example was a program that rotated Indonesian orthopaedic surgeons through Darwin to gain knowledge and experience.²

Having high profile foreign patients, or victims of well-known disasters, receive care in our hospitals provides a powerful image of Australia as a humanitarian nation, with positive implications for

¹ J. Joliffe, "Critical Ramos Horta on life support", accessed from <http://www.theage.com.au/news/world/ramoshorta-shot-down/2008/02/11/1202578640733.html?page=fullpage>, on 07/08/12

² ABC News, (2005) "Indonesian surgeons to train in Darwin Hospital", accessed from <http://www.abc.net.au/news/2005-05-06/indonesian-surgeons-to-train-in-darwin-hospital/1564778> on 07/08/12

Australia's image and soft power. While Australia attempts to maintain security and stability in the Asia-Pacific and cement its position in regional affairs, it is important that we can rely on the good will afforded to us by such humanitarian work. Much more can be done, however, to increase the quality and efficiency of healthcare in North Australia.

Northern Australia's medical capacity is below Australia's average. The North has 2,775 health workers per 100,000 people, much lower than the national average (3,102 per 100,000), is home to around 12 per cent of Australia's 795 public hospitals and only 3 per cent of Australia's 549 private hospitals.³ While the public sector has played an important role providing medical treatment to this region, issues with capacity have begun to emerge. According to the Northern Territory Department of Health, the Royal Darwin services 150,000 people in South-East Asia, yet only has 363 beds.⁴ Surgeons recently branded the hospital's emergency ward a "war zone" because of high rates of alcoholism in the Northern Territory.⁵

Cairns Base Hospital has also suffered problems. Health officials recently revealed Code Black (a term hospital staff use to describe the facility when it is at extreme capacity, with critical risk to patient care) has been occurring with increasing frequency.⁶

One option for removing these burdens from the public sector could be to facilitate a medical tourism industry in the region. The capacity of the private sector would be increased while also encouraging increased tourism.

Medical Tourism

Medical tourism is the "organised travel outside one's natural healthcare jurisdiction for the enhancement of the individual's health through medical intervention".⁷ This option is usually pursued when certain medical procedures are unavailable or unaffordable in someone's own country.⁸ It is important to note that there is a distinction between a medical tourist and a medical

³ Bureau of Infrastructure, Transport and Regional Economics, (2009) *Northern Australia Statistical Compendium*, accessed from http://www.bitre.gov.au/publications/2009/other_003.aspx on 08/08/12

⁴ Northern Territory Department of Health, *Royal Darwin Hospital*, accessed from http://www.health.nt.gov.au/Hospitals/Royal_Darwin_Hospital/ on 08/08/12

⁵ J. Gibson, "Surgeon brands RDH emergency ward a 'war zone'", *ABC News*, accessed from <http://www.abc.net.au/news/2012-08-08/royal-darwin-hospital-emergency-department-war-zone-alcohol/4185302?section=nt> on 08/08/12

⁶ T. White, (2012) "More Cairns Base Hospital beds answer to ramping", *The Cairns Post*, accessed from: http://www.cairns.com.au/article/2012/08/04/231711_local-news.html on 08/08/12

⁷ P. Carrera, and J. Bridges, (2006) "Globalisation and healthcare: understanding health and medical tourism", *Expert Review of Pharmacoeconomics & Outcomes Research*, (6)4 p.1

⁸ C. Voigt, J. Laing, M. Wray, G. Brown, G. Howat, B. Weiler, and Trembath, R. (2010) "Health Tourism in Australia: Supply, Demand and Opportunities", *CRC for Sustainable Tourism Pty Ltd*

traveller.⁹ While both are desirable, medical tourism provides more widespread economic advantages, particularly in the tourism industry.

Medical tourism has had major growth in recent years. There are many factors that have increased cross-border patient mobility. Affluent citizens from developing countries have long searched for the highest possible quality of health care in more developed countries. Many from the developed world seek inexpensive treatments in less developed countries. As such, patient mobility is increasing in both developed and developing countries, both of which serve as source and destination markets.

According to Helble there are a number of key factors that have led to this increase in medical travel over the last two decades:

- rising costs of healthcare in industrialised countries;
- differences in quality and accessibility of health services;
- information technology advances easing the access to information and knowledge transfer;
- lower transport costs;
- reduced language barriers; and
- trade liberalisation.¹⁰

The main reason people travel overseas is usually to access medical treatment, technology, or care of superior quality to their home country.¹¹ According to Voigt et al., however, there are many other reasons that can influence the decision to travel for medical treatment:

- unavailability of services, drugs and surgery methods in the country of origin;
- long waiting lists associated with appropriate medical treatment;
- ability to remain anonymous and maintain privacy overseas (especially important for those seeking cosmetic surgery)
- cultural affinity in terms of language, food and religion; and
- geographical proximity.¹²

⁹ A medical tourist describes patients more likely to receive elective treatment, such as cosmetic surgery or fertility treatment, mostly as part of an extended trip or vacation. A medical traveller is likely to travel for the sole purpose of medical treatment, more often than not receiving complex medical treatments such as cardiac or orthopaedic surgeries. See M. Helble, "The movement of patients across borders: challenges and opportunities for public health", *Bulletin of the World Health Organisation* accessed from <http://www.who.int/bulletin/volumes/89/1/10-076612/en/index.html> on the 08/08/12

¹⁰ Ibid,

¹¹ Deloitte Access Economics, (2011) "Medical tourism in Australia: A scoping study", *Department of Resources, Energy and Tourism*, accessed from http://www.ret.gov.au/tourism/Documents/Tourism%20Policy/medical/MedicalTourismreport_Final.pdf on the 08/08/12

There is wide range of estimates as to the size of the medical tourism industry worldwide, partly due to the difficulties of collating accurate data.¹³ At the lower end, Ehrbeck et al. estimate that 60,000 to 80,000 people crossed international borders to receive medical treatment in 2008.¹⁴ At the other end a Deloitte study conducted in 2009 estimated that 750,000 Americans alone travelled abroad for medical care in 2007. This same study estimated that the number would increase to 1.6 million by the year 2012.¹⁵

It is also difficult to estimate the total value of the industry. In 2002 the value of this market was estimated at around US\$30 billion, and expected to grow annually by 35 per cent. More recently Nora MacReady estimated that the 2007 value of the market was around \$60 billion, with around 20 per cent annual growth expected.¹⁶

Medical Tourism in northern Australia

Northern Australia represents a major opportunity to provide a geographically close destination to capture some of the Asian market in medical tourism. A 2006 Econtech report found that Australia's GDP could benefit \$6.8 billion by capturing just three per cent of the Asian market; \$4.5 billion in medical services and \$2.3 billion in associated tourism, with increased employment in both sectors.

According to a 2011 Deloitte study, Australia's main competitors for this market include:

- Singapore;
- India;
- South Korea;
- Thailand;
- Germany;
- Costa Rica; and
- Mexico.¹⁷

¹² C. Voigt, et al. "Health Tourism in Australia: Supply, Demand and Opportunities",

¹³ I. Youngman, (2009) "Medical tourism statistics: why McKinsey has got it wrong", *International Medical Travel Journal* accessed from <http://www.imtjonline.com/articles/2009/mckinsey-wrong-medical-travel/> on 08/08/12

¹⁴ Ehrbeck, T. Guevara, C. and Mango, P. (2008), "Mapping the market for medical travel", *The McKinsey Quarterly*, (May, 2008)

¹⁵ Deloitte Access Economics (2009), "Medical tourism: Update and Implications", Washington. Accessed from http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_chs_MedicalTourism_102609.pdf on 08/08/12

¹⁶ MacReady, N. (2007), "Developing countries court medical tourists", *The Lancet* 269 (9576)

¹⁷ Deloitte Access Economics, (2011) "Medical tourism in Australia: A scoping study".

The international demand for Australia as a medical tourism destination is expected to be driven by several key factors:

- relative cost of health care;
- availability of services (particularly high quality services), drugs or surgery methods that are unavailable in other countries;
- the reputation of Australia as a safe destination for medical tourism and a destination for high quality health services;
- exchange rates and income levels; and
- other factors including migration rules and regulations for medical treatment visas.¹⁸

Although major opportunities exist for this industry in Australia, it is currently very small. An International Visitor Survey (IVS) conducted by Tourism Research Australia (TRA) estimated that the total number of visitors to Australia for medical reasons in 2010 was around 12,000, making up just 0.23 per cent of total visitors to Australia.¹⁹ The number of medical tourists is growing, however, much faster than the rate at which total visitor numbers are increasing. In the five year period between 2005 and 2010, the average annual growth of medical visitors was 13.5 per cent, while average annual growth declined by 1.5 per cent.²⁰

According to the TRA survey, the majority of medical based tourism into Australia came from the Pacific region. This is mainly due to the large number of expatriates (from Japan, China and the US), living in countries such as Papua New Guinea and New Caledonia.

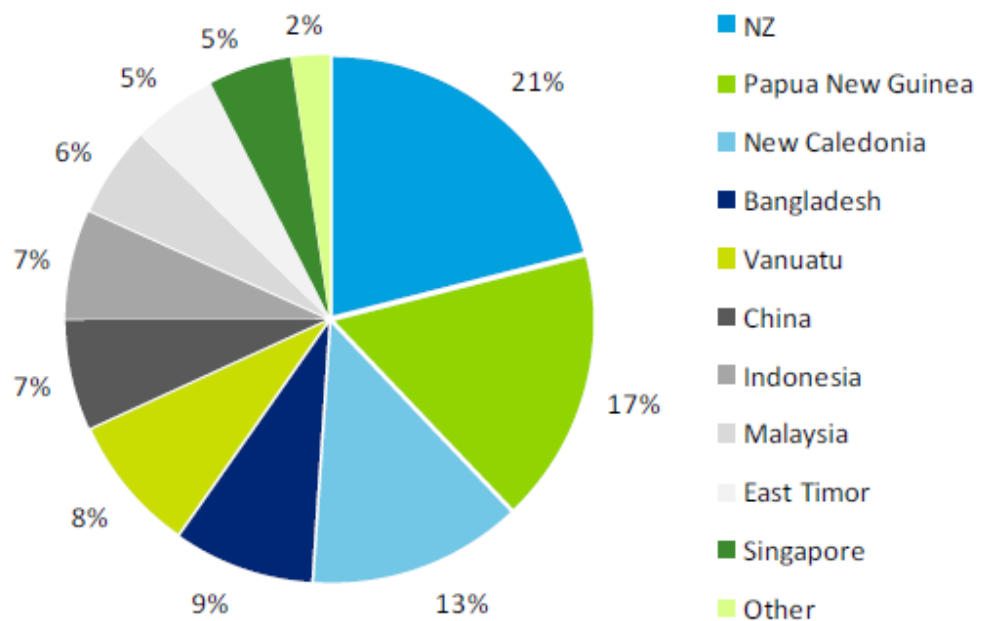
If this industry is to have a more profound economic effect, the government may need to introduce measures that encourage the industry to grow more rapidly, particularly to compete for the lucrative Asian market.

¹⁸ Ibid.,

¹⁹ Tourism Research Australia, (2011) "International Visitors in Australia", *Department of Resources, Energy and Tourism*. Accessed from http://www.ret.gov.au/tourism/Documents/tra/International%20Visitor%20Survey/IVS_March_Qtr_2011.pdf on 08/08/12

²⁰ Ibid.,

Country of origin of international medical visitors (2005-2010 average)



Source: Deloitte 2011

Major centres in Northern Australia are perfectly placed to take advantages of opportunities that the health tourism market provides:

Cairns:

- the closest major Australian city to the major expatriate populations living in the Pacific, particularly in Papua New Guinea and New Caledonia;
- home to advanced medical facilities, including a world class fertility clinic with adjoining private hospital; and
- surrounded by high demand tourism destinations, including the Great Barrier Reef and Port Douglas.

Darwin:

- the closest major city to South-East Asia;
- an established reputation for high quality medical treatment in South-East Asia, partly because the hospital has been used after major regional emergencies; and
- popular tourist destination, particularly renowned for its wildlife and scenery.

Medical tourist visas

Currently the Department of Immigration and Citizenship issues short stay 675 visas (less than three months) and long stay 685 visas (between 3 and 12 months) for people seeking medical treatment or consultations in Australia. Patients do not require a medical treatment visa for minor medical treatments such as cosmetic surgery and IVF.

Policies implemented internationally

While other countries have encouraged their medical tourism industry, the Australian government has done very little. These countries provide examples of what can be done to promote the medical tourism industry in Northern Australia.

Medical tourism has mainly been promoted in India through government incentives. One example is the increase of depreciation rates for medical equipment (from 25 to 40 per cent) to allow old equipment to be replaced by new equipment sooner.²¹ The Indian government has also streamlined the process of medical visa application, allowing quicker approval for those seeking to enter the country to receive treatment. Medical tourism has also been classified as an export industry; with lower import duties on specific medical equipment have been introduced to encourage the sector.²² According to Gupta, prime land has also been offered at subsidised rates to encourage the development of health infrastructure for medical tourists.²³

The Malaysian government has also encouraged its industry through tax incentives. In 2009, revenues from foreign patients were exempted from income tax by 50 per cent on the value of increased exports; in 2010 this rate was increased to 100 per cent.²⁴ In 2010, tax deductions were also announced for starting international patient units and for the expenses of international accreditation.²⁵ According to Chee, private hospital operators can also claim double deductions on expenses incurred from advertising medical tourism overseas.²⁶

South Korea also offers examples for encouraging medical tourism in Australia. In Korea, the government promotes the industry through the Korean Tourism Organisation, through which the government has hosted events such as the Seoul International Medical Tourism Congress. Weber also points out that in 2010 three American subsidiaries of Korean companies purchased a Korean

²¹ PricewaterhouseCoopers, (2007) "Emerging Market Report: Health in India", accessed from http://www.pwc.com/en_GX/gx/healthcare/pdf/emerging-market-report-hc-in-india.pdf on 08/08/12

²² Ibid.,

²³ A. Gupta, (2008) "Medical tourism in India: winners and losers" *Indian Journal of Medical Ethics*, 5 (1)

²⁴ H. Chee, (2010), "Medical tourism and the state in Malaysia and Singapore", *Global Social Policy*. no.10

²⁵ Ibid.,

²⁶ Ibid.,

insurance package under which they will encourage 350 Americans to fly to Korea for the treatment of 14 different conditions including cancer and heart disease.²⁷ The government has also proactively attracted more wealthy Arab patients (including marketing events in Dubai), as well as implementing guidelines around food, religious observances and clinical care that cater of the cultural tastes of Islamic patients.

These examples provide options that are available to the Australian government. Through incentives for private investors to encourage increased medical tourism and infrastructure development, the improvements could also make more services available to the local population.²⁸ This would also minimise the risks associated with relying only on international patients.²⁹

Where can north Australia compete?

North Australia's major competitive advantage is its high quality of healthcare. Although Australia represents a cheaper option than the United States, and may also be able to attract patients from the UK, where waiting times for surgeries are very long, our main market is expected to be wealthy patients from countries with low quality health care.³⁰ According to the World Health Organisation report, affluent patients typically explore options beyond borders due to dissatisfaction with domestic health systems, such as "unavailability of appropriate treatments, relatively low quality of care, and absence of modern technology and/or shortage of healthcare providers".³¹ With north Australia's reputation as a provider of quality healthcare, which extends to post-operative and recovery stages, the region's private hospitals could establish strong footholds in key niche markets. Northern Australian hospitals will not be able to compete with South-East Asian countries on cost alone. By instead concentrating on maintaining high quality specialty markets the northern centres could become major recipients of medical tourism.

The 2011 Deloitte report highlighted several key areas where Australia could build and develop its medical tourism industry:

²⁷ Weber, D. (2010), "The world gets all up in your face: part 2", *Hospitals and Health Networks* accessed from: http://www.hhnmag.com/hhnmag/jsp/articledisplay.jsp?dcrpath=HHNMAG/Article/data/08AUG2010/080210_HHN_Weekly_Weber&domain=HHNMAG

²⁸ N. Pocock and K. Phua (2011), "Medical tourism and policy implications for health systems: a conceptual framework for a comparative study of Thailand, Singapore and Malaysia", *Globalization and Health* 7(12)

²⁹ A. Hadi, (2009). *Globalization, medical tourism and health equity*, quoted in Deloitte (2011) "Medical tourism in Australia: A scoping study".

³⁰ Deloitte (2011). "Medical tourism in Australia: A scoping study".

³¹ M. Helble, "The movement of patients across borders: challenges and opportunities for public health", *Bulletin of the World Health Organisation*

- cosmetic or plastic surgery, including full body lifts following bariatric surgery and corrective plastic surgery after complications arising from procedures done in other countries;
- fertility treatment, in which Cairns already has a world renowned reputation;
- bariatric surgery or weight loss surgery;
- dermatology including skin cancer checks and treatment; and
- to a lesser extent, cardiac surgery such as coronary artery stenting.³²

Possible Ramifications for the Public sector

The supervision of a domestic health system in the context of the 21st century trade environment needs sophisticated understanding of how trade in health could affect Australia's health system.³³ Australia's public health system aims to provide universal healthcare to its citizens. While there may be some waiting time, access to life saving surgeries and other healthcare is not tied to ability to pay. Unlike most South-East Asian countries exporting healthcare, foreigners would travel to north Australia for access to high quality rather than low cost services.³⁴ Therefore, medical tourism in northern Australia is unlikely to raise the price of healthcare significantly, as has occurred in South-East Asia.

Careful consideration still needs to be made of the future capacity of the northern Australian health system to accommodate medical tourism. Many northern hospitals are already struggling with capacity issues, as well as commercial and regulatory failures (Deloitte, 2011). For the major medical tourism destinations such as northern Queensland, bed occupancy is already rising toward capacity. Encouraging private and/or foreign investment into this industry (through the provisions of low taxation areas, other tax benefits or more accessible visa provisions) will increase demand and encourage investment in infrastructure capacity. This should be supplemented by expanding the medical workforce, possibly through the strategic recruitment of overseas trained health professionals. If the infrastructure and workforce is expanded in line with increases in demand, negative impacts on the public system will be minimised.

Conclusion

North Australia is the ideal place to facilitate a medical tourism industry. This is a region with close proximity to key prospective markets in the Asia-Pacific. Facilities and expertise already exist in Cairns and Darwin, along with high quality tourist destinations in close proximity. Encouraging this

³² Deloitte (2011). "Medical tourism in Australia: A scoping study".

³³ R. Smith, R. Chanda, V. Tangcharoensathien, (2009), "Trade in health related services", *The Lancet*, 373 (9663)

³⁴ Deloitte (2011). "Medical tourism in Australia: A scoping study".

industry could lead to widespread benefits to the economy of north Australia. Encouraging private investment in this industry will also lead to better quality health care for local consumers and more general tourism to the region.

North Australia's competitive advantage in capturing medical tourists should be high-quality medical treatment in niche markets, not low costs. Although this might mean the market won't develop to the same magnitude as those providing low-cost medical treatments in South-East Asia, it can still become a major source of economic activity.

Due to North Australia's proximity to major source markets, it is best placed to encourage medical tourism, particularly in niche areas such as cosmetic surgery, bariatric surgery, orthopaedic surgery and IVF.

With adequate planning and promotion, this industry could have positive spillover effects in the general tourism sector, with minimal negative impact on the public health system.

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