

MEDICAL TOURISM TREND:

Domestic Travel

Seen Trickling
**Down
Market**



When it comes to shopping for bargains on the so-called medical tourism market, self-insured employers might just be better off sending their infirmed employees to Peoria than Pretoria.

For years, Corporate America has turned to international medical travel as a low-cost alternative to anything from heart-bypass surgery and angioplasty to knee and hip replacements, but domestic medical travel has been quietly gaining traction among self-insured groups of all sizes.

Employers are not only able to avoid risks associated with unstable parts of the world and raise the comfort level of employees who've never even been on an airplane before, but also avoid concerns about the quality of care being provided abroad. U.S. prices also are

Written by Bruce Shutan

increasingly transparent and much more competitive because of bundled payments with preferred providers.

"I think it's perfectly suited to self-insured employers because they can have greater control over their benefits design and deciding what best suits the needs of their workforce," says Laura Carabello, editor of the *Medical Travel Today* newsletter as well as a principal with Strategic Marketing Communications. She moderated a panel discussion on this topic at SIIA's annual conference last October.

Fear Factor

The cost of care obviously varies from one part of the world to another, with some spots offering better deals than others. Savings opportunities aren't very significant in Europe and other countries where there's more westernized medicine relative to the U.S., opines Ruth Coleman, CEO of Health Design Plus, a national leader in managing domestic travel. "Where you start to get really low costs are places like Asia and some parts of Central America, but sometimes it's a crap shoot with those places and people don't want to travel that far," she adds.

Heart bypass operations, for example, averaged \$144,000 in the U.S. in 2013 compared with \$27,000 in Mexico and just \$5,200 in India, notes list of prices published on the Medical Tourism Association's website.

Most Americans don't even own a passport, according to the U.S. government, with Carabello noting that many are afraid to travel, or would rather not be too far from home and don't want to leave behind their support system during such a vulnerable or challenging time.

"Employers are very sensitive to this," she says. "They don't want to make it difficult for people to access the health care that they need..."

"There are places like Mexico which have some great hospitals and providers. But frankly, the drug traffic trade there is significant and very frightening to a lot of people."

Olivia Ross, associate director of the Pacific Business Group on Health's (PBGH) Employers Centers of Excellence Network (ECEN), agrees that there's some reluctance or fear from employees to travel to another country for a medical procedure, especially when there's a language barrier.

"We have people who traveled through our program who've never left their state, so it's a big deal to go from Oklahoma to Missouri versus Oklahoma to Thailand," says Ross, whose nonprofit, member-driven organization serves roughly 60 employers. About 40% of ECEN patients are able to drive to their treatment destination, which she believes is "much more realistic and accessible for some of these employees."

One big downside to international travel for a self-insured employer is that there may not be much value if just two employees end up seeking treatment, Ross observes, whereas stateside travel offers greater potential for a much higher uptake. She points to a significant variation in cost, even within the domestic market and intensive competition over both cost and quality on a region basis.

Domestic medical travel will continue to pressure local providers across various markets to offer more reasonable prices for groups of employees and generally hold them more accountable, according to Keith Smith, M.D., managing partner at the Surgery Center of Oklahoma.



"If a hospital knows that someone is flying to my facility and getting their procedure for \$50,000 less than what they would have charged the employer, then it won't take very many patients walking out of town before that hospital begins to step up and at least lower their prices," he observes.

One significant driver behind the self-funding trend is that the Affordable Care Act has created self-funded entities out of individuals who are looking to reduce their growing out-of-pocket costs, which Smith says has been great for his business.

“We have patients that have come here from all 50 states except Hawaii,” he reports, referencing about 150 arrangements and direct contracts with very small companies that are self-funded or their third-party administrators.

“There aren’t any forces of economies of scale because our prices are online and they’re good for everyone,” he explains. “And there are a lot more facilities that are doing what we’re doing. It’s happening all over the country. There’s actually not even any negotiation required because the prices are all transparent and visible.”

Some of the nation’s largest and well-known employers, including Walmart, Lowe’s and McKesson, have launched the ECEN benefit for their employees and the hope is that a half-dozen more employers come on board in the next year or so. “We had 2,000 calls about the program, 1,000 cases referred and 506 cases that went through the program,” reports Ross, who said the expectation was to reach 200 or 300 cases.

After Walmart announced in 2013 that it would develop a network with multiple centers, PBGH realized that domestic medical travel could be taken to the next level if enough other employers banded together to leverage their purchasing power and developed the ECEN program.

ECEN’s four centers share guidelines and best practices. They also conduct monthly collaborative phone calls and recently held their first annual in-person summit featuring surgeons and other representatives from each of those centers. So as a result, Ross says a Lowe’s employee seeking treatment at a facility in Seattle or Springfield, Mo., will receive the same quality of care both in terms of outcomes and their entire experience.

“That’s very different from anything else you’ll see on the market,” she

International Medical Tourism Prices

Medical Procedure	USA	COLOMBIA	COSTA RICA
Heart Bypass	\$144,000	\$14,802	\$25,000
Angioplasty	\$57,000	\$4,500	\$13,000
Heart Valve Replacement	\$170,000	\$18,000	\$30,000
Hip Replacement	\$50,000	\$6,500	\$12,500
Hip Resurfacing	\$50,000	\$10,500	\$12,500
Knee Replacement	\$50,000	\$6,500	\$11,500
Spinal Fusion	\$100,000	N/A	\$11,500
Dental Implant	\$2,800	\$1,750	\$900
Lap Band	\$30,000	\$9,900	\$8,500
Breast Implants	\$10,000	\$2,500	\$3,800
Rhinoplasty	\$8,000	\$2,500	\$4,500
Face Lift	\$15,000	\$5,000	\$6,000
Hysterectomy	\$15,000	N/A	\$5,700
Gastric Sleeve	\$28,700	\$7,200	\$10,500
Gastric Bypass	\$32,972	\$9,900	\$12,500
Liposuction	\$9,000	\$2,500	\$3,900
Tummy Tuck	\$9,750	\$3,500	\$5,300
Lasik (both eyes)	\$4,400	\$2,000	\$1,800
Cornea (both eyes)	N/A	N/A	\$4,200
Retina	N/A	N/A	\$4,500
IVF Treatment	N/A	N/A	\$2,800

Medical Procedure	MEXICO	ISRAEL	THAILAND
Heart Bypass	\$27,000	\$27,500	\$15,121
Angioplasty	\$12,500	\$8,000	\$3,788
Heart Valve Replacement	\$18,000	\$29,712	\$21,212
Hip Replacement	\$13,000	\$125,250	\$7,879
Hip Resurfacing	\$15,000	\$20,000	\$15,152
Knee Replacement	\$12,000	\$24,850	\$12,297
Spinal Fusion	\$12,000	\$35,000	\$9,091
Dental Implant	\$1,800	\$2,150	\$3,636
Lap Band	\$6,500	\$12,500	\$11,515
Breast Implants	\$3,500	\$21,000	\$2,727
Rhinoplasty	\$3,500	\$9,500	\$3,901
Face Lift	\$4,900	\$16,000	\$3,697
Hysterectomy	\$5,800	\$14,000	\$2,727
Gastric Sleeve	\$9,995	\$11,500	\$13,636
Gastric Bypass	\$10,950	\$11,500	\$16,667
Liposuction	\$2,800	\$7,242	\$2,303
Tummy Tuck	\$4,025	\$11,000	\$5,000
Lasik (both eyes)	\$1,995	N/A	\$1,818
Cornea (both eyes)	N/A	\$16,700	\$1,800
Retina	\$3,500	\$13,000	\$4,242
IVF Treatment	\$3,950	\$2,800	\$9,091

Prices are based on 2013 figures. Source: Medical Tourism Association.

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International Medical Tourism Prices (continued)

Medical Procedure	INDIA	JORDAN	KOREA
Heart Bypass	\$5,200	\$14,400	\$28,900
Angioplasty	\$3,300	\$5,000	\$15,200
Heart Valve Replacement	\$5,500	\$14,400 +valve	\$43,500
Hip Replacement	\$7,000	\$8,000	\$14,120
Hip Resurfacing	\$7,000	\$10,000	\$15,600
Knee Replacement	\$6,200	\$8,000	\$19,800
Special Fusion	\$6,500	\$10,000	\$15,400
Dental Implant	\$1,000	\$1,000	\$4,200
Lap Band	\$3,000	\$7,000	N/A
Breast Implants	\$3,500	\$3,500	\$12,500
Rhinoplasty	\$4,000	\$3,000	\$5,000
Face Lift	\$4,000	\$4,400	\$15,300
Hysterectomy	\$2,500	\$6,000	\$11,000
Gastric Sleeve	\$5,000	N/A	N/A
Gastric Bypass	\$5,000	N/A	N/A
Liposuction	\$2,800	\$4,000	N/A
Tummy Tuck	\$3,000	\$4,000	N/A
Lasik (both eyes)	\$500	\$5,000	\$6,000
Cornea (both eyes)	N/A	N/A	\$7,000
Retina	\$850	N/A	\$10,200
IVF Treatment	\$3,250	\$2,700	\$2,180

Medical Procedure	VIETNAM	AFRICA	MALAYSIA
Heart Bypass	N/A	\$10,000	\$11,430
Angioplasty	N/A	\$8,000	\$5,430
Heart Valve Replacement	N/A	\$10,130	\$10,580
Hip Replacement	\$8,250	\$10,480	\$7,500
Hip Resurfacing	N/A	\$7,640	\$12,350
Knee Replacement	\$8,500	N/A	\$7,000
Spinal Fusion	\$6,150	N/A	\$6,000
Dental Implant	N/A	\$5,340	\$345
Lap Band	N/A	N/A	N/A
Breast Implants	\$3,850	\$2,930	N/A
Rhinoplasty	\$2,100	\$3,935	\$1,293
Face Lift	\$4,150	\$4,620	\$3,440
Hysterectomy	N/A	\$3,270	\$5,250
Gastric Sleeve	N/A	\$8,770	N/A
Gastric Bypass	N/A	\$3,935	\$9,450
Liposuction	\$2,850	\$5,060	\$2,299
Tummy Tuck	\$3,850	\$2,530	N/A
Lasik (both eyes)	\$1,640	\$4,200	\$477
Cornea (both eyes)	N/A	\$6,460	N/A
Retina	N/A	\$3,370	\$3,000
IVF Treatment	N/A	\$5,620	\$3,819

Prices are based on 2013 figures. Source: Medical Tourism Association.

notes, adding that the result is lower complication rates and fewer inappropriate cases.

ECEN uses bundled payments and because it does consistent reviews of each patient and all four centers on an annual basis, “they know they’re getting what they’re paying for,” she adds. “The bundle allows them to have predictable costs ahead of time.”

While ECEN focuses on companies with 5,000 to 10,000 lives, Ross anticipates that the domestic medical travel trend will trickle down market. “Self-insured employers have the ability to make their own changes,” she says, “and to do these kinds of programs like ours as a carve-out. I think we’ll see more and more employers who are recognizing that change has got to happen. And if they can make a contribution to that positive change, they will.”

About 15% of large U.S. companies are estimated to offer domestic medical travel to their employees. Carabello agrees that the next frontier is going to be smaller and midmarket employers that finance these treatments or aggregate their purchasing power.

“I think employers realize now that they can shop around for the best price,” Carabello says. “They can leverage their buying power by coming together in coalitions and strategic alliances.”

Focusing on Value

While Coleman’s clients want bundled rates that are affordable, she says their top priority is high quality care, along with a certain level of support for their associates and family members. The expectation is that a higher quality of care will be more cost-effective and raise the level of employee satisfaction.

She says to a certain extent, there needs to be enough volume of

Largest U.S. Employers Using Domestic Medical Travel

Source: www.statisticbrain.com/u-s-largest-employers/
 Statistic Verification — Source: US Department
 of Labor, SEC Date Verified: 1.1.2014

Company	Employees
1. Walmart	2,100,000
2. IBM	436,085
3. McDonald's	400,000
4. United Parcel Service	400,600
5. Target	355,000
6. Kroger	338,000
7. Sears Holdings	312,000
8. General Electric	287,000
9. Citigroup	267,000
10. Albertson's	240,000
11. FedEx	222,300
12. General Motors	210,000
13. United Technologies	208,200
14. CVS	201,000
15. Altria Group	199,000
16. Verizon Communications	195,400
17. Aramark	195,000
18. Berkshire Hathaway	192,012
19. AT&T	189,950
20. Home Depot	189,390
21. Delphi	185,200
22. Safeway	180,000
23. Bank of America	176,638
24. JP Morgan Chase	168,847
25. Yum Brands	165,920
26. HCA	165,450
27. Lowe's	164,794
28. Ford Motor	164,000
29. PepsiCo	157,000
30. Walgreen	155,200
31. Wells Fargo	153,500
32. Boeing	153,000
33. Darden Restaurants	150,100
34. Hewlett-Packard	150,000
35. Gap	150,000
36. JC Penney	150,000
37. Starbucks	149,000
38. Starwood Hotels & Resorts	145,000
39. Marriott International	143,000
40. Sara Lee	137,000
41. Lockheed Martin	135,000
42. Walt Disney	133,000
43. Alcoa	129,000
44. Northrop Grumman	123,600
45. Electronic Data Systems	117,000
46. Honeywell	116,000
47. Johnson & Johnson	115,600
48. Lear	115,113
49. Tyson Foods	115,000
50. Emerson Electric	114,200

surgeries to make implementing a domestic medical travel program a worthwhile investment, adding that it's already trickling down market to smaller employers.

It's harder for fully insured employers to benefit from these programs, according to Coleman. "One is they generally are smaller, but the other thing is that they're not at risk financially, so there wouldn't be as much benefit to them," she says, unless insurance carriers are willing to reduce the premium based on program utilization. She noted a recent partnership between UnitedHealthcare and the University of Texas MD Anderson Cancer Center, which could be a precursor of similar arrangements from other carriers.



The trend toward domestic medical travel dovetails into other noteworthy developments. Ross, for example, notes how Medicare wants to shift 50% of its payments to value-based structures by 2018. "These self-insured employers are saying, 'we need to be doing this, too. We don't want to be paying these ridiculous fee-for-service prices with no emphasis on quality,'" she says.

Before employers decide whether to embrace domestic vs. international medical tourism, it might be worth first polling employees about their preferences, especially if they're skittish about air travel or seeking care halfway around the world.

"If their employees don't embrace these options, then there's not much sense in offering them in the first place," Smith says, noting how traveling to another country may be seen as a daunting proposition. ■

Bruce Shutan is a Los Angeles freelance writer who has closely covered the employee benefits industry for more than 25 years.