CASE Study

Medical Tourism: Lower Costs, Higher Quality of Care

Who: McGregor & Associates, Inc.

What: Added medical tourism to their healthcare program

Result: Saved $38,000 on the cost of the very first patient in the first month, and expects savings to climb as more employees take advantage ofi t

Asking employees to share more of the costs of their own health care is one thing; most employees these days understand why they must do so. However, finding practical ways for them to take charge of their own health care and its associated costs is something else.

One avenue you may not have explored is medical tourism. In short, medical tourism is traveling to another location specifically for health care. Usually, it is used for high-cost surgical procedures, such as hip replacements, often for patients without insurance. In recent years, though, there has been a significant increase not only in the number of patients traveling overseas for treatment and the types of treatments they are receiving, but also in the number of employers offering it as part of their healthcare plans.

Steven Lash is the president and CEO of Satori World Medical (www.satoriworldmedical.com), a recent entrant into the employer medical tourism marketplace. Predictions in the industry are that medical tourism will continue to grow as the U.S. healthcare system breaks down. In fact, a recent study by the Deloitte Center for Health Solutions reported that by 2010, 6 million Americans will travel abroad to receive medical procedures and care.

Medical tourism is increasing, says Lash, for a few reasons. One is that patients find a very high standard of quality at hospitals in distant parts of the world, higher, in fact, than many domestic hospitals. Another is that their costs are significantly lower than those in the United States.

Domestic Healthcare Quality Lacking

George McGregor, president of employee benefits services firm McGregor & Associates, Inc., says quality of care is the main reason his company now offers medical tourism to its clients and to its own employees, by utilizing Satori's network of international hospitals.

"Southern California, where we do business, has basically become a cartel medical market," he says. "There has been so much consolidation, both at a physician level and at a hospital level, that it has reached a point where individual employers no longer matter. Hospitals are able to dictate 30 percent year-over-year cost increases, all while the quality of health care is declining. The systems are at or near capacity.

"We recently concluded a formal 3-year study of health care in Southern California, and we found that one out of five of our critical diagnoses were incorrect," McGregor continued. "Sixty-five percent of the medical treatments for the correct diagnoses were old medical treatments. People are taking medications they shouldn't be taking, getting procedures they shouldn't be getting, and not getting other procedures they should have.

"And the situation is getting worse. One of my clients is spending an estimated $40 million a year treating diseases that its members don't have. There is a lack of quality in the existing system as medicine has become a commodity. Because hospitals are physician-oriented organizations, they are unwilling to do things like say who the good and bad doctors are; politically, they can't."

Frustrated, McGregor began searching for hospitals that could be considered centers of excellence. The search led outside of Southern California and, ultimately, to international facilities. "Since 9/11, the U.S. has essentially closed its borders to people travelling into the country for medical purposes," he says. "The rest of the world has openly embraced that need for care. There are hospitals internationally that have equal to or better results than their U.S. counterparts do, and they do it at 25 cents on the dollar. So for us, medical tourism is providing immediate access to high quality care at a much lower price.

"Just as important, it gives us a negotiating tool against the local hospitals to address the need to improve their own quality of care. If they're unwilling to negotiate pay-for-performance, then they'll see some of these procedures shift elsewhere, and the membership will openly embrace that. We intend to use these international centers of excellence to focus on true quality. By measuring quality and directing consumers to those quality locations, we'll improve patients' health care, actually treating them for diseases they have."

Program Gets Fast Start

Will employees accept treatment at far-off destinations? Absolutely, he says. At the time of this interview, the medical tourism component of McGregor's own health plan had been up and running for just 1 month. One employee had already completed a procedure overseas, and another was going through the intake process.

Cost of services, of course, is a major reason to consider traveling abroad for medical services.

McGregor says his company paid $13,000 for the procedure undergone by that first employee. "That included the surgery, travel for two people, a 2-week stay at the Intercontinental Hotel, all the follow-up care, and hospital charges. We got a bid locally, because we wanted to know the price difference; the local bid was $51,000."

However, money may not be the main issue for employees. McGregor reports that his employee had a very positive experience using an international hospital. "When talking about the experience, the statement the employee gave me was that he felt like he got better care than he would have in the U.S. When I asked why, he said, 'The physician spent more time with me than any physician in the U.S. ever has.' That translated into better care."

Employees see Satori as just another option from which they can choose. "Let's say somebody needs a hip replacement," says Lash. "He or she may be able to choose from Hospital A, B, C, or D. We become a fifth choice. However, if the employee selects Satori, not only will the deductible and co-pay be waived, but the employee will share in some of the savings, if the employer sets up the program that way. So maybe $7,500 or $10,000 gets deposited into his or her healthcare reimbursement account (HRA); it can be used to pay for healthcare expenses for the next several years. Employers like it, too, because anything they put into an HRA is tax deductible to them, so they still get 100 percent of the savings."

What You Need to Do First

McGregor says that if you decide to pursue adding a medical tourism component to your health plan, you should strive to engage employees in the decisions from the beginning. "If employees are really involved in the decisions, to see how this improves quality and enhances their healthcare program, then you'll have much better participation in the program. If you don't involve them, then you'll get resistance. They'll think it's just an effort to cut back benefits and reduce care."

Your choice of vendors is important, too. McGregor suggests two things to keep in mind when choosing one. First, make sure physicians in the networks at home are willing to care for patients who return from an overseas procedure. "Some physicians embrace it, and other physicians will fight the concept of exporting care. Make sure when you evaluate providers that have foreign networks that they have an effective follow-up system locally."

Second, your vendor should be able to communicate with employees with all levels of education and experience within your organization. You may have employees who don't have a passport and don't travel, says McGregor. If the vendor offers a travel concierge who can answer the questions of these inexperienced travelers, it will do a lot to assuage their fears and encourage them to try the new program.