ARE THE ROMANIAN HEALTHCARE SERVICES COMPETITIVE ON THE INTERNATIONAL MARKET?

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Abstract

Alongside low-cost travel, scientific and surgical developments, the disappointment with medical treatments at home, lack of access to healthcare at reasonable cost or in reasonable time, the rise of high quality healthcare in developing countries, greater mobility, as well as a growing demand for cosmetic surgery encouraged patient mobility. Thus, according to Patients Beyond Borders, medical tourism has been growing annually by 20%, and is worth up to 55 billion $. Countries such as Thailand, India, Singapore, Turkey, Germany, Hungary, Mexico and Costa Rica are some of the most popular destinations for medical tourists.

In this context, using secondary data, the aim of this paper is to analyse if the Romanian healthcare services are competitive on the international market. Can Romania benefit from the medical tourism industry even though its' healthcare system faces serious problems on basic aspects?

Key words: *healthcare services, health tourism, medical tourism, healthcare trends, secondary data*

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1. Introduction

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Nowadays, there are several ***trends*** emerging in healthcare: an ***ageing population, costly chronic care needs, skilled labour shortage*** and ***sceptic, more demanding and discerning consumers*** (PwC).

The ageing population in both emerging and developed countries increases the demand for healthcare services. Thus, more effective partnerships between the public and private sectors are necessary in order to meet these needs. Furthermore, according to the World Health Organization, chronic disease prevalence is expected to rise by 57% by the year 2020. This trend will affect especially the emerging markets, where the population growth is anticipated to be significant. In this context, technology as well as preventive health solutions will play a key role. International collaborations offer governments opportunities to offset growing financial burdens. *For example, within the European Union, a patient can access treatment in another EU country and still be eligible for reimbursement. Thus,* ***new global markets will be exploited****, especially if they show flexibility on pricing and funding.*

At the same time, healthcare systems around the world are dealing with a skilled labour shortage and funding challenges, while the demand for healthcare services is rapidly rising. Taking into consideration the future retirements of healthcare professionals as well as World Health Organization's projection of a 12.9 million healthcare professionals' deficit globally, by 2035, the human resource problem becomes alarming. This trend is even worse in developing countries, as their healthcare professionals are migrating towards higher-paying, more prestigious, more amenity-rich areas (Grignon, Owusu, Sweetman, 2012, p. 26). A potential solution to this problem is the use of technology (advanced analytic tools for more precise patient diagnosis and disease detection, as well as mobile devices and apps, which enable patients to monitor their health at home). *"But for technology to be effective at offsetting the human resource shortage, it has to be easy for busy professionals to use and produce reliable results"* (PwC). In addition, training new healthcare professionals and investing in talent have to become a priority.

Another trend reflects the increased use of do-it-yourself and non-traditional care services, as a consequence of patients' lack of trust in traditional health systems. Patients are expecting more information, alternatives and improved outcomes, demanding convenient, affordable and personalised service. Thus, taking advantage of the available information, new technology and mobile health, patients are willing to try different options,

especially if they don't afford private healthcare services (sector which has the resources to provide service at high satisfaction rates). This trend favours new entrants from industries such as telecommunications, wellness or fitness. In this context, emerging markets are more tempting than the developed ones because of their permissive regulatory environment. Thus, governments need to set up regulations for the new created markets.

2. Health tourism – short overview

Health tourism is a multifaceted industry, with two major segments: ***medical tourism*** and ***wellness tourism***. While the growth of wellness tourism has resulted in a boom in spas and various forms of "rejuvenation", *medical tourism* consist of *international movements in search of cures and the resolution of more serious medical conditions, often by surgery, for various reasons and in diverse circumstances* (Connell, 2011, p. xi). *Wellness,* on the other hand, *is supposed to create harmony in mental, physical, spiritual or biological health in general,* focusing on changing the lifestyle rather than curing a specific disease (Smith, Puczkó, 2009, p. 40). Thus, this new demand resulted in the rise of a new niche tourism industry and intense global competition.

For many years, (wealthy) patients from less developed countries have travelled to the United States of America and developed countries of Europe for better treatment. However, in recent years, there has been a shift towards patients from developed countries travelling to less developped ones to receive healthcare services. This phenomenon is driven by low-cost treatments, cheap flights and internet sources of information. According to Horowitz, Rosensweig and Jones (2007), *"medical tourism is fundamentally different from the traditional model of international medical travel, where patients generally journey from less developed nations to major medical centres in highly developed countries for medical treatment that is unavailable in their own communities"*.

As regards the international healthcare marketplace, several countries are competing for patients, offering a variety of medical, surgical and dental services:

- *Western, Scandinavian, Central and Southern **Europe**;*
- *East and South **Asia:** India, Malaysia, Singapore, South Korea, Thailand;*
- *South **Africa**;*
- *South and Central **America:** Brazil, Costa Rica, Mexico;*

- ***the Middle East:*** *Dubai, Jordan* (Lunt, Horsfall, Hanefeld, 2015).

In terms of the history and evolution of ***health tourism***, beliefs about health are different across various regions and countries. In ***Europe***, it was based around spas and seawater treatments, because of the large number of thermal and mineral springs and sea coasts. Hydrotherapy or water-based treatments (mineral water, thermal water, seawater, muds, climate therapy, oxygen therapy) were key elements until in recent years, when cosmetic or beauty treatments as well as psychological activities have also become popular (Smith, Puczkó, 2009, p. 24).

The Middle East and North Africa are still one of the major growth regions for medical tourism. According to Melanie Smith and László Puczkó (2009, p. 29), beauty cosmetics were used in ancient Egypt as far back as 1400 BC, while bathing was used to *heal the spirit and treat the body*. Egyptians used thermals baths, whereas Arabian hamams or Turkish steam baths played a fundamental role in Ottoman culture and were places of social gathering. The holistic system of medicine known as "Tibb" focuses on lifestyle rather than just diet alone, being one of the reasons why people travel to retreats.

In ***Asia***, wellness focuses on treating the body, mind, and spirit as one, trying to identify the root cause of a problem and encouraging the body to heal itself. In Japan, hot springs are used for relaxation or meditation, while India's Ayurveda is considered to be the oldest healing system in the world. Chinese practices focus on the individual and are based on "chi" (the energy), "jing" (vitality and longevity) and "shen" (the mind or spirit) (Smith, Puczkó, 2009, p. 33). Their approach is preventive, including diet, movement, spiritual and emotional wellbeing, with therapies such as herbal medicine, acupuncture, reflexology, Qi Gong or Tai Chi. Thailand's Thai massage is famous worldwide, although today Thailand is a major destination for medical, especially surgical tourism.

Africa has a wide range of indigenous herbs and plants which have been used for centuries for health and healing, while ***Native Americans*** viewed mineral and healing springs as inherently spiritual. Their rituals included prayers, drumming and offerings to the spirit world. In addition, they also used animal totems, dreamcatchers, smudge sticks and others (Smith, Puczkó, 2009, p. 36).

The main ***reason*** for choosing healthcare services in less developed countries is their low cost. Other reasons include the delays associated with long waiting lists in patients' countries, the access to procedures that are not

available in patients' countries, privacy and confidentiality concerns, as well as the opportunity to travel to exotic locations and combine the need for those healthcare services with a short holiday.

On the other hand, the medical centres in developing countries are able to provide cheap healthcare services due to their nation's economic status. Thus, *the revenue generated by developing countries providing healthcare services to foreign patients creates opportunities to improve the access and quality of care available to the citizens of these countries* (Mattoo, Rathindran, 2006).

As regards the ***treatments patients are seeking abroad***, these encompass cosmetic and other elective surgeries, transplantation and stem cell therapies, dental reconstruction, fertility treatments, as well as other treatments not covered by the health insurance (Lunt, Horsfall, Hanefeld, 2015; Horowitz, Rosensweig, Jones, 2007)

In terms of the ***available data*** about this topic, many articles are promotional rather than analytical, and even basic information on the number of tourists and their motivations is really hard to find (Lunt, Horsfall, Hanefeld, 2015; Connell, 2011). Also, the variety of definitions and labels used for this form of tourism make it difficult to clearly define contents and meanings. For example, different countries and different organizations use labels such as health, wellness, medical and spa almost interchangeably, which makes comparisons almost impossible.

3. A glimpse into the Romanian healthcare market

In Romania, the government represents the highest authority within the Romanian health system, performing its stewardship role through the Ministry of Public Health. The National Health Insurance Fund (NHIF) represents the main financial source, as the third party payer of the system, and receives the funds collected by the agencies of the Ministry of Finance. Through the Yearly Framework Contract, agreed by the NHIF with the Ministry of Public Health and the CoPh, the healthcare services to be contracted by the District Health Insurance Funds (DHIFs), from both public and private healthcare providers (hospitals, ambulatory care, primary care and so on), are established (Vlădescu, Scîntee, Olsavszky, Allin, Mladovsky, 2008, p.21).

As regards the ***funding of the health system***, the public sector is financed mainly through social health insurance contributions, which are

mandatory for all employees and employers, while the private (for-profit) sector is financed mainly by patients, who pay out of their own pockets the requested services. *There are no private insurance funds, only small private schemes, mainly connected to life insurance agencies or private healthcare providers* (http://www.snmf.ro/en/GP_in_Romania.htm).

In terms of the existing ***infrastructure***, at the end of 2014, there were *527 hospitals* (of which 366 public and 161 private/for-profit), *448 hospital outpatients departments and specialty clinics* (of which 371 public and 77 private), *297 polyclinics* (of which 10 public and 287 private), *11,163 family physician offices* (of which 5,475 public and 5,688 private), *10,063 medical specialist offices* (of which 954 public and 9,109 private), and *14,052 dental offices* (of which 1,550 public and 12,502 private), etc. in Romania (Institutul Național de Statistică, 2015, pp. 9-10).

In comparison with the public network of healthcare units, which includes 69.4% of all hospitals, the private (for-profit) sector includes the majority of polyclinics (96.6%), medical specialist offices (90.5%), dental offices (89.0%), as well as pharmacies and drugstores (95.0%). The family physician offices are almost equal distributed, with 49.0% within the public sector and 51.0% within the private one.

Furthermore, the ***allocation of hospital beds to different medical specialties*** varies in public and private (for-profit) hospitals. Thus, if in the public health sector, the largest share of hospital beds is allocated to psychiatric care (13.1%), surgery (10.5%) and internal medicine (9.4%), in the private sector the largest share of hospital beds is allocated to surgery (14.4%), rehabilitation, physical medicine and balneology (11.8%), obstetrics-gynecology (10.8%), chronic diseases (10.8%) and neonatology (8.6%) (Institutul Național de Statistică, 2015, p. 12).

As regards the ***staff***, in 2014, there were 28 physicians per 10,000 inhabitants, 7 dentists, 9 pharmacists and 65 nursing and midwifery personnel (Institutul Național de Statistică, 2015, p.18). Moreover, starting 2008, approximately 14,000 physicians have migrated abroad. Thus, there are only 13,521 hospital physicians (compared with 20,648 in 2011) although there are 26,000 needed, according to the Ministry of Health. Of these, 2,961 are aged over 60 years, 2,610 are aged 50-60 years, 3,642 40-50 years, 3,901 30-40 years and just 407 are aged under 30 years (Şomănescu M., 2015).

In this context, the ***access to healthcare services is biased*** towards the more wealthy patients from urban areas, issue highlighted also by several reports of the World Bank (Rossi, 2014).

In numbers, ***the whole healthcare market*** (public and private) is ***more than 5.5 billion Euro worth***, of which *600 million Euro* represent *the private sector* (Petcana, 2015a).

As regards the ***medical tourism niche***, information about its size or value are scarce. However, according to the Romanian Association of Medical Tourism (cited by Şomănescu C., 2015), in 2014, about 8,200 foreigners have chosen the services provided by Romanian, private clinics and hospitals (out of the 136 members of the association). On average, they spent 3,200 Euro (for the healthcare services only; this sum does not include the travel and accommodation costs), saving up to 45% of the price they would have paid for the same services in their country. In terms of the requested services, they opted for dentistry, plastic surgery, ophthalmology, orthopaedics, dermatology and bariatric surgery (obesity surgery).

According to the medical tourism agency Seytour (cited by Petcana, 2015b), most foreign patients come from Germany, the United Kingdom, Italy and France. The agency estimates that this niche is approximately *300 million Euro* worth, dominated by spa and wellness services. As for its perspectives, it is expected to grow if both the public and private sectors will invest more in infrastructure and promotional campaigns. Also, at the moment, there are more Romanians who travel abroad for healthcare services than the foreigners who travel in Romania for the same reason.

4. Discussion

Taking into consideration the above mentioned aspects and the fact that the Romanian healthcare system still responds inefficiently to Romanians' major health problems (with biased access to healthcare towards the more wealthy patients from urban areas; a greater physicians' migration rate than the number of graduates; the underfunding of the public health sector and its old infrastructure) what are the chances that Romania will align itself with the trends abroad?

Romania has natural resources, mineral water springs and thermal baths of which could benefit. Furthermore, the potential financial gains generated by health tourism (either medial or wellness tourism) are an opportunity for increasing the revenues of healthcare providers. These could

be invested in infrastructure, equipment and appealing wages for the healthcare professionals, which, in turn, could favour an increase in the demand of healthcare services.

Thus, in order to encourage the development of this niche (health tourism), the government should offer incentives such as tax reductions. Also, the Ministry of Health could cooperate with other government bodies (for example the Ministry of Regional Development and Public Administration, the Ministry of Economy, Commerce and Relations with the Business Environment, the Romanian Tourist Authority) and the private sector (Iordache, Ciochină, 2014; Bookman, Bookman, 2007).

Another advantage of health tourism is that it offers employment and business opportunities to the local people. Besides the jobs directly linked to the healthcare sector, it also favours jobs in hotels, restaurants and other services required by tourists/patients.

Last but not least, cross-border competition forces domestic healthcare providers to improve their services and to reduce the rates.

5. Conclusions

The medical tourism industry is driven by patients, who are looking for affordable, timely or simply available healthcare services. Thus, governments and healthcare providers must understand that patients will search for providers who offer them maximum value. Furthermore, as countries become globally competitive in medical tourism, international patients help generate more taxable income. Thus, the resulting tax revenue could be used to increase access to healthcare services for local patients, as well as to improve their quality.

However, in order to benefit from this niche, the government has to produce better roads and a better public transport system.

Finally, the lack of reliable data and official statistics resulting from Ministries of Health and/or of Tourism, does not allow to estimate globally the importance of health tourism. Thus, to fully understand its implications and allow for better decision making, better data collection and further research are needed.

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