

Time Magazine - May 2006

Whiplash was just the first agony that Kevin Miller, 45, suffered in a car accident last July. The second was sticker shock. The self-employed and uninsured chiropractor from Eunice, La., learned that it would cost \$90,000 to get the herniated disk in his neck repaired. So, over the objections of his doctors, he turned to the Internet and made an appointment with Bumrungrad Hospital in Bangkok, the marble-floored mecca of the medical trade that with its liveried bellhops, fountains and restaurants resembles a grand hotel more than a clinic. There a U.S.-trained surgeon fixed Miller's injured disk for less than \$10,000. "I wouldn't hesitate to come back for another procedure," says Miller, who was recovering last week at the Westin Grande in Bangkok.

With this surgical sojourn, his first trip outside the U.S., Miller joined the swelling ranks of medical tourists. As word has spread about the high-quality care and cut-rate surgery available in such countries as India, Thailand, Singapore and Malaysia, a growing stream of uninsured and underinsured Americans are boarding planes not for the typical face-lift or tummy tuck but for discount hip replacements and sophisticated heart surgeries. Bumrungrad alone, according to CEO Curtis Schroeder, saw its stream of American patients climb to 55,000 last year, a 30% rise. Three-quarters of them flew in from the U.S.; 83% came for noncosmetic treatments. Meanwhile, India's trade in international patients is increasing at the same rate.

That's still a trickle compared with the millions of surgeries performed each year in the \$2 trillion U.S. health-care system. But a significant shift is under way. It's one that could put greater competitive pressure on U.S. hospitals as some of their most lucrative patients are siphoned off. Elective surgeries are key moneymakers for hospitals, and even a small drop-off can cut deep into their profits.

What may accelerate the trend is that some pioneering U.S. corporations, swamped by rising health-care costs, are taking a serious look at medical outsourcing. Blue Ridge Paper Products of Canton, N.C., a manufacturing company, may soon offer employees outsourcing as a health-care option. The carrot? The patient would get to pocket some of the firm's substantial savings.

The calculus behind this interest isn't complicated. Many major employers in the U.S. are self-insured, which means they pick up the tab for much of their employees' medical care. That's why three major corporations that collectively cover 240,000 lives asked Dr. Arnold Milstein, national healthcare "thought leader" at the consultancy Mercer Health & Benefits, to assess the best places to outsource elective surgeries. Procedures in Thailand and Malaysia, he found, cost only 20% to 25% as much as comparable ones in the U.S.; top-notch Indian hospitals sell such services at an even steeper discount.

The bottom line: If more private payers sent patients abroad for uncomplicated elective surgeries, the savings could be enormous. "This has the potential of doing to the U.S. health-care system what the Japanese auto industry did to American carmakers," says Princeton University healthcare economist Uwe Reinhardt.

U.S. hospitals could certainly do with a little global competition. For years, their share of the national health-care bill has grown at a rate far faster than inflation, and today they gobble up a third of all medical expenditures. At current rates, the U.S. will be spending \$1 of every \$5 of its GDP on health care by 2015, yet more than 1 in 4 workers will be uninsured. The ingrained inefficiency of most hospitals doesn't help. "A lot of them still don't know how to schedule their operating rooms efficiently," says Reinhardt. "They've never had to. They always get paid, no matter how sloppy they are."

That sloppiness, among other things, widens the price gap with foreign hospitals that entrepreneurs are exploiting. United Group Programs (UGP) of Boca Raton, Fla., a third-party administrator that sells a low-premium, bare-bones form of coverage called a mini-medical plan, this month began promoting Bumrungrad Hospital as a preferred provider to its customers. Employees of self-insured businesses who use the more conventional plans designed by UGP will also have access to the Thai hospital. This means that UGP offers the option of partly or fully covered medical tourism to some 100,000 people, including those who could use it most.

Mini-med plans are increasingly popular with contract and hourly workers, who are more likely than most other workers to be uninsured. But these plans are controversial because the buyers often think they cover more than they actually do. UGP's plans at best cap reimbursement for surgery at \$3,000 and hospital stays at \$1,000 a day. That would barely cover an afternoon in a U.S. hospital. But in Thailand, says Jonathan Edelman, UGP's vice president of sales and marketing, a heart bypass that would cost its U.S. customers \$56,000 could be had for \$8,000.

Companies with traditional plans are also taking the initiative. Blue Ridge Paper, which makes the DairyPak brand of packaging, was carved out of the forest-products firm Champion International when its employees bought a few factories that were scheduled to close. But health-care costs are hurting the company. So a Blue Ridge team plans to visit hospitals in India to assess their quality of care. If it gives the green light, Blue Ridge will begin promoting the option to its 2,000 workers.

Employees who opt for India would get to take along a family member, says Darrell Douglas, vice president of human resources, and the whole experience, including a recuperative stay at a hotel, would be covered. IndUShealth, a medical tourism start-up in Raleigh, N.C., will make all arrangements and coordinate care between U.S. and Indian providers. The sweetener: the company will share with these intrepid employees up to 25% of savings garnered from the outsourcing.

Get a new hip and a rebate. Sounds like a bargain, but would people actually travel 10,000 miles for medical care just to make a few bucks? You bet. Polls commissioned by Milstein suggest that few consumers would opt for surgery abroad for incentives below \$1,000. But raise the ante above \$1,000, and the equation changes. Among people who have sick family members, about 45% of the underinsured or uninsured declare they would get on the plane; even 19% of those who have insurance say they're game. Above \$5,000, the percentage of takers climbs to 61% and 40%, respectively.

State governments, which tend to offer generous health-care benefits, may find those numbers appealing. A bill in the West Virginia legislature sponsored by delegate Ray Canterbury outlines incentives for the public employee health-insurance program that are similar to Blue Ridge's. Hospital administrators attending the legislative session when the bill came up for a hearing in February nearly gagged, says Canterbury: "They were not happy. But I didn't expect them to be. The point is to make them face competition."

Is the quality of care in foreign hospitals high enough? To cater to an international clientele, many private hospitals abroad are applying for accreditation (many of them successfully) from the Joint Commission International, the global arm of the institution that accredits most U.S. hospitals. Many of the tourist hospitals teem with surgeons who have trained in the U.S. or Britain, which is a great comfort to American patients (the irony is that 25% of physicians in the U.S. got their M.D.s abroad). Escorts Heart Institute and Research Center in Delhi, for instance, was founded by an authority on robotic cardiac surgery, Dr. Naresh Trehan, formerly of New York University.

Wayne Steinard, 59, a general contractor from Winter Haven, Fla., is one of those U.S. patients "who fall through the cracks" of the health-care system, as he says. Steinard landed in New Delhi last week with his daughter Beth Keigans to get a clogged artery cleared and a stent installed. Steinard, too rich for Medicaid and too poor for insurance, certainly didn't have the \$60,000 he would have had to pay back home. So he contacted PlanetHospital, a Malibu, Calif., medical-tourism agency, and learned he could get it done for about a tenth as much at Max Healthcare's Devki Devi Heart & Vascular Institute.

Things have not gone as Steinard expected. When surgeon Pradeep Chandra scanned Steinard's angiogram last week, he found the artery 90% blocked. "A stent is out of the question," he told Keigans. "Your father is going to need a double bypass, and he needs it immediately." The blood drained from Keigans' face. While she loved their plush hospital suite and the staff had been superb, this was all happening too far from home. Steinard, though, was blunt about his choices. It's either this, he said, or a fatal heart attack back home. The surgery last week was successful; the hospital's bill: \$6,650.

"I'm not sure I'd ever want to come back to Delhi," says Keigans, "but I'll be telling everyone I know to come here if they need surgery. It's not just the price. They've made everything so easy for us."

Yet India is a developing country, and this can shake the confidence of even the most cavalier patient. First-class hotels are in short supply. Beyond that, the country's crumbling infrastructure and shocking income disparities—children pick through the garbage outside Steinard's hospital—make medical tourism seem a tad too adventurous for many. And for the litigious minded, good luck. The country's malpractice laws limit damage awards, one of many reasons that health care in India is cheaper.

But people don't have to be in Steinard's or Miller's straits before they cross borders for care. Retirees, especially the snowbirds who winter in South Texas and Arizona, have turned Mexican towns like Nuevo Progreso (pop. 9,125; dentists, 70), in the Lower Rio Grande Valley, and Los Algodones (pop. 15,000; doctors and dentists, 250), near Yuma, Ariz., into dusty dental centers. Los Algodones might rake in as much as \$150 million during the winter season. People from Minnesota and California arrive in chartered planes to get their teeth fixed in these dental oases. Two California insurers, Health Net and Blue Shield, for the past few years have marketed popular health-insurance plans, aimed at Latinos, that charge lower premiums and cover treatment on both sides of the border.

Mexico's medical industry is just beginning to bubble; India's, like its other outsourcing segments, is booming. Apollo Hospitals, one of the largest private chains in the world with 46 hospitals in three countries, and Wockhardt Hospitals Group, which has eight hospitals in India, are working through agencies like IndUShealth, PlanetHospital and the Medical Tourist Co. in Britain to build business across the West.

Trehan plans to launch next year, in partnership with GE, the first installment of a vast, \$250 million specialty Escorts hospital complex near New Delhi that will feature luxury suites, a hotel and swank restaurants for patients and their families. "We will be the Mayo Clinic of the East," he says. Max Healthcare is also planning a specialty complex in New

Delhi (fields: neurologic, orthopedic, ob-gyn and pediatric).

A corresponding boom is taking place among Western agencies that funnel patients to Asia. Eight have popped up in Canada, where national health care can mean a yearlong wait for elective surgery. In the U.S. several firms are aiming at the roughly 61 million people who are uninsured or underinsured. PlanetHospital's founder, "Rudy" Rupak Acharya, says his agency, which in the past seven months has sent some 200 patients abroad, got 11,000 inquiries in March alone. He has just retained Mercer to help him develop an insurance plan for the uninsured that will combine primary and emergency care in the U.S. with surgery abroad.

Patrick Marsek, managing director of the agency MedRetreat, says his company sent 200 people abroad last year and is already processing 320 this year. He is demanding a deposit of \$195 from customers because people posing as patients have been looking for information to start up their own agencies.

Will U.S. insurers join the party? Mohit Ghose of the trade group America's Health Insurance Plans says many have taken note of medical outsourcing but are scared off by the regulatory and legal uncertainties. Aadiya Mattoo, a World Bank economist who has published a study on the potential of medical outsourcing, suspects that pure institutional inertia has something to do with the lack of interest.

Yet as the medical-cost crisis deepens, the corporations who pay insurers are likely to find the lure of outsourcing as irresistible in health care as it is in software.

WAYNE STEINARD'S HEART WAS BROKEN ...

With no health insurance and lacking \$60,000 for a badly needed operation, Steinar, a 59-year-old Floridian, hopped onto the Internet and then onto a plane to India ...

... 8,300 MILES LATER, IT'S FIXED

... and found out that he was closer to a heart attack than he had imagined. Steinar had a double bypass last week in New Delhi, where he is recovering CUTTING-EDGE VACATIONS In the U.S. insurers negotiate discounts, but the uninsured pay retail rates for medical procedures. Here's how the prices of one surgical tourism agency compare. Its packages include airfare and hospital and hotel rooms, but costs can climb if there are complications. [This article contains a table and a map. Please see hardcopy of magazine.] Procedure U.S. Insurer's cost U.S. Retail price India Thailand Singapore Angioplasty \$25,704 to \$37,128 \$57,262 to \$82,711 11000 13000 13000 Gastric bypass \$27,717 to \$40,035 \$47,988 to \$69,316 11000 15000 15000 Heart bypass \$54,741 to \$79,071 \$122,424 to \$176,835 10000 12000 20000 Heart-valve replacement (single) \$71,401 to \$103,136 \$159,326 to \$230,138 9500 10500 13000 Hip replacement \$18,281 to \$26,407 \$43,780 to \$63,238 9000 12000 12000 Hysterectomy \$9,591 to \$13,854 \$20,416 to \$29,489 2900 4500 Knee replacement \$17,627 to \$25,462 \$40,640 to \$58,702 8500 10000 13000 Mastectomy \$9,774 to \$14,118 \$23,709 to \$34,246 7500 9000 12400 Spinal fusion \$25,302 to \$36,547 \$62,778 to \$90,679 5500 7000 9000

Sources: Subimo (U.S. rates, including at least one day of hospitalization); PlanetHospital (international rates) —With reporting by Hilary Hylton/Austin, Chris Daniels/Toronto, Aryn Baker/New Delhi, Simon Montlake/Bangkok, Jenn Holmes/London