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MARKET REPORT

Medical Tourism and Hospitality in Latin America: The Lodging Industry's Latest Nip/Tuck

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An overview of the rising phenomenon known as medical tourism and the potential synergy between the lodging and healthcare industries in Latin America.

Skyrocketing healthcare costs in the United States and other nations have spawned increasing interest in seeking medical procedures abroad. The phenomenon, known as medical tourism, is bringing increasing demand to select lodging markets in foreign countries. High demand for this synergy between global tourism, hospitality, and healthcare services has the potential to fuel mutual growth, putting international hotel and resort operations in a position to take advantage.

Markets across Latin America offer opportunities for growth in medical tourism. Brazil, Colombia, and Chile have a strong stake in the pharmaceutical and biotechnology markets, serving as bases for the research and development and manufacturing stages for companies such as Pfizer and Merck. Panama, Mexico, Colombia, and other Latin American countries have already begun to explore the partnership between the lodging and healthcare industries through medical tourism, constructing major, well-regarded hospital facilities and attracting high-quality hotel and resort developments to accommodate guests and patients.

The following article will shed light on this phenomenon and how medical tourism in Latin America is currently creating a unique value proposition for the lodging industry.

Medical Tourism: Why this niche market is poised for growth

Medical tourism is loosely defined as the process of traveling abroad in order to obtain health care, inclusive of everything from routine dental procedures to complex surgeries. The industry is driven primarily by the following factors: cost savings, quality of care, and accessibility.[1]

Cost Savings

Affordability is a primary driver of medical tourism, especially in a down economy. Even in countries where basic procedures are covered, elective procedures like cosmetic surgery are often very expensive and not funded by either insurance or the government. According to market research, rhinoplasty and other surgical procedures conducted in Latin America can cost approximately one-third the amount patients are paying in the United States. These cost savings even take into account lodging while abroad and travel expenses to and from the patient's home country.

Quality Care

Medical tourists are also concerned about the quality of service, facilities, and medical practitioners in a foreign country;

hence, a desire for lower costs does not necessarily come at the expense of quality of care. Associations such as the Joint Commission International (JCI) and the Medical Tourism Association are working toward certifying and accrediting international hospitals that serve foreign patients.

Sunset view from Panama City, Panama, one of Latin America's up-and-coming medical tourism markets

Many international healthcare facilities, some in developing nations, have obtained accreditation for high-quality facilities that meet or exceed those available in a foreign patient's home country. For instance, Hospital Punta Pacífica in Panama has partnered with Johns Hopkins Medicine International to provide world-renowned collaborative research and medical services for the benefit of patients. Colombia is gaining worldwide prominence in cardiovascular and transplant surgery and often receives patients from abroad who cannot obtain such quality care within their home countries.

Accessibility

Medical tourists are often looking for immediate care for which they would have to wait weeks or months in their home country. Some experts[2] predict that medical tourism could jump tenfold in the next decade, a rise partly attributable to the increasing accessibility to doctors, procedures, and medical facilities across international borders.

Accessibility also relates to the ease of finding information about foreign medical and lodging facilities, especially given that patients are not comfortable with obscurity. Entities such as the Medical Travel Authority and MedRetreat offer resources to help patients research a variety of questions related to medical tourism, easing concerns related to the backgrounds of doctors, dentists, and surgeons, as well as the success stories of foreign healthcare facilities.

Medical Tourism and Hotels: Opportunities

Certain major Latin American markets are showing relatively strong RevPAR levels, even in the midst of the global economic downturn. Revenue growth at Brazilian resorts, for example, has strengthened since 2008.[3] This is partly attributable to exchange rate conversions and continued growth in average rate, which has noted sharp declines in many international markets.

Although occupancy levels are down in some Latin American markets, hotel development projects are still surfacing in countries such as Colombia, Mexico, and Brazil. Hotel investors in populous markets throughout Latin America have shown increasing interest in mixed-used and adaptive reuse developments. In Colombia, mixed-use hotel development projects are surfacing along the northern coast and in major cities such as Bogotá, Cartagena, and Barranquilla. The

World Travel & Tourism Council expects tourism to remain strong in countries like Mexico, where the expected growth in lodging will generate approximately two million jobs in the industry over the decade, according to their 2009 forecast.[4]

In addition to cost savings, quality of care, and accessibility, many medical tourists are searching for exotic destinations where they can readily obtain consults with medical practitioners during their time of recovery. Hence, beach and mountain destinations, as well as places rich in cultural history are a major draw for patients.

The lodging and healthcare industries can work in concert to supply medical tourists with the staff, facilities, and amenities necessary to fulfill their needs as patients and lodging patrons. The Johns Hopkins-affiliated Hospital Punta Pacifica in Panama City, Panama, offers lodging adjacent to its world-class hospital facilities. The hotel accommodations allow guests to recover in a setting more akin to a high-end hotel than a hospital ward. The hotel serves as a liaison between the guest and the hospital by providing patients with additional amenities that include concierge services, trip planning, tourist attraction packages, and translation services. More than 25% of the hospital's patients arrive from the United States.[5]

The lack of marketing efforts about medical tourism in Latin America has hindered its growth in previous decades. However, according to Bloomberg News, Mexico has invested considerably in marketing medical tourism by hosting trade shows and conferences that promote the new medical facilities and hotels in the market. Mexico's largest private hospital chain, Grupo Empresarial Angeles, has committed approximately $700 million to build hospitals over the course of the next decade. According to local economic officials and development offices in major cities in Colombia, the presence of state-of-the-art technology and healthcare facilities is strengthening and expected to attract more diversified investments in years to come.

In fact, Empresas Bánmédica, the largest Chilean-based private health organization and one of the largest companies in South America, is working in collaboration with several clinics across the continent in order to foster growth in the healthcare industry. Their upcoming development project, Clínica Portoazul in Barranquilla, Colombia, is expected to break ground in late 2009 in a free-trade zone and projected to yield substantial profits during its second year of operation. The 233,577-square-foot, 121-bed hospital will be the largest of its kind on the northern coast of Colombia and will employ a host of highly reputed medical practitioners.

A proposed hotel, Centro Internacional del Caribe, is planned to be built by 2011 on a site adjacent to the hospital; moreover, retail and commercial development projects, such as restaurants and local shops, are expected to attract local, national, and international demand. The hotel will also provide a high-quality, diverse amenity set, including concierge services that will enable guests and patients to experience convenience and comfort with respect to both the medical and the tourism aspects of their visit.

Conclusion

The unique value proposition presented by medical tourism demands that the healthcare and lodging industries work in unison to attract guests/patients. Based on the number of development projects currently in the pipeline in Latin America, investors see the potential for growth, and many markets throughout Central and South America remain untapped. Patients seeking outbound medical tourism need reputable lodging and healthcare options that ease the burdens of medical procedures and the recovery process. In this capacity, Latin American hotels act as a liaison with local hospitals and doctors to provide cost-effective, accessible, quality care for the medical tourist as a patient, and a lodging environment that caters to his or her needs as a guest.

1 2008 industry report by the Deloitte Center for Health Solutions

2 Sources at Deloitte Consulting

3 Jones Lang LaSalle

4 Travel Daily News International