

Exporting Healthcare: A Regional Strategy Guide for Addressing Offshoring, Medical Travel, and the Global Healthcare Environment

Prepared For: The Indiana Health Industry Forum

The global healthcare environment

Healthcare in the United States has traditionally been viewed as a primarily local-serving industry, considered untouchable by the prevailing economic forces that have transformed so many other industries. However, experts are now saying that the days of the family doctor are quickly fading, being replaced by a system where cost and quality considerations are carefully weighed in a competitive, consumer driven market. And, as the swelling trend of medical tourism suggests, these factors are beginning to transcend regional and even international boundaries.

This strategy guide tackles the issue from a regional perspective. It does so for three reasons: First, in order to dispel the provincialism that has clouded the nation's perspective on healthcare's vulnerability to international competition. Second, because regional economies and regional healthcare systems can stand to gain tremendously from a global perspective on healthcare. Thirdly, simple preparedness. Regions depend heavily on healthcare for revenue and job creation not only in the space of delivery, but also across various sectors of the life sciences industry. Analysis will be conducted in light of the following two market perspectives:

Increased Competition: Regional healthcare networks will face growing competition for revenues as medical outsourcing of diagnostics and screening continues to increase. Cost factors will further drive competition at the interregional and international level. Medical tourism will further erode margins and research dollars, as individuals, insurance companies, and corporate health plans consider foreign alternatives to local healthcare providers.

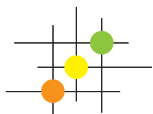
Increased Opportunity: International partnerships, accreditation standards, and medical informatics will play an increasing role for healthcare providers as they seek to increase margins by penetrating new markets and investors. There will be winners and losers as resources are consolidated into global healthcare networks.

Preliminary findings *

- A 2008 study published by the Deloitte Center for Health Solutions confirms that medical tourism has the potential to significantly cut into U.S. healthcare provider revenues
- Outbound medical tourism is estimated to grow at a rate of 100 percent from 2007 to 2010
- The number of Americans traveling abroad for treatment could be as high as 23 million by 2017
- Demand for specialized care is growing with an aging baby boomer demographic
- The cost of healthcare and out-of-pocket expenses for individuals in the U.S. continues to rise
- Foreign healthcare networks are actively targeting the American consumer
- The quality of care in foreign countries continues to improve
- Regional economic impacts of intrabound medical tourism are poorly understood

"Many parties will likely be impacted by medical tourism. As this phenomenon rapidly evolves, numerous stakeholders in the global health-care marketplace will have a great need for credible information, thoughtful analysis, insightful forecasting and reliable advice". - Medical Insights International

*Sources available upon request



Exporting Healthcare: A Regional Strategy Guide for Addressing Offshoring, Medical Travel, and the Global Healthcare Environment

Prepared for: The Indiana Health Industry Forum

Proposed actions and methods for analysis

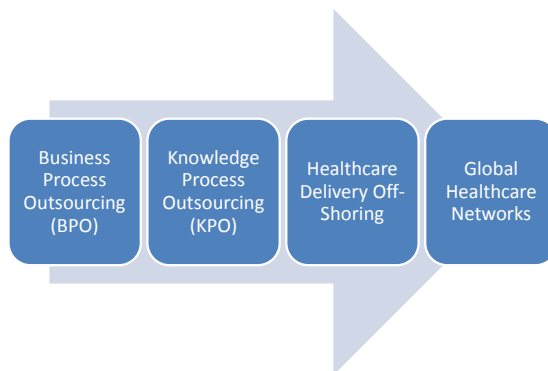
ACTION: COMPREHENSIVE MARKET STUDY

METHOD: Outline major global trends in healthcare delivery that could impact Indiana’s economy. Conduct interviews with experts inside and outside the region in the fields of medical IT, medical travel, healthcare governance, and regional economic development; compile bibliography and executive summary of findings.

Sample Analysis

Figure I: The move towards Globalized Healthcare

As with other industries, US healthcare payers and providers have been offshoring their claims, billing, coding, transcription and other business processes since the 90s. More recently, these organizations have also integrated various knowledge intensive processes into their offshoring strategies. These mainly include various types of diagnostics - e.g. genetic profiling; oncology tests; HIV & allergy diagnostics. Moving forward, medical travel could be yet another move in the direction of a globalized healthcare system...



“Medical tourism has the potential of doing to the US health-care system what the Japanese auto industry did to American carmakers.”
- Uwe Reinhardt, Princeton University healthcare economist

ACTION: ECONOMIC IMPACT ANALYSIS

METHOD: Translate the economic impact of medical tourism into jobs and revenues lost or gained for Indiana’s economy. Analyze upper and lower bound projections using IMPLAN economic impact assessment software.

“We used to move the input around, and make doctors go to new locations outside their country of origin. But in many instances it might be more efficient to move the patients to where the doctors are as long as we are not compromising the health care of the patients.” -Tarun Khanna, Jorge Paulo Lemann Professor Harvard Business School

ACTION: HEALTHCARE EXPORTABILITY INDEX

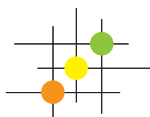
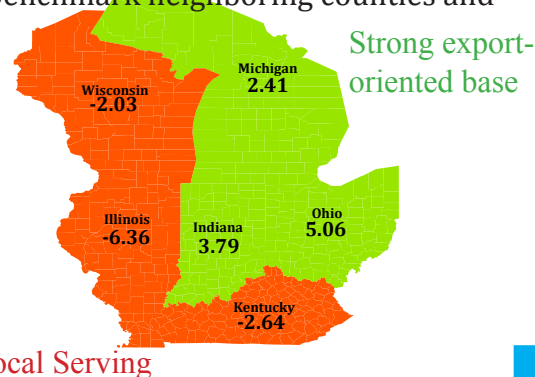
METHOD: Separate export-oriented sectors from local serving sectors; score export-oriented sector base using a weighted scale across multiple economic indicators. Benchmark neighboring counties and regions and display graphically for quick reference.

Sample Analysis

Figure II - Healthcare Exportability Index

Score indicates concentration and health of exportable healthcare sectors. Classifications disaggregated at the 6-digit NAICS code level*. More appropriately applied at the county level to further identify net exporting hotspots.

* NAICS - North American Industry Classification System



Exporting Healthcare: A Regional Strategy Guide for Addressing Offshoring, Medical Travel, and the Global Healthcare Environment

Prepared for: The Indiana Health Industry Forum

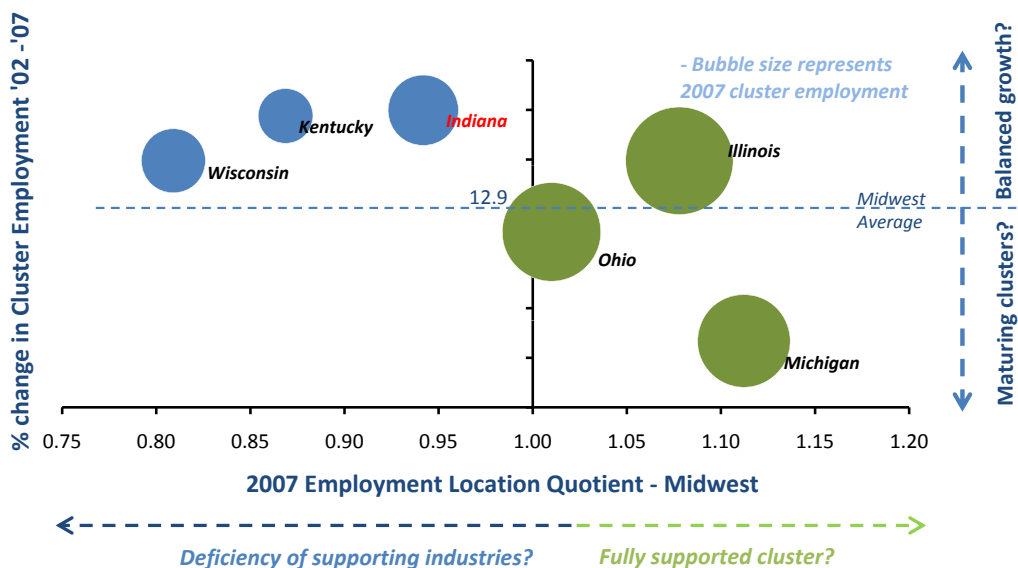
ACTION: LIFE SCIENCES CLUSTER ANALYSIS

METHOD: Assess and benchmark Indiana's life sciences cluster with particular focus on healthcare delivery. Perform a detailed cluster analysis using the most reputable cluster definitions including Ed Feser's Value Chain Cluster definitions and Michael Porter's value chain definitions.

Sample Analysis

Figure III - Life Sciences Value Chain Cluster

Indiana's life sciences cluster was benchmarked using Ed Feser's revised 2007 value chain cluster definition. Surrounding states and the Midwest as a whole are more appropriate benchmarks for assessing the life sciences cluster and its healthcare base. This graphic offers a snapshot of Indiana's position relative to her neighbors. A closer analysis of the economic linkages between healthcare and other life science sectors - i.e. medical device manufacturing and pharmaceuticals would lend further direction to the "cluster building" initiatives currently being used and considered...



ACTION: VALUE CHAIN ANALYSIS AND MAPPING

METHOD: Analyze the economic linkages of Indiana's healthcare delivery value chain. Map Indiana's healthcare delivery and life sciences value chain using I-O methods developed by faculty from the Department of Urban and Regional Planning at the University of Illinois at Urbana-Champaign

Sample Analysis

Figure IV - Healthcare services and linked industries

HEALTHCARE PROVIDERS - Core Industries	Regional Specialization			Midwest Growth '02-'06			Indiana Growth '02-'06		
	Core	Linked	Full Chain	Core	Linked	Full Chain	Core	Linked	Full Chain
Hospitals	x		x	x	x	x	x	x	
Nursing and residential care facilities		x		x	x	x			x
Home health care services			x	x	x	x	x		x
Medical and diagnostic labs and outpatient and other ambulatory care services		x	x	x	x	x	x		x
Offices of physicians, dentists, and other health practitioners	x			x	x	x	x	x	

Linkage analysis can...

- Discover unique linkages between core and supporting industries across the global healthcare delivery value chain
- Highlight strengths and expose weaknesses in the region's core and linked industries
- Identify which industries could be most affected by shocks/demand changes in core industries

Linkage analysis should be used when developing...

- Business attraction initiatives
- Business networks
- Business development services
- Supply chain development
- Training programs - workforce development

