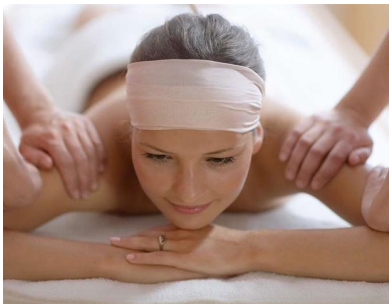


Health Tourism in Eastern Europe – A System Change Needed

A distinction from leisure holidays is fundamental. The primary travel motives and holiday contents are the prevention and cure of illness. As the Latin word ‘curare’ and the tradition of various European and Oriental cure baths prove, this tourism stream has a long history. Today it is a global business sector with many neglected potentials, but also providers whose survival is threatened by the forces of the markets, which need to focus on innovative, market-based strategies.

International medical tourists, cure guests and medical-wellness tourists and their acquaintances are the target groups of health tourism providers (according to latest McKinsey estimates, there are 60–80 thousand medical tourists worldwide a year). The TUI market research predicted already in 2004 that the German medical wellness tourism market alone will increase to 2 million tourists a year until 2010 which equals an annual growth of ten percent in this time shield. According to the UNWTO there is a qualitative and quantitative trend from relaxation holidays towards holistic health and active sport holidays. This is also a good opportunity for Eastern Europe (EE).



Eurobarometer: Ready for Treatment Abroad

According to the survey Eurobarometer (2007) on patient-mobility, 4% of the interviewed EU-citizens (EU27) received a treatment in other European countries over the last twelve months (at the time of the survey). Cross-border patient mobility is most significant in Luxemburg, where every fifth citizen sought healthcare outside the country's borders. Seventy percent of the EU27 population tend to believe that costs of healthcare treatment received elsewhere in the EU will be reimbursed for them by their health authority. Slightly more than half of EU citizens are open to travel to another EU country to seek medical treatment (average 54%). However there were significant differences between the individual countries. In this regard not only geographical but also cultural distances play a major role.

The most prominent reason for medical tourism is a hypothesized unavailability of the necessary treatment in the domestic healthcare system. The hope of better quality (generally, or through a specialist residing elsewhere in Europe) and the promise of quicker access to the necessary treatment are also important motivating factor for patients. Europeans are least likely to look for cheaper treatment

when considering the option to obtain health service from another EU country, but still, it plays a role for 48% of those who are open to travel for such a purpose. Better quality of treatment is a more important driver of mobility in the new Member States than in the old ones, while there are less marked differences in the other aspects investigated.

The 42% who are not willing to travel abroad for treatment are motivated by distinctly different reasons in the old and the new Member States. Generally, the survey found that citizens in the EU15 zone are deterred by their satisfaction with domestic services, and the convenience of local treatment (which are the dominant reasons of a sedentary patient attitude at the EU27 level too), while those in the NMS zone are more likely to be discouraged by affordability problems.

Incompatibility of Domestic and Foreign Destination

Although this general openness for treatments abroad is impressive numerous restrictions reduce the real demand for health care services abroad. These are especially system-inherent incompatibilities of the homeland and the travel destination abroad. Additionally there are differences in the service-product maturity in the EE-country and the country of origin of the potential client. Can the expectations of the foreigners be met?

Comprehensive reforms, which are partly supported by the EU, aim at decentralization and partial privatization of health-systems. The mostly centralist-communist history of the EE-countries resulted in partly missing, partly strongly outdated infrastructure and still missing market-based mindset. People work at many points to reduce these restrictions.

National-orientated Health Insurance

The social codes and health-systems of the home-countries of potential health tourists are in many cases not global-, but national-orientated. With the Europeans Commission's adoption of an EU-directive on cross-border health care as a part of the Social Agenda on the 2nd of July 2008 the patient transfer within EU-borders should become easier and systematic. If the health insurance is not ready to finance a treatment abroad, the readiness to travel to another EE-country for social cures or prevention programs falls.



On the German health insurance market different policies can be found. One of the major players, the statutory health insurer AOK (~ 25 million insured) is not interested in contracting cure-providers from EE-countries. There would be a lack of transparency which results in uncertainty on the demand side

due to an unmanageable quantity of providers. As the social code book gives patients the possibility to receive unique necessary treatments abroad, the AOK uses a case-by-case solution for the reimbursement. The same procedure is valid for the German Pension Fund (Deutsche Rentenversicherung), which tries to process all its treatments in its own hospitals/clinics in Germany. The Austrian private insurance Merkur offers prevention-weekends/-checks in Austrian hotels, but does not plan to expand their product-portfolio with co-operations in EE-countries.

Another German TK health insurance company in co-operation with the European Spa Association is actively testing the foreign providers and has a special catalogue for cures abroad, which also includes EE-providers. Many company health insurance funds (BKK) bundle their demand (~14 million) via specialized, outsourced service providers, which make the contracts also with EE-providers and have a strong bargaining position.

Successful Strategies of Eastern European Top Providers

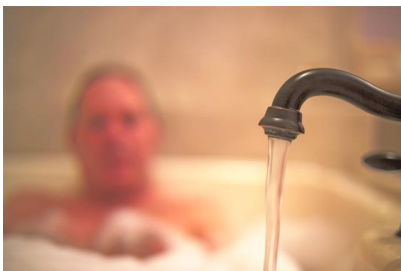
Health tourism is a question of system-change in Eastern European Countries (EEC). The providers, which played a role in the old socialist central systems nowadays, are forced to rethink their strategies and follow a market-based, customer-oriented point of view as they face a global competition. Meanwhile a small group of top-cure and medical-wellness-providers with a high reputation (ever since) have very good chances – especially those with globally-unique natural resources. These are the ones, which are most likely to be found in the approval lists of the health insurances and also in the catalogues of specialized travel agents and tour operators like fitreisen or Euromed or on the lists of the Arabian health ministries, which partly finance complete health journeys. Besides Germany and Austria, Hungary, Czech Republic, Slovakia and Slovenia are frequently found in the catalogues of the cure market.

Established top providers like the Thermae Piestany (Slovakia) have an extensive marketing and sales know how, and a developed network of relationships to decision makers on the highest political level, travel agents, airlines in diverse countries. They strive for an exclusive market position and want to be in the evoked set with destinations like Baden Baden or Monte Grotto. The Austrian Rogner benefits from his reputation in his homecountry and has two resorts in the Hungarian cure destinations Hévíz and Sárvár (Franchise). The knowledge about the countries of origin, certificates from Austria and Germany and cooperation with a health insurance company facilitate a high demand and occupancy rate, although the legislation is demanding when it comes to the use of thermal springs. Other local providers with outdated facilities suffer enormous decreases in demand like some of the hotels of the Hungarian Danubius group, a former state-owned enterprise, which owns a big number of spa hotels and facilities in the EE-countries.

What is also important are available flight routes and the distance from the airports. Visa-regulations like Schengen complicate the entry of specific target groups.

Uncertainties of Small Providers

Small providers often feel uncertain with respect to the supply of clients. They are confident only about the national insurance landscape and don't have a comprehensive knowledge of the products of competitors from abroad. Therefore they do not have the skill to set incentives for foreign health insurances or well-experienced self-payers. But the traditional insured patients are a dying customer segment due to reduced financial reimbursements. The trend towards more prevention and medical wellness and the growing group of self-payers produce market mechanisms and preferences, which are not in line with ailing facilities with a high need of refurbishment and with a rational-medical-mindset alone. Consequently the primary customer group for these facilities remains the insured patient who generates a low income, as the national health insurances are not paying the price premium which is charged for foreign health insurers or self-payers 'from time to time'.



Attractive Domestic Market and System-Modernization

The domestic market is getting increasingly attractive. But despite the higher level of prosperity the national supply only partly profits from increasing numbers of domestic clients due to greater interest in travelling abroad and the wide choices. The challenge to keep the financially strong domestic clients within own borders is immanent. The top cure providers try with great effort to adapt the old, centralistic systems to the international, market economy and competition. One manager said: "Today I often feel like a trainer with a fit team in a full stadium, in which every spectator knows better than me, how to play the game." Managers – often of Western origin – invest much time to product development for the mid-agers (55+), sport clubs and foreign guests with short-trips and the inclusion of wellness-products. These products however involve inherent potential target group conflicts between healthy and sick customers and can lead to blurred market positions. Terms and conditions for tourists from some countries (e.g. Schengen Visa) complicate the entry of certain target groups. Other problems for providers in the field of price policy are high levels of inflation in some countries which lower the growth of profits and in the HRM the emigration of qualified personnel to wealthy neighbor states.

Price and Quality Competition

In the self-payers market – like often the dental medicine or esthetic surgery – besides quality the reduction of costs plays an important role when choosing the travel destination. Here some CEE/SEE countries have instant advantages due to the location (low taxes, low personnel costs) in comparison to countries like Great Britain, the USA, Germany or Austria, which are still comparatively infrequently

exploited. Internet portals are specialized on the soliciting of medical tourist and foreign providers. They often primarily underline the price difference between the treatments abroad and the domestic costs.

Besides two well-known platforms based in Great Britain for instance the EU-candidate country Turkey has a portal which advertises the first local clinics having international certificates. In this context a very popular accreditation for hospitals is the one of the Joint Commission International (JCI), an American NPO. Due to the Euro-implementation and a growing harmonization of the legislation in the countries within EU-borders, price differences in the single European market will be relative in the long-term. The quality of services will be the buyers' focus. This gives new chances for top providers in countries like Austria and Germany.

All in all there are system-related challenges and modernization requirements which hinder an effective exploitation of the existing market potential today. With an adjustment of outdated strategies and structures on national and entrepreneurial levels following the (new) market conditions these potentials could be used as several excellent providers and their destinations already impressively exemplify.

Photos: TR, CzechTourism

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