

## 4 Trends Affecting the Future of Medical Travel

By Rachel Fields | October 04, 2010

Driven by the need for high quality and low cost care, health plans are considering an alternative to overseas medical tourism or local treatment: sending members to high-volume, high-quality medical centers in another state or region. Known as "medical travel," this trend means discounts for insurance providers and higher case volume for proven "centers of excellence" throughout the country.

The cost structure for medical travel allows plans and administrators to offer a bundled fee for a procedure and helps health plans realize a net savings of 20 to 40 percent domestically. As medical travel becomes more prolific, Shane Wolverton, principal for The Delta Group, discuss four trends that will determine who benefits from medical travel.

**1. Medical tourism is moving from overseas travel to domestic travel.** Traditionally, many networks have focused on overseas travel to receive quality medical care at a low price. "There's a list of orthopedic surgeons in Germany that have signed up for medical tourism, and some of the best back procedures at the best prices are in Germany," Mr. Wolverton says. More and more, though, employers are choosing to recommend domestic medical tourism to target those individuals who can't afford to take time off work to travel internationally.

Domestic medical tourism also benefits employers, which usually offer a travel stipend that would be far lower for domestic travel. "The anxiety of traveling internationally also creates a less than desirable interest on the part of the employee," Mr. Wolverton says. "It's a lot more comfortable to travel from Greenville, S.C. to Phoenix than to travel across the ocean."

**2. Quality and cost is increasingly more important than proximity.** As medical travel becomes more prolific, market share is increasingly determined by high quality and low cost rather than proximity, says Mr. Wolverton. "Medical travel is demonstrating that providers that are early adopters of the relationship between technical quality and predictable cost are the ones that seem to be benefiting," Mr. Wolverton says.

He says in the future, medical travel will only go to hospitals that are "the best of the best." As medical travel becomes more aggressive, health plans might require a regular credentialing process to ensure that in-network hospitals are still state-of-the-art. "You won't be able to rest on your laurels," he says.

He adds that as employees increasingly have the ability to go out of state for better healthcare, local hospitals that have historically depended on patient volumes from the community will struggle. "The hospitals will survive, but they will be more anemic," he says. "The hospitals that ultimately can't offer the technical quality and low cost are going to be left with patient populations that are more complex to treat and not as desirable from a profitability point of view."

**3. The "packaged price" of medical travel demands hospital-physician alignment.** Because medical travel uses a "packaged price" or bundled payment system, the agreement requires collaboration between physicians and hospitals. If physicians and hospitals cannot work together to promote cost

savings, "the administrative portion of medical travel is not going to function very well," Mr. Wolverton says.

Mr. Wolverton says for hospitals determining whether they should join a "medical travel" provider network, "the first thing to ascertain is if you can come to an agreement as to what kind of cost per case or bundled charge you'd be able to offer." For example, orthopedists would have to work with the hospital on knee arthroplasty to determine the portion of revenue the physician receives and the portion the hospital receives.

**4. Hospitals with a distinctive competency are most attractive to networks and patients.** In the southwest and midwest United States, where the trend of medical travel has taken off, Mr. Wolverton says many participating hospitals are specialty hospitals. "In that case, technical quality over high volume makes you preferable over those providers that don't offer the same services," Mr. Wolverton says. He says the hospitals that will benefit immediately from the trend of medical travel are those that can promote an area of expertise that distinguishes them from other hospitals.

"If you want to be involved in a provider network, you want to promote your distinctive competency, both as a hospital and as a group of physicians, in the local, regional or national marketplace," he says. He adds that specializing in a particular area may not be enough — the most attractive hospitals will also demonstrate that they fall in a high national percentile for their particular specialty. "Instead of just saying that you offer hip replacements, you want the ability to say ... your technical quality is at or above the 90th percentile nationally or that you're number one in the state," he says.