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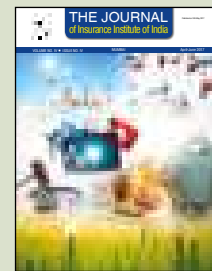
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# Medical Tourism - Role of Insurance as a Catalyst for Growth



## Abstract

Increasing costs of treatment is an ever growing concern for individuals in developing nations who oftentimes have to fund the costs from their own resources. Accessing the best treatment at an affordable cost is what resource starved individuals vie for. Over the years, India with its developed and affordable healthcare infrastructure has emerged as a destination of choice for patients from neighbouring countries and from around the globe. Every year an increasing number of patients from all parts of the world travel to India for treatment. In 2015, around 450,000 foreign patients visited India for treatment. This number is projected to go up to 1,100,000 by 2020.

India is the main location for quality health care facilities in SAARC region,

but the cost of treatment in India is also comparatively higher than other SAARC countries. Due to this, sometimes it becomes difficult for the patients to afford quality treatment in India. The aim of this project is to discover the mechanism for a symbiotic relationship between medical tourism and insurance and find out what role insurance can play to enable patients from other countries to receive treatment in India.

## Keywords:

Medical Tourism, Medical Tourism Insurance.

## Introduction

According to a KPMG Report, 'Medical Value Travel in India' (KPMG – FICCI), India has been ranked the third most suitable destination for medical treatments worldwide. Number of

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medical tourists to India has increased from 113,689 in 2009 to 420,000 in 2015. The trends reveal that there has been a gradual rise in the number of medical tourists every year.

procedures. Many patients visit for revision surgeries as well, which are performed to rectify a faulty surgery done earlier in home country.

Joint Commission International (JCI) accredited hospitals.

Patients from the SAARC region account for more than 30% of total medical tourists to India. Afghanistan, Maldives and Bangladesh are the main countries from where the majority of the medical tourists come from. India leads the medical care facilities in the SAARC Region, as also shares cultural similarities with other SAARC countries.

**Literature Review**

‘Medical Value Travel in India, KPMG – FICCI: 2014’ is one of the most comprehensive reports about the present status of medical tourism in India and also its future scope. It projects medical tourism as one of the sunshine industries in India in the coming years. It also compares the Indian standard practices with best practices in the global medical tourism industry. However, it does not recognise insurance as a stakeholder in medical tourism.

Another report, ‘Transformative Evolution: Transforming ‘Wellness’ into ‘Medical Wellness’, CII – Grant Thornton: October 2015’ is another important source of information on medical tourism in India. It gives the current statistics of the medical tourism industry in India and also compares it with other global leaders. It explains the current business models used by Indian hospitals in different parts of the world to attract patients to India. This report provides in-depth data analysis related to medical tourism in India. The main focus of this report is on expanding medical tourism in Kerala. However, this report also does not recognise insurance as a stakeholder in medical tourism.

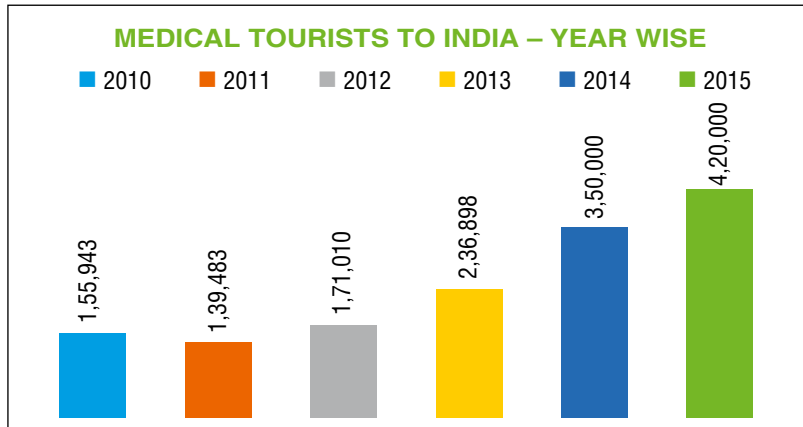
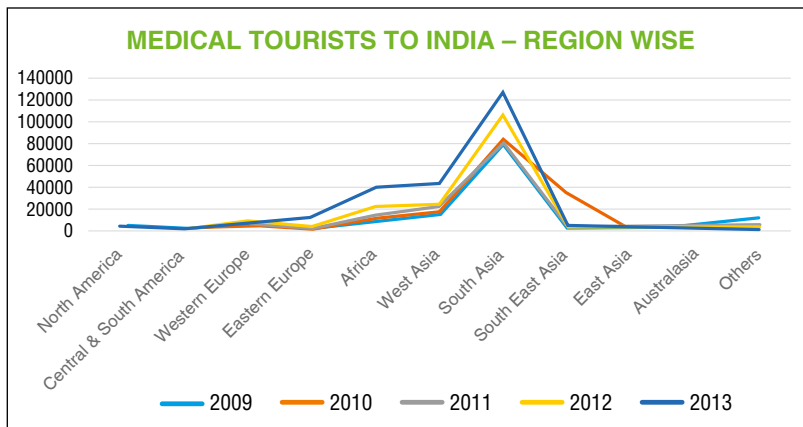


Figure 1: Year - wise numbers of medical tourists to India (Source: Indian Tourism Statistics, Govt. of India).

Patients from all across the globe travel to India but the maximum number of medical tourists come from South Asian countries. Apart from South Asian region, majority of the traffic comes from West Asian Countries, Africa and CIS countries.

In India, the maximum number of medical tourists favour the big cities, viz. Chennai, New Delhi, Mumbai, Bengaluru and Kolkata. The other locations which receive medical tourists are Hyderabad, Pune, Jaipur and Ahmedabad. South Indian states

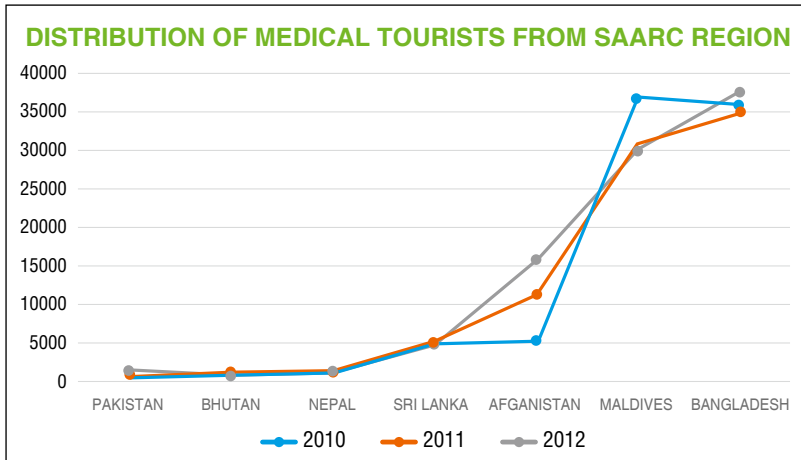


Region-wise breakup of medical tourists to India, (Source: India Tourism Statistics, Govt. of India).

Medical tourists visit India for various surgical and non-surgical procedures. The major procedures are heart surgeries, organ transplants, bone marrow transplant, bone – joint replacements, cancer and other critical

generally tend to get higher number of medical tourists.

The preferred hospitals include Apollo Hospitals, Fortis Hospitals, Medanta Medicity, Max Hospitals and other



Medical tourists from different SAARC countries (Source: Indian tourist statistics, Govt. of India).

A report by Ms. Rupa Chandra 'Medical Value Travel in India: Prospects and Challenges, Rupa Chanda (Professor, Economics and Social Sciences Area, IIMB)' highlights the rise of the private sector in health care in India and its role in enhancing the medical tourism in the country. It greatly criticizes the Government of India for lack of pro-activeness and a casual approach towards medical tourism. This report justifies the need for an insurance cover which could work flawlessly across borders and cover for the expenses of treatment. Prof. Madhu Nagla in the report Medical Tourism: Implication on Domestic Population, Madhu Nagla (Prof, Dept. of Sociology, M.D. University Rohtak) shows the positive effects of the rise of the private sector in Indian health care system due to medical tourism and then the opportunities being created thereof. It also mentions the impact on the tourism industry in India due to medical tourism.

Apart from the above-mentioned reports, there are numerous reports on the medical tourism industry in India which talk about medical infrastructure and government policies affecting

medical tourism. There is no exclusive report that discusses insurance as one of the factors affecting medical tourism and the thrust it can provide in its growth.

### Problem Definition

Patients come to India from SAARC and other countries for various types of surgical and non-surgical procedures. While some patients visit India primarily for major treatments, others combine leisure trips with treatments and rejuvenation. It has been observed in various reports that many patients fund their treatment costs from their own sources. For the lower income strata, the cost of treatment may exhaust their entire savings or may even force them to take a loan.

It is thought by various experts that Insurance can act as an enabler for patients across geographies to travel to India for treatment by covering all their treatment expenses. Hence, the aim of this project is to find out how insurance can be incorporated into medical tourism to enable patients from other countries to receive treatment in India.

### Approach to the Problem

The problem was approached by reviewing the reports and journals published by various consultancy companies, institutes and researchers on medical tourism. These reports discussed the characteristics and requirements of the patients coming to India. Then to proceed further, the following approach was used:

- Preparation of a questionnaire to obtain the required information.
- Survey of foreign patients and their attendants to obtain the required information.
- In-depth interviews with various stakeholder like heads of international marketing departments of famous hospitals, language translators, tour operators, patients (whenever it was possible) and their attendants to understand a medical travel from their view.
- Analysis of collected data to create a consumer profile.
- Telephonic interviews with the top executives including Managing Directors and Vice- Presidents of insurance companies in Bangladesh, Nepal and Oman to seek their view on the state of health insurance in their respective countries.
- Formulation of recommendations to the reinsurance companies.

### Research Methodology

#### Research Design:

This project required getting information from medical tourists about their requirements during medical travel. So, the research design followed in this case is Descriptive Research. As also mentioned earlier, the research is conducted on patients, their attendants, hospital employees, language translators and tour operators.



**Data Collection from Secondary Sources:**

Various reports and articles have been studied to gather information and data regarding medical tourism. The sources include reports from consulting companies, research institutes, research scholars, journals, and magazine & newspaper articles. Data collected from secondary sources is regarding:

- Medical tourism industry in India: Its current status, future growth projection
- Comparative analysis: Comparison between medical tourism practices in India and abroad
- Government and corporate initiatives in India
- Growth potential of insurance in SAARC countries, especially Nepal and Bhutan

**Data Collection from Primary Sources:**

Data collection from primary sources focuses on gathering information that would be helpful to ascertain characteristics of medical tourists, their requirements and feasibility of an insurance solution.

**Designing Questionnaire:**

A very short and straightforward questionnaire was developed keeping in mind the state of mind of patients and their attendants. The questionnaire contained only 8 questions. Every question had relevance to the insurance solution either for coverage or for add-on covers and distribution.

**Data Collection and Sample Size:**

Primary data was collected in two ways. Through a survey and the in – depth interviews with various stakeholders.

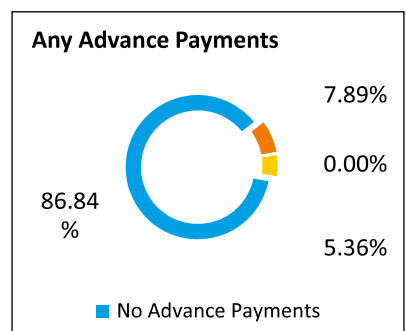
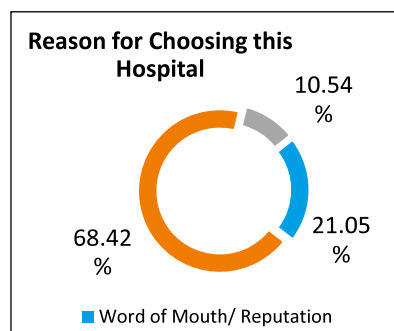
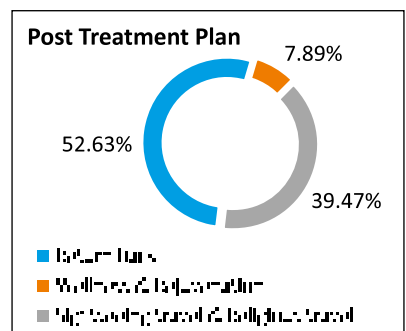
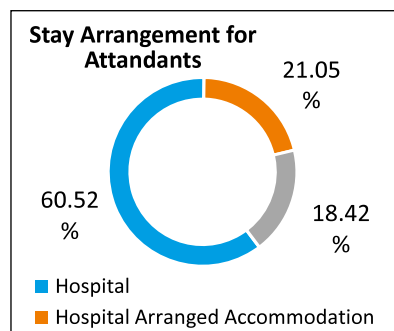
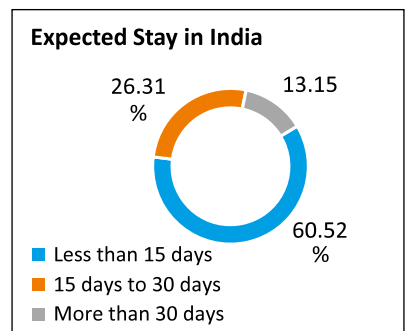
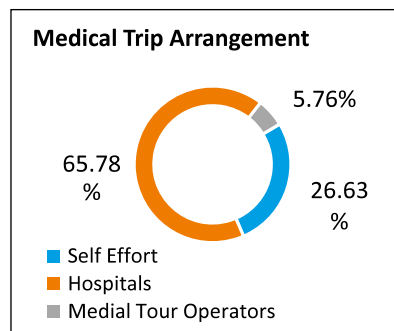
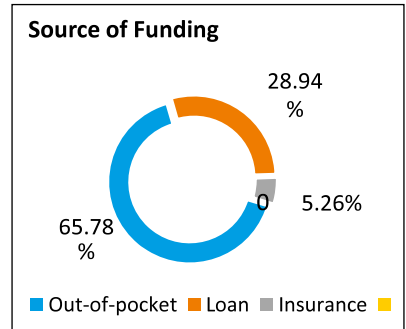
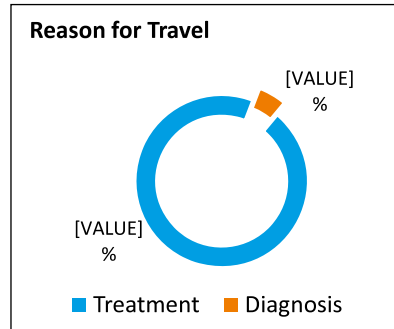
**Survey:**

The primary data was collected from 38 patients or their attendants from the famous hospitals in Delhi NCR region.

**Findings**

The data collected from survey gives important information about various aspects related to medical tourism and the requirements of medical tourists.

The results of the survey are presented in the following eight diagrams:



## Data Analysis

<b>Purpose of visit</b>	It is evident that almost 95% of the respondents visited India for treatment of critical illness and only up to 5% of the respondents came here for diagnosis. This means that before coming to India most of the patients undergo diagnosis in their home country and are aware of their illness and then choose India as their destination for treatment. In very few cases when disease can't be diagnosed in their country, they choose to come here for diagnosis.
<b>Funding of visit</b>	It is evident from the survey that majority of patients fund their treatment through out-of-pocket expenses. A significant number of patients take a loan to fund their treatment. A very small fraction has insurance. The patients who were funded by insurance were through employer's group insurance.
<b>Arrangement of trip</b>	It was seen in the survey that the medical trip for a large number of patients is arranged by the hospitals. Hospitals file visa invitation, arrange for accommodation to the attendants. If prolonged stay is required then hospital arrange alternate accommodations for patients and their attendants. Hospitals also take care of other immediate need of patients and their attendants. A significant number of patients arrange their trip themselves. They make all the arrangement by themselves. This also includes the group of patients who have their friends or relatives in India. These days' medical tour operators are also arranging the medical tours for patients. However, the number of patients availing medical tour operators was found to be low in the survey.
<b>Duration of Stay</b>	It was observed in the survey that more than 60% of the patients return to their home country within 15 days of their treatment. These are the patients who are here for surgeries and other treatments which happen within few days and patient is free to return home within 15 days. These patients generally don't require alternate accommodation and hospital accommodation is enough. Around 26% of the patients require a stay more than 15 days up and up to one month. These are patients who require multiple surgeries or suffer from diseases like cancer and bone - joint related issues. Very few patients stay in for more than one month. These are generally cancer and bone – joint patients who take multiple surgeries and supervised rehabilitation after their treatments. These patients require alternate accommodation and other stay related services.
<b>Stay arrangement for attendants</b>	It was observed that generally a patient is accompanied by one or two attendants. Most hospitals allow the stay of only one attendant in hospital premises. In this case, the additional attendant has to stay out and it becomes a matter of concern. The stay of the patient and his attendant is also guided by the duration of treatment. For long duration treatments, patient and his attendant have to shift to a place outside of the hospital. Since the duration of treatment is low for most patients, about 60% of the attendants tend to stay in the hospitals. Hospitals also arrange alternate accommodation for their patients and their attendants. Around 21% of the attendants avail hospital arranged accommodation. 18.42% of the attendants stay in hotels of their convenience.
<b>Reason for choosing a particular hospital</b>	It was observed that the most important factor in the selection of a hospital for treatment in India is the recommendation of a doctor in the home country. In this kind of scenario, tie-ups and marketing strategies of Indian hospitals also plays an important role. Some Indian hospitals have a good reputation internationally. The referral and suggestion of the patients already treated in any Indian hospital are very important to the prospective travellers. Many prospective medical travellers have their friends and relatives in India. Their views also play an important role in the selection of a particular hospital.
<b>Any advance payments</b>	The Survey shows that generally there is no requirement for any advance payments for treatments or stay related expenses. All the bills are generally settled at the end of treatment. This information was required to understand the payment procedures involved in medical tourism.
<b>Plans after the treatment</b>	Another interesting finding from the survey is that only about 53% of the medical tourists return to their countries soon after the treatment. About 47% stay in India after their treatment for some more time. About 8% of the patients go for wellness, rejuvenation and rehabilitation therapies. Around 39% of the patients choose to go for sightseeing in India. This generally includes tourist destinations near the hospitals. A large number of medical tourists visits religious shrines after their successful treatment.

**Insurance as a Stakeholder in Medical Tourism**

As stated in various reports and also confirmed by the survey conducted in the project, the majority of patients fund their treatments from out of pocket expenses. For the poor strata, the cost of treatment may exhaust their entire savings or may even force them to take a loan.

Insurance can act as an enabler for patients across geographies to travel to India for treatment by covering all their treatment expenses. Other benefits of insurance could be:

- Help in making quick decision for treatment
- Allow the patient to avail the best healthcare services, the best doctors, and the best treatment procedures
- Reduce out of pocket expenditures
- Cover for post operation expenses
- Cover for follow up treatments

Thus, Insurance can act as a catalyst to further boost the medical tourism industry in India and both can work symbiotically.

It is observed that in countries like Bangladesh, Nepal, and Oman which cater to a large percentage of the incoming medical tourists, there exist some insurance products. However, the scope of creating a bespoke structure targeting at promoting or facilitating medical tourism in India is immense. The major challenge that these countries face is the low awareness of health insurance. Health insurance there is a relatively new concept and hence health products so far have been availed mostly by the insurance aware sections of society.

The healthcare facilities in these countries are not very well developed. There is a demand for critical treatments but there is no infrastructure. India being the nearest and most affordable location for quality treatment, a large number of patients to travel to India for treatments of critical illnesses.

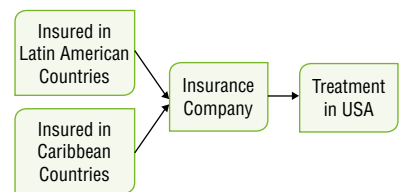
Hence, an insurance product which covers the expenses of treatments in India has immense potential in these countries. The presence of such insurance products already indicates that there is a market and demand for these products. Hence, a right insurance product combined with a right distribution network can easily tap this market.

- In many of these countries, insurance companies are small and lack capacity and know-how for health insurance. This makes the need of reinsurance all the more pronounced. These are basically reinsurance driven products, where reinsurer structures the product and it's pricing, promotes capacity and also manages the network.
- In the absence of a global reinsurer playing a role, Indian insurance companies have started acting as reinsurers to provide reinsurance support to the domestic insurers in these markets. For example, in Nepal ICICI Lombard is providing reinsurance support to Shikhar Insurance for the products that facilitate treatment in India. ICICI Lombard also manages the treatments in India using it's in-house TPA and network hospitals.
- A global reinsurer with underwriting expertise and reinsurance capacity can leverage this segment by using its industry relations.

**Existing Models of Medical Tourism around the Globe**

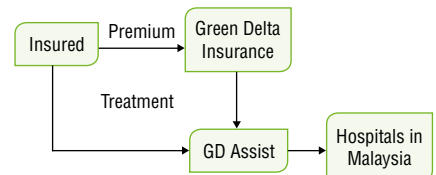
There are a few models active in different parts of world, which enable the treatments in any other country. One of the most established such insurance model is working between the United States and Latin American and Caribbean countries.

In one of the products from an insurance company working under this model, 19 countries from Latin America and Caribbean region are included. Health insurance purchased from the insurer in these countries makes patients eligible for medical treatment in USA.



*Medical Tourism Insurance Structure between USA and Latin America & Caribbean Region.*

Another important international model is working between Green Delta Insurance, Bangladesh and Malaysia Healthcare Travel Council (MHTC), an agency of the Malaysian health ministry, to enable Bangladeshi patients to get treatment in Malaysia. This structure works through a subsidiary of Green Delta Insurance, GD Assist.



*Medical Tourism Insurance Structure between Bangladesh and Malaysia.*

GD Assist, a subsidiary of Green Delta Insurance manages the treatments of the insured in Malaysia.



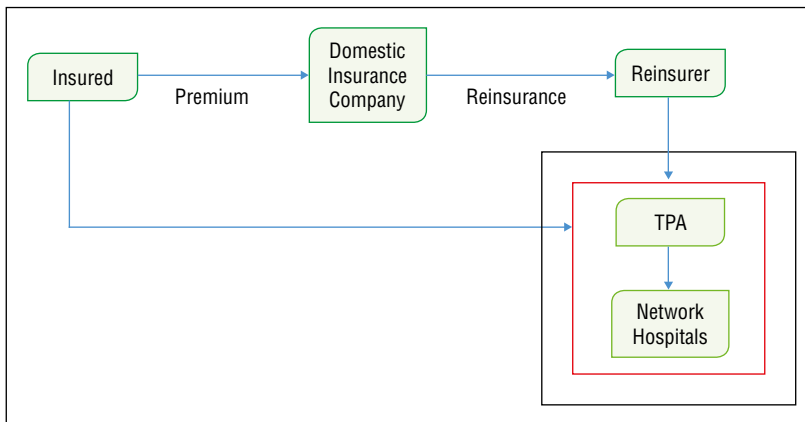
## Recommendations

Medical tourism in India is growing every year and patients from the SAARC region form a major part of the total tourists.

With the higher costs of treatment

- ◆ Treatments in India are to be facilitated using a TPA and its network hospitals.

The structure could work as:



Proposed Product Structure

here in comparison with other SAARC countries, people from the SAARC region need an enabler to receive treatment in India. Hence, it is worthwhile for a reinsurance company to explore medical tourism insurance sector in India.

Countries like Bangladesh and Nepal, from where a large number of medical tourists to India every year, can be the markets to begin with.

## Proposed Insurance Product Structure

The insurance companies in these countries are small. Hence they lack capacity and technical know-how for health insurance. This makes the need of reinsurance all the more pronounced.

- ◆ For these domestic markets, a reinsurer can come up with a health insurance product which would cover the treatment expenses in India.
- ◆ It is to be sold in these countries by a domestic insurance company using its distribution channels like bancassurance, agents, direct selling and others.

The proposed structure can work in the following manner:

- ◆ The reinsurer could develop an insurance product defining the coverage and exclusions of the product as per the profile of consumers in this region. Pricing of the product is a very important factor for this region.
- ◆ The product is to be marketed by a domestic insurance company. It is to be distributed through all its distribution channels like agents, bancassurance, direct selling etc.
- ◆ The reinsurer would provide reinsurance support as well as underwriting support to the domestic insurance company for the said product.
- ◆ When the insured falls ill and wants treatment in India, he has to approach the insurance company and get approval for the hospital of his choice in India. He has to establish evidence of his illness to the satisfaction of the insurance company.


- ◆ The domestic insurance will approve insured's request to the choice of his network hospital in India and will communicate his request to the TPA in India.

- ◆ The TPA in India will facilitate the treatment of patients in the selected network hospital in India.

- ◆ The working of TPA and network hospital in can be monitored by the reinsurer himself or through its subsidiary situated in India.

- ◆ After treatment, patient can go back to his country or can visit places in India after he gets fit.

This product can be topped up with additional benefits as per the requirements and other variable features.

- Travel Insurance:
- Travel Expenses
- Stay Expenses
- Complication Cover: An add-on cover can be offered, when which would cover the expenses for repeating tour for future complications etc. 

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