

PPACA's Impact on Medical Tourism

Presented at the July 8, 2010 meeting of the Central
Association of Health Underwriters by

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The Business Owner Who's Also a Benefits Expert



Topics to be addressed

1. A Perfect Storm for Medical Tourism
2. Meet Dr. Donald Berwick, the new head of CMS
3. Parallels to the UK and Canada
4. Health Reform: Positive Signs for the Medical Tourism Industry
5. Facts around the uninsured
6. Medical Tourism Industry Can Leverage Opportunities in the Post-Reform Environment
 - Compromised access to care
 - Spiraling costs
 - Domestic medical travel attractive to many
 - Non-covered benefits
 - Existing coverage affected
 - PPACA's impact on physicians
 - Physician-owned hospitals in peril
7. Concluding remarks

A Perfect Storm for Medical Tourism

Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2010

- Growing number of insureds with access to care – patient “crowd out” and resulting increases in wait times
- More Americans with chronic disease
- “Baby Boomers” becoming seniors
- Shortage of physicians and nurses
- Downturn in the U.S. economy
- Medical inflation continues to exceed general inflation rate
- Better American hospitals exiting public reimbursement programs
- President Obama’s recess appointment on July 7th of Dr. Donald Berwick to head CMS

A Perfect Storm for Medical Tourism



Uncertainty remains

- Twenty states' attorneys general are currently challenging PPACA's constitutionality on the grounds of the tenth amendment (states' rights) and the Constitution's commerce clause.
- Six-month "doc fix" bill passed in the Senate on June 18th and in the House on June 24th temporarily averted a scheduled 21% cut in Medicare reimbursements to physicians.
- A rather obvious conclusion – Health care in the U.S. post-reform continues to be in a "real mess". That has not changed with the passage of the new law.

Meet Dr. Donald Berwick



Dr. Berwick is a clinical professor of pediatrics and health care policy in the Department of Pediatrics at the Harvard Medical School. He will run CMS and oversee its \$800 billion budget during crucial months as thousands of pages of regulations are being written determining how ObamaCare will be run.

The recess appointment lasts until the end of the 111th Congress in January, after which Berwick would have to be renominated and would likely face even greater opposition if Republicans make expected gains in Senate seats.

Meet Dr. Donald Berwick



“Recess appointments were established so presidents could fill important posts when Congress has delayed action and is out of session for a lengthy period of time. They have sometimes been used when the opposition party is in control and the president believes a nominee has been unfairly rejected. As far as I know, it has never been used to short circuit the Senate's Constitutional duty to advise and consent when the president's own party is running the show”.

Greg Scandlen, Consumer Power Report #229, July 7, 2010

Meet Dr. Donald Berwick



According to Grace-Marie Turner in an op-ed published in the National Review Online on July 7th, “The nomination was highly controversial because of numerous statements Berwick has made professing his love for socialized medicine”.

In articles and speeches celebrating the 60th anniversary of Britain's National Health Service in 2008, Dr. Berwick said “I am romantic about the NHS; I love it. All I need to do to rediscover the romance is to look at health care in my own country.”

He not only loves it, he says it is “an example for the whole world — an example . . . that the United States needs now.”

Meet Dr. Donald Berwick



Other memorable quotes of Dr. Berwick:

“The N.H.S. is not just a national treasure; it is a global treasure.”

His suggestion to the British: "Please don't put your faith in market forces." “In the United States,” he wrote, “competition is a major reason for our duplicative, supply-driven, fragmented care system.”

He has publicly saluted Britain’s socialized NHS for rejecting the “immoral” American system and “the darkness of private enterprise”.

He has said that “the Holy Grail of universal coverage” cannot be achieved with consumer-centered health care, but only through “collective action overriding some individual self-interest.”

PARALLELS TO U.K. AND CANADA

Government sponsored healthcare systems

- Limited access to care
- Long wait times

UK and Canadian citizens travel extensively to other parts of the world to gain access to quality medical care. Americans are likely to follow this pattern.

Health Reform: Positive Signs for the Medical Tourism Industry

PPACA does not contain any language that limits or discourages medical tourism. In fact, HSAs which survived relatively “unscathed” may be used to pay for both travel and care.

The stage has been set for “disruptive innovation models”: medical tourism, telemedicine, retail clinics, mhealth (mobile health) and other models that:

- Reduce costs and deliver value
- Meet consumer demands for convenience and quality
- Offer price transparency
- Promote improved health care outcomes

Medical Tourism Industry Can Leverage Opportunities in the Post-Reform Environment

- Compromised access to care
- Spiraling costs
- U.S. hospital labor costs will continue to rise
- Domestic medical travel will increase
- Non-covered benefits
- Existing coverage affected
- PPACA's impact on physicians
- Physician-owned hospitals in peril

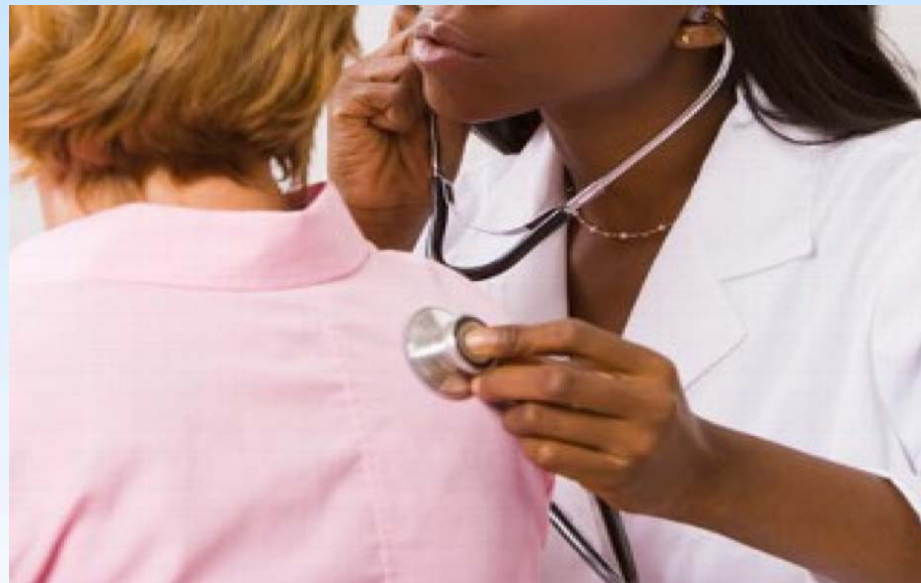
Compromised Access to Care

Greater availability of insurance does
not mean greater access to care!!!



Compromised Access to Care

32M people will potentially have insurance, putting undue pressure on a declining number of physicians -- especially in primary care.



Compromised Access to Care

Longer wait times for care are expected:

Massachusetts has experienced reforms that are similar to PPACA, and the purchase of health insurance in the Bay State is mandated by state law:

- The wait can be as long as two months
- [Boston](#) has the longest wait, averaging 49.6 days*
- Patients in northern Massachusetts travel to [New Hampshire](#) because of the wait times**

*ABC News. June 2009

**ABC News. March 2010

Prices will increase.... and quality will decrease

Individuals will turn to international medical tourism as a viable, quality alternative to “waiting it out” in the U.S.

U.S. hospitals that do not have waits will also become highly attractive – hence an increase in domestic medical travel.

Expect Spiraling Costs

THEN:

Health care reform was initially conceived as a solution to:

- The impending insolvency of the Medicare program in 2018
- A means to expand coverage to the uninsured

NOW:

- Legislation primarily directed to expand coverage for uninsured
- Reforms not expected to control costs
- The true underlying causes of the US healthcare system's escalating costs were **not** addressed directly

Expect Spiraling Costs

FUTURE:

- Cost of care outside U.S. appears to remain stable.
- Savings rates ranging from 50% to 80%, inclusive of the cost of travel, are available for many procedures.

In the future medical tourism will present more cost-effective options and because it is a consumer market quality does NOT have to be compromised.

U.S. Hospital Labor Costs Continue to Rise

US Domestic Hospitals:

- Hospital care in US is the biggest driver of overall health care spending growth...33% of every health care dollar spent
- Cost of labor: Single most important factor for the accelerated growth in spending
- Accounts for more than half of growth in cost of purchased goods and services

Foreign hospitals:

- Often not contending with these extraordinary labor costs
- Better positioned to hold down their pricing

Medical tourists will be the beneficiaries and will look forward to accessing less expensive options for quality care.

Domestic Medical Travel: Attractive to Many



Some hospitals within the U.S. can match the pricing of foreign hospitals:

- Because of excess capacity
- Centers of Excellence (COE)



COEs across the country generate better outcomes at lower costs

- Perform a high quantity of a given procedure while producing measurably superior clinical results
- Better outcomes mitigate liability claims, stem the tendency toward defensive medicine

Domestic Medical Travel: Attractive to Many



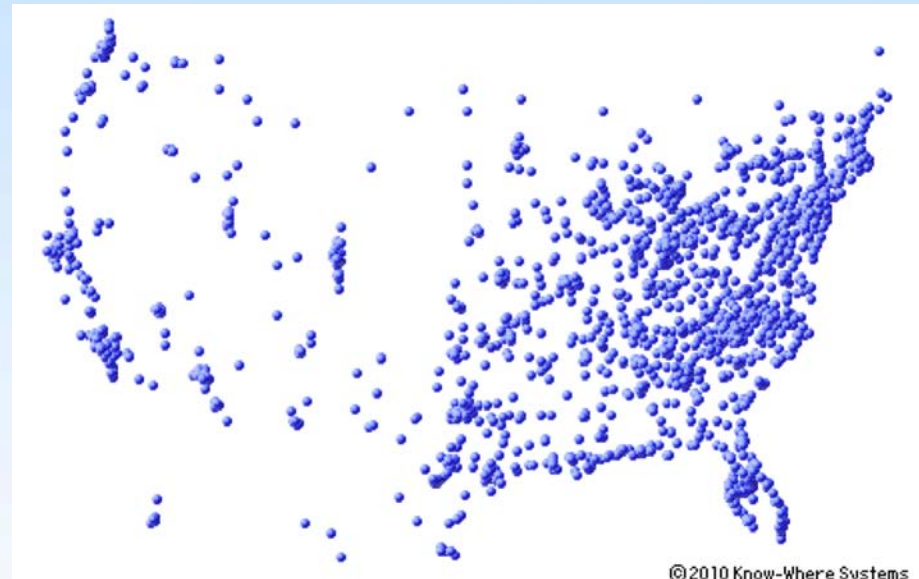
March 2010: Lowe's Companies Inc., second-largest home improvement retailer in U.S., strikes three-year agreement with the Cleveland Clinic.



First time a multi-state national company has chosen one specialist hospital and made it available to employees.

Incentives to employees:
Reduced out-of-pocket costs to go to Cleveland for heart procedures

Lowe's Store Locations



© 2010 Know-Where Systems

Non-covered Benefits

Cost containment strategies under health care reform may increase the scope of non-covered benefits for many Americans

Plastic surgery, gastric bypass, and dental procedures: Americans already willing to travel for affordable, high-quality care -- likely to accelerate in the coming years.

Procedures not yet FDA-approved but available outside our borders: Stem cell procedures, HIFU (ultrasound treatment for prostate cancer), and others will continue to attract medical tourists.

Treatment for end-of-life diseases: Look for a bump in medical tourism volume resulting from such.

Existing Coverage Affected



CBO Estimates: Employers will drop coverage for five million people, forcing them to purchase individual insurance.

Disruption of care forcing many with new insurance to find new primary care physicians since existing physicians may not have contracts with the new plans.

One Georgia-based employer: *“With the economy in the state it's in, some businesses may consider paying the \$2,000-per-employee penalty for not covering workers rather than paying higher benefit costs.”**

Many Americans will travel to another area where medical care is more readily available.

**FierceHealthcare, April 1, 2010*

Uninsured Will Not Really Get Coverage

While the uninsured will have greater access to coverage than prior to reforms...

Employer and individual mandates create bizarre incentives: Many people with coverage will elect to go without insurance.

CBO estimates: In 2014 five million people will initially lose employer-sponsored health coverage.

Those who opt to go without insurance will always have the option of obtaining insurance if/when they get really sick because of guaranteed issue requirements.

Bottom-line: In many instances only those who are sick will purchase insurance, driving up health insurance premiums for everyone else.

PPACA's impact on physicians

- Reforms don't address tort reform or spiraling malpractice insurance costs.
- Fees for specialists may be drastically cut. Some say they will retire early.
- Growing number will refuse to accept Medicare and Medicaid patients because of declining reimbursements.
- A shrinking supply of physicians may force patients to travel to gain better access to quality medical care.

Shortages of primary care physicians – and specialists

Surgery, the journal of the Society of University Surgeons, reports an expected shortage of 1,300 general surgeons in the United States by 2010.

Few Americans will tolerate not having access to a specialist or having care rationed because of a limited number of skilled physicians.

Long term: Shortage of about 160,000 physicians by 2025*

Shortage of 41,000 general surgeons, even after accounting for the supply of international medical graduates**

* *American Medical News*, 2010

**Source: Association of American Medical Colleges' Center for Workforce Studies

Physician-owned Hospitals in Peril

PPACA prohibits existing physician-owned hospitals from expanding and bans new ones from contracting with Medicare.

*“The legislation virtually destroys over 60 hospitals that are currently under development, and leaves little room for the future growth of the industry.”**

*Molly Sandvig, Executive Director of Physician Hospitals of America (PHA)



Physician-owned Hospitals in Peril

- Restrictions go into effect immediately -- impacts nearly 300 new and existing facilities.
- Rural and inner city hospitals being rescued and kept open by physician investment will close.
- Grandfathers in new and existing physician-owned hospitals that earn Medicare certification by Aug. 1, 2010 — a deadline that more than 60 hospitals currently under development cannot meet.
- Prohibits existing facilities from adding beds, ORs or procedure rooms -- unless they can meet 4 "allowable growth criteria" – and none can do it!



Some of PPACA's "variables"

PPACA's "benefits" largely do not kick-in until 2014.

There are over 1,000 occurrences of "The Secretary (of HHS) Shall" in PPACA. Much, in fact, is being left up to the promulgation of regulations in the years ahead!

Some of PPACA's "variables"

No guarantee, given our nation's unprecedented deficit spending, that programs and initiatives will ever be funded.

Americans are likely to very quickly find the reforms to be most distasteful:

- Extensive rationing of care
- Lower overall healthcare quality – higher costs
- Dramatically reduced options

Takeaway: International Medical Tourism and Domestic Medical Travel are Both Likely to Significantly Expand

“Regulating premiums won’t do anything to reduce the soaring costs of medical care. This would be like capping the prices automakers can charge consumers but letting the steel, rubber, and technology manufacturers charge the automakers whatever they want.”

- Karen Ignagni, *Wall Street Journal*, February 23, 2010



Megatrends in Global Health Care

Megatrend #12: Medical tourism

The allure of good care at much lower prices will cause increasing numbers of people to go abroad for cheaper treatment. The Deloitte Center for Health Solutions predicts that the number of Americans traveling abroad for treatment will soar to more than 1.6 million in 2012. Will cost pressures cause payers around the world to be more amenable to sending patients in their countries abroad for cheaper treatment?

We believe the answer to this question is an indisputable and resounding YES!

**Thank you for
your time and
attention!**