

Outsourcing Your Heart

Elective surgery in India? Medical tourism is booming, and U.S. companies trying to contain health-care costs are starting to take notice

By UNMESH KHER

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. Bumrun-

grad alone, according to CNN Chris 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 eat 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.

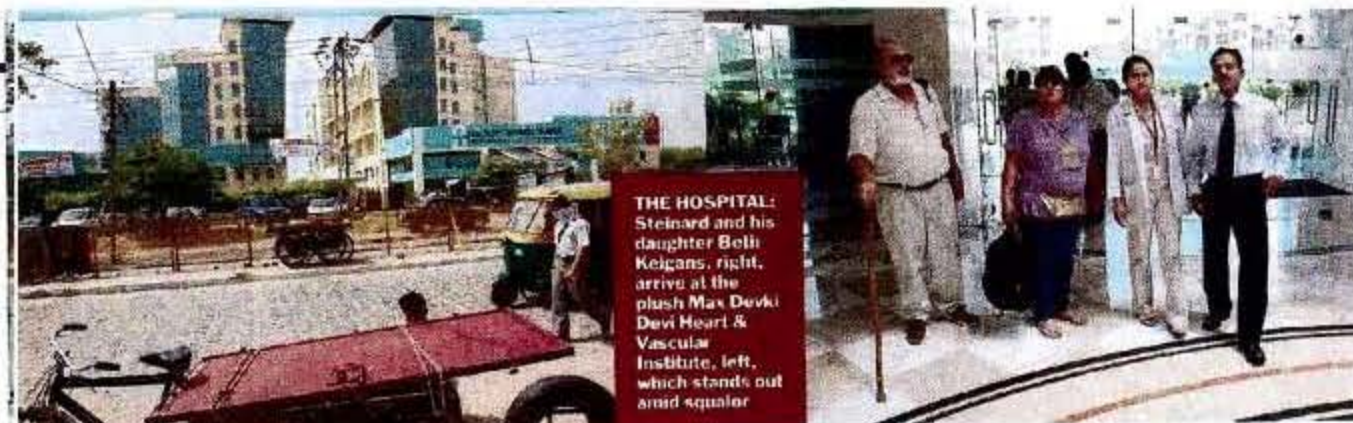
The bottom line: If more private payers sent patients abroad for uncomplicated elective surgeries, the savings could be enormous. "This has the potential of doing to the U.S. health-care system what the Japanese auto industry did to American car-makers," says Princeton University health-care economist 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 \$3 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



THE HOSPITAL: Steinard and his daughter Beth Keigans, right, arrive at the plush Max Devi Heart & Vascular Institute, left, which stands out amid squalor.



... 8,300 MILES LATER, IT'S FIXED
... and found out that he was closer to a heart attack than he had imagined. Steinard had a double bypass last week in New Delhi, where he is recovering.

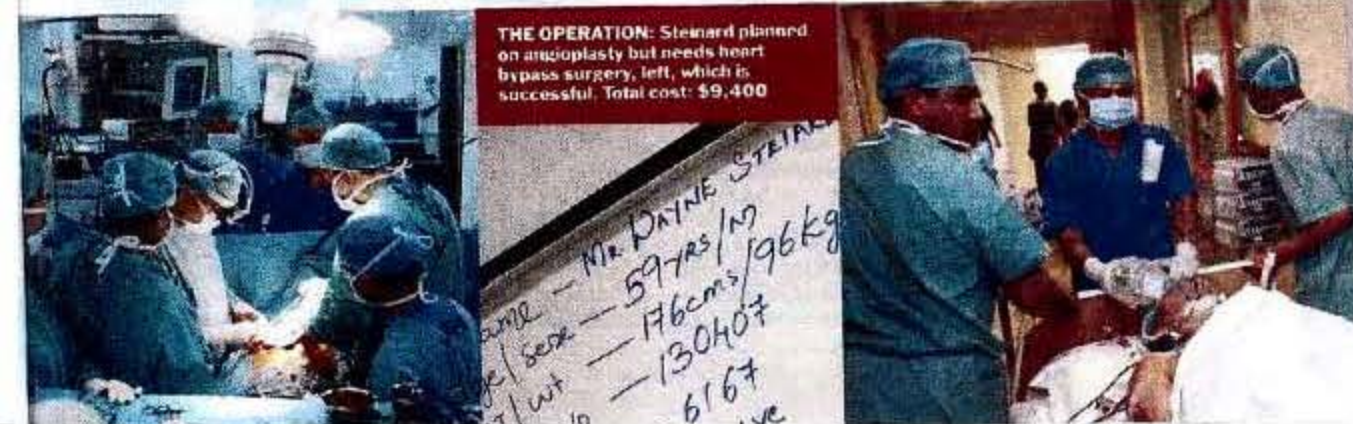


THE WAIT: Keigans settles her dad in, above, and leaves money with security. Steinard goes to meet his doctor, below, then has an angiogram.

WAYNE STEINARD'S HEART WAS BROKEN ...



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



THE OPERATION: Steinard planned on angioplasty but needs heart bypass surgery, left, which is successful. Total cost: \$9,400.

Mr. WAYNE STEINARD
Age/sex --- 59/74s/M
HT/wt --- 176cm/196kg
--- 130407
--- 6167
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