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## International trade of health services: Global trends and local impact



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### ABSTRACT

Globalization is a key challenge facing health policy-makers. A significant dimension of this is trade in health services. Traditionally, the flow of health services exports went from North to South, with patients travelling in the opposite direction. This situation is changing and a number of papers have discussed the growth of health services exports from Southern countries in its different dimensions. Less attention has been paid to assess the real scope of this trade at the global level and its potential impact at the local level. Given the rapid development of this area, there are little empirical data. This paper therefore first built an estimate of the global size and of the growth trend of international trade in health services since 1997, which is compared with several country-based studies. The second purpose of the paper is to demonstrate the significant economic impact of this trade at the local level for the exporting country. We consider the case of health providers in the South-Mediterranean region for which the demand potential, the economic effects and the consequence for the health system are presented. These issues lead to the overall conclusion that different policy options would be appropriate, in relation to the nature of the demand.

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### 1. Background

International trade in the services sector has grown fast. It has benefited from the ongoing liberalization of trade and investment in services at the multilateral level (GATS) and by changes in the structure of world demand. On the supply side, technological progress has expanded the scope of the international division of labour and it has allowed to outsource and delocalize a growing number of services activities. Consequently, the tradability of services has increased. This is especially the case of the health sector, which seems to offer new opportunities for international trade, notably export of health services from the South. Whereas quality of care differs between countries, in many developing and emerging countries, the qualification of the medical staff and the quality of health care providers have improved [1,2]. Combined with competitive cost, this

technical improvement has enabled a number of emerging countries to become net exporters of health services.

Medical tourism is not a novelty. In Ancient Greece, pilgrims and patients from all parts of the Mediterranean used to travel to Asklepios sanctuary in Epidaurus. However, this phenomenon for long generated only a marginal share of tourist flows. Since the late 1990s, a multiplicity of policy seminars and articles supports the opinion that a new and fast-growing sub-sector of international trade – trade in health services – has emerged. The number of academic paper has rapidly increased. They have been analysed in a recent wave of literature surveys [3,4,6], whereas specific studies have been published on the different dimensions of these trade, including legal and risk issues [7], equity impact [8,9,11], patients experiences [12] or marketing channels and strategies [13]. These works often estimate that the volume of international trade in

health services should not be over-valued, despite the huge figures announced by industry experts and marketing specialists. Moreover, they systematically complain about the lack of numerical data. A recent survey ended by: “*The central conclusion from this review is that there is a grave lack of systematic data concerning health services trade, both overall and at a disaggregated level in terms of individual modes of delivery, and of specific countries.*” [6]. Indeed, the real scope of this activity is difficult to assess because field surveys and reliable statistics are missing. One scholar noted that: “*It is indeed striking how very little is actually known on the extent to which health services are traded internationally. While some anecdotes exist with regard to the trade of specific narrow sub-sectors in healthcare, very modest knowledge exists on the magnitude of international trade in health services. (. . .) A literature gap remains*” [14]. The “*boom in academic analysis*” [3] has not delivered reliable assessments neither on world trends nor on the scale of revenue generated at the local level [5–15]. In this context, critical questions include the magnitude of this trade, its growth and its economic effects: is there really a take-off of international trade of health services or are observers simply more sensitive to this issue? Which are the main exporting countries? Does it have a strong impact on exporting countries? This paper seeks to address this gap in the literature and contribute to some resolution of these questions. After the presentation of the methodology (Section 2), we provide an estimate of the size, the growth and the structure of international trade in health services, which is compared to available country-based figures (Section 3). Then, to examine its local impact, we study the case of health providers in the South-Mediterranean region for which we analyse the demand potential (Section 4), as well as the economic effects and the consequences for the health system in the exporting country (Section 5). The final section of the paper discusses some policy implications (Section 6).

## 2. Methods

Whereas the growing media attention to medical tourism has spread the view that international trade in health services and its revenues are in full expansion, its real scope is difficult to quantify and, to our knowledge, has not yet a satisfactory estimate. A major problem is the lack of relevant reporting data mechanisms at national level [16]. In the absence of a sufficient number of field surveys, a comprehensive statistical base is needed to provide a reliable estimate. While medical tourism is hard to define and to measure [3–6], international trade in health services has a clearer definition, based on GATS approach, to which a set of data can be associated. In the balance of payments, trade refers to goods and services transactions between residents and non-residents of an economy. Any health services provided as a result of a non-resident patient moving across the border create an export for the host-country [17].

At the multilateral level, WTO defines four modes of international trade in services under GATS. They depend on what crosses the border: the service (Mode 1), the consumer (Mode 2), the company (Mode 3) or the supplier (Mode 4) [16,17,19]. Medical tourism corresponds to trade in health services *stricto sensu*, defined as the delivery of

care on the national territory to foreign patients, i.e.: Mode 2 of GATS. Thus, we refer here to trade or exports of health services rather than to medical tourism revenue, firstly because there is no agreed definition of medical tourism [3–6] and, secondly, because trade data do include both the persons travelling for the specific purpose of medical care and the healthcare received by travellers, the “medicated tourists” [3–20]. Since the former category represents the largest component, export of health services is a proxy of medical tourism revenue.

At the international level, the only available data source is the International Monetary Fund (IMF) “Balance of Payments Statistics” database (BOPS). BOPS provide details on the structure of trade of all countries which declare such information. Health services are included in a subcategory of “travel”, that is “health-related travel expenditures”, which is a proxy of GATS’ “Mode 2”, health services consumption abroad, i.e.: export of health services. The only rigorous attempts at assessing this trade have relied on this source [14–18,22]. Whereas the BOPS coverage is large – with 53 countries providing sufficient data on trade in health services and accounting for 53% of the world trade – it remains incomplete. In addition, reported data tends probably to underestimate the real activity because the BOPS database relies on statistics from Central Banks, which do not always receive a complete information on services exports. In this context, we have used the following method: firstly, we measured trends in world exports using data from exporters who provided sufficient information on “Health-related travel expenditure” during the 1997–2010 period. These exports are assimilated to export of health services under GATS Mode 2. Then, the ratio of health services in travel exports is used to estimate the value of health services exports for each year; except for the United States which systematically declares the value of its health-related travel exports.

In addition, the paper exploits original data from field studies carried out for the French Development Agency, the World Bank and the African Development Bank on patients mobility from Europe to South-Mediterranean countries and it relies on studies published on exports from several emerging countries.

## 3. World trends

### 3.1. Estimate of world trade

IMF statistics show that 53 countries provided sufficient data under the item “health-related travel expenditure” during the 2003–2010 period, 10 in the North and 43 in the South, whereas only 13 did so during the 1997–2003 period [23]. Thus different samples have been used for each sub-period. In this context, the following results only provide an approximation of real trends. However, the share of these countries in total trade is high. In 2010 the sample represents 52.5% of the estimated world trade in health services. Thus, the data presented here and the related trends do rely on a large and significant share of world trade. Graph 1 shows the take-off of international trade in health services in recent years. Health services exports (medical tourism) have risen faster (+176%) than “travel”

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