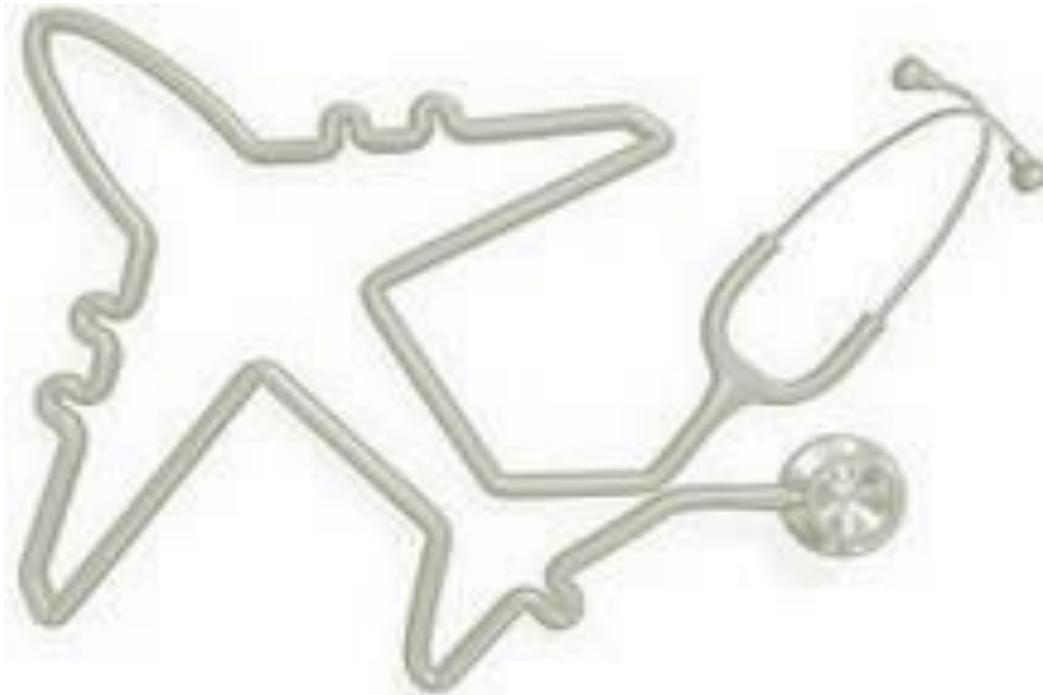




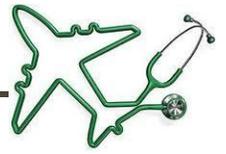
## **PLAN FOR A MEDICAL TOURISM PROGRAM IN PUERTO RICO**



**Prepared for: the Department of Economic Development &  
Commerce**

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## I. EXECUTIVE SUMMARY

Medical tourism is an industry with huge potential for Puerto Rico. The cost of medical procedures in Puerto Rico is notably cheaper than in the United States. Many physicians on the Island are certified by the same medical boards that certify doctors in the U.S., thus guaranteeing quality and bringing a sense of comfort to inbound patients. Hospitals in Puerto Rico must comply with the same standards for Medicare as in the United States, and the Joint Commission evaluates them exactly as it evaluates hospitals in the United States.

However, there are also a number of factors that could impede medical tourism efforts in Puerto Rico. These include a declining number of medical specialists; language barrier issues; hospital capacity; lack of coordination between stakeholders; and competition from abroad with much lower prices for some of the same procedures.

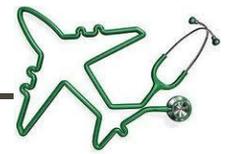
Puerto Rico is already a significant destination for medical tourism from other Caribbean residents, such as those from the U.S. Virgin Islands. There are already some hospitals working to incorporate the medical tourism market; these include the Ashford Presbyterian Hospital, San Jorge Children's Hospital, HIMA San Pablo, Cardiovascular Center for P.R., Doctor's Centers Hospital and Metro Pavia. These facilities have made personnel and facility investments to provide international patients with quality service.

Meanwhile, there has been no breakthrough in the United States market. In fact, most people in the United States are unaware of the advantages of medical services in Puerto Rico.

A key issue is that a requirement for success in the United States market is building a network of providers, both medical and non-medical, that can be attractive to insurance companies and self-insured corporations.

Therefore, there is a clear need for a Medical Tourism Corporation (MTC) that serves as the center of convergence for a successful initiative. The recommendation is for a non-profit organization although some other legal structure could be considered. It must not be a government corporation.

To realize this potential, Puerto Rico should allocate sufficient resources and systematically implement the following initiatives:



- The creation of a self-sustainable “Medical Tourism Corporation” (MTC) launched as a nonprofit organization, with a Board of Directors (BDMTC).
- The BDMTC shall define goals and be solely responsible for executing the strategy such as marketing and training initiatives. It would also be responsible for service development programs in health and hospitality, monitoring and measurement techniques and development of sales channels and promotion through cooperation of stakeholders.
- The MTC shall be initially funded and budgeted through the Department of Economic Development & Commerce and the Puerto Rico Tourism Company, until the program developed generates sustainable funding.
- The Board shall create the framework under which the Destination Management Organization (DMO) would run the day-to-day operations of the medical tourism initiative. The Board would determine which functions are delegated to the DMO and which prerogatives would remain at the Board level.
- Alternatively, the BDMTC could segment the different tasks to be performed by the DMO and assign those tasks to different organizations: certification of participants, marketing efforts in the United States, concierge and coordination services in Puerto Rico.

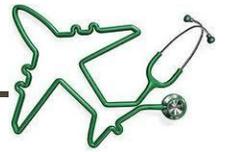
The Board should have a slight private sector majority and strong governmental participation. It should be composed of four members from the public sector and five members from the private sector, although a different number of board members could be considered.<sup>1</sup>

The secretaries of the Department of Economic Development & Commerce (president of the Board) and the Department of Health, and the executive directors of the Puerto Rico Tourism Company and the Commerce and Trade Corporation, would form the public sector group. It is expected that the public sector representatives would be a more cohesive group, often voting as a block.

The private sector would be represented by the presidents of the College of Physicians-Surgeons of Puerto Rico, the Hospital Association of Puerto Rico, the College of Dental Surgeons of Puerto Rico, and the Hotel Association of Puerto Rico, and a representative of the public interest.

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<sup>1</sup> There was consensus within the consulting team and key stakeholders, such as the Puerto Rico Foundation and the Hospital Association, that the BDMTC should have a private sector majority and significant governmental participation. However, there was dissent in the consulting team as to the size of the board and the role of the advisory committee. Some team members considered a seven-member board too small and advocated to keep an advisory committee.



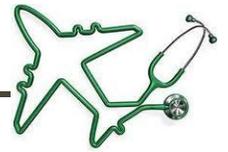
The re-launch of the medical tourism initiative should take as much as possible from existing frameworks. The incentives used should be those already in place in the tourism incentives law, the export of services law, and the Tourism Development Fund. The structure of the MTC can use as reference the Puerto Rico Convention Bureau. The selection of the operator of the Medical Tourism Destination Management Organization could use as a starting point the process followed to select the operator of the P.R. Convention Center. The medical tourism law should be simple, leaving the details of the initiative (provider certifications, strategy, etc.) to the MTC. Regarding providers, no regulation is necessary nor should be included in the Medical Tourism Act of Puerto Rico (PRMTA) since the sector is heavily regulated by local and Federal entities.

An important addition should be included in the case of Law 20 of 2012 to promote the export of services. To incentivize surgeons and specialists to either stay or return to Puerto Rico, they should be allowed to form export-service corporations in which the only employee is themselves. Therefore, a surgeon in the United States may decide to interact with his patients in an office in the United States, but fly to Puerto Rico to perform surgeries.

There are two main markets in U.S. outbound medical tourism: the insured and uninsured/underinsured. The insured market is made up of people who receive health benefits through the government, a private company or an employer-sponsored health plan. If the person is insured and has no Puerto Rico providers in his approved network, he/she will probably not be coming to Puerto Rico for medical treatment. On the other hand, if the health plan offers economic incentives to individuals to pursue treatment with Puerto Rico health providers, it is assumed that many would come to the Island.

The uninsured/underinsured, as the name suggests, are those individuals who lack insurance coverage or whose insurance coverage is deficient. This market is price sensitive, providing an edge to lower cost jurisdictions, and shrinking as a result of the Affordable Care Act (ACA-Obamacare). However, the segment of dental services seems promising because the ACA does not require coverage of dental services and the elective nature of the service protects against non-payment.

In the late 1990s and early 2000s, U.S. outbound medical tourism consisted mostly of cosmetic procedures in plastic surgery and dental. Over the last decade, however, there has been a significant increase in patients seeking procedures in orthopedics, cardiology, weight loss surgeries, infertility treatments, oncology and spinal procedures.



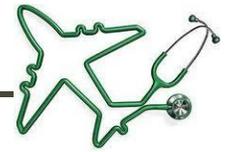
It is projected that within several years, medical tourism in Puerto Rico could match the size of the industry in Costa Rica at present. If this is achieved, the industry would attain a size of over \$300 million. Medical tourism could generate some 2,612 jobs by 2017. The estimate is consistent with the estimate included in the document “Economic Roadmap,” published in 2013 by the Department of Economic Development & Commerce.

Stakeholders expressed a need for some \$8 million in commitment of government funds to the MTC during the first three years of operations. This should be considered seed money to launch the initiative. Then, the MTC would become self-sufficient.

Like that of the Caribbean, building a clientele from the United States will take time. While setting up the network of providers should be relatively quick, reaching agreements with insurance operations will take longer. Once this is achieved, and not before, marketing would need to be performed both with the insurance beneficiaries and with their doctors for referrals. The uninsured market can be approached in parallel, but this is much smaller, and getting smaller as a result of the ACA, and more responsive to the price advantage of cheaper jurisdictions.

Most U.S. buyers of healthcare will assume that the quality of out-of-country medical services is inferior to those at home. Therefore, the burden for the MTC is to change this perception by building trust in its provider network. Specifically, it must educate the skeptical U.S. market about the high quality of care in Puerto Rico, while at the same time provide the necessary services and conveniences needed to attract the U.S. market.

The profile of health professionals is both a concern to the medical tourism initiatives as well as an opportunity to stem the flow of physicians leaving the Island. The progressive aging of physicians, the decline in the number of specialists, and the decrease in the total number of new medical professionals are worrying features in this market.

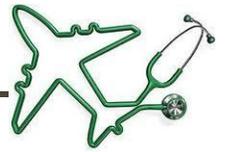


**Action Plan**

Description	Timeframe
Revise and amend the present law of Medical Tourism	Two months from start
Constitute the Board of Directors of the Medical Tourism Corporation	Three months from start
Choose the administration of the Destination Management Association (DMO) through a Request for Proposal	Five months from start
Start with the training and certifications of healthcare and hospitality providers	Five months from start
Coordinate the network of medical providers, determinate who will participate and establish the price structure	Eight months from start
Create and develop the website with DMO and provider information	Eight months from start
Start the marketing process for the different target markets: insurance corporations, “self-insured” companies and uninsured populations	Nine months from start

One alternative to accelerate the timetable would be for the DDEC to name the DMO for the first term and the BDMTCO could do it from then onward.

Tourism in Puerto Rico started small, with the first major hotel in 1947, and grew into a large industry. Properly executed, the same will happen with medical tourism.



## II. INTRODUCTION

The Department of Economic Development and Commerce (DDEC for its Spanish acronym) commissioned to Advantage Business Consulting, Medical Tours Costa Rica and Milestone Company the preparation of the study **Plan for a Medical Tourism Program in Puerto Rico**.

Puerto Rico offers great potential, but little actual execution in the medical tourism market. Something similar was the case about 60 years ago when Puerto Rico started to develop the basics of a tourism industry, a time when the commonwealth faced established competitors such as Cuba and Acapulco, Mexico.

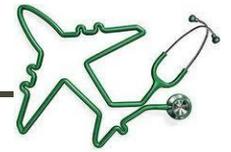
The cost of medical procedures in Puerto Rico is notably cheaper than those in the United States. However, Puerto Rico is practically invisible in the world's medical tourism map. Although the 2010 Medical Tourism Law has been ratified, there are currently no coordinated marketing efforts by the government.

Puerto Rico's close relationship with the United States places it in a strong position to carry out a large-scale medical tourism operation. Many physicians on the Island are certified by the same medical boards that certify doctors in the U.S., thus guaranteeing quality and bringing a sense of comfort to inbound patients. Hospitals in Puerto Rico must comply with the same standards for Medicare as in the United States and the Joint Commission evaluates them exactly as it evaluates hospitals in the United States.

Potential medical tourists coming from the U.S. or U.S. Virgin Islands do not need to worry about bringing passports with them. More than 65% of U.S. citizens do not have passports. This potential medical tourist market also does not have to worry about currency exchange rates, since Puerto Rico uses the U.S. dollar as its currency.

However, there are also a number of factors that could impede medical tourism efforts in Puerto Rico. These include a declining number of medical specialists; language barrier issues; hospital capacity; lack of coordination between stakeholders; and competition from abroad with significantly lower prices for some of the same procedures.

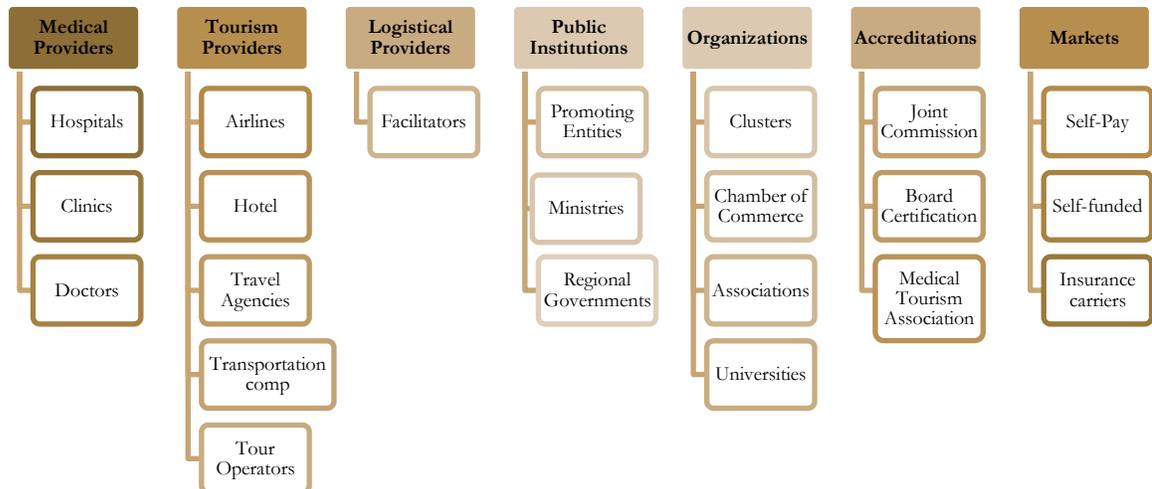
Medical tourism is an emerging global industry with a wide range of stakeholders with commercial interests including brokers, healthcare providers, insurance provisions, website providers and



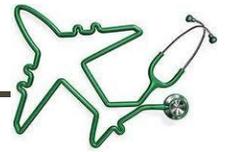
conference and media services. Puerto Rico sees medical tourism as a potential area for economic development. The medical tourism stakeholders are comprised of the following:



### Medical Tourism Stakeholders Map



Source: Medical Tourism Association



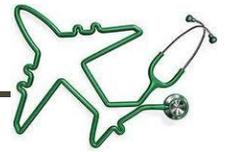
During the 20<sup>th</sup> century, affluent individuals from less developed areas of the world traveled to developed nations to access better facilities and highly trained medical staff. At present, there is a reversal of this flow from developed to less developed nations, more regional movements and the emergence of an “international market” for patients. A significant new element of this trade has involved the movement of patients across borders in the pursuit of medical treatment and healthcare, a phenomenon commonly termed “medical tourism”.

The key features of the new century style of medical tourism are summarized below:<sup>2</sup>

- 🔑 The large numbers of people traveling for treatment.
- 🔑 The shift toward patients from richer, more developed nations travelling to less developed countries to access health services, largely driven by low-cost treatments.
- 🔑 New enabling infrastructure that is affordable, such as accessible travel and readily available information over the Internet.
- 🔑 Industry development: both private business and government in developed and developing nations have been instrumental in promoting medical tourism as a potentially lucrative source of economic activity.

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<sup>2</sup> Neil Lunt, Richard Smith, Medical Tourism, Treatments, Market and Health System Implications: A scoping review.



### III. PUERTO RICO FEASIBILITY LEGAL ANALYSIS

#### Pre-Study Conclusions

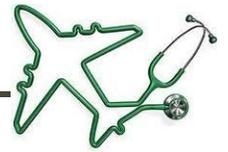
The Puerto Rico Medical Tourism Act was approved in 2010 to establish public policy relative to the medical tourism industry. The Act created many new regulatory bodies and expanded power to entities which had existed previously. This has been widely criticized as adding complexity without adding value. Powers were delegated to the Executive Director of the Puerto Rico Tourism Company to implement the Act, create an Advisory Council to advise the Consultative Board on issues of health and tourism, and to provide financial incentives, procedures and licenses for activities developing medical tourism. Today, the benefits of the Act have yet to be understood and realized.

Despite the efforts of the legislature to provide a framework for the development of medical tourism to allow for the centralization of international communications and manage international patient flow, there currently exists no finalized strategy to drive international expansion.

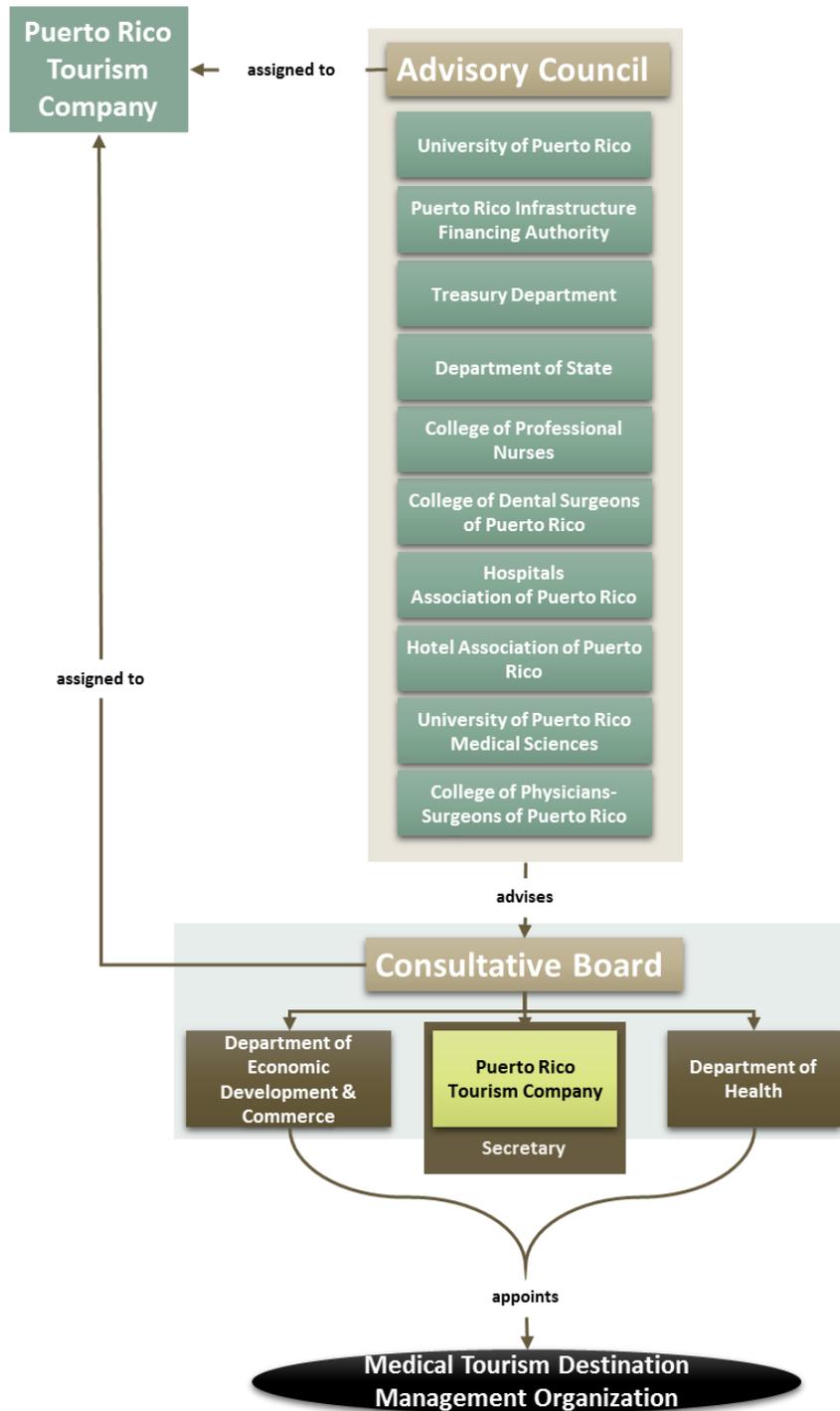
The experience in Puerto Rico until now has been premised upon a mix of efforts and relationships established by separate hospitals, clinics, resorts and individual healthcare specialists and their respective medical divisions. These efforts include international speaking opportunities, medical training programs, U.S. based physicians working on the Island, service provision abroad through overseas clinic development, telemedicine and limited research and philanthropic work. The efforts of leading specialists and hospitals should be combined into a system of best practices and utilized by all facilities for entry into new markets.

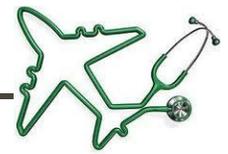
The concern for continuum of care, legal risk and liability and complications management necessitates that any medical tourism strategy would necessarily require a combination of care provided in Puerto Rico and the consumer market for follow-up and patient monitoring over potentially long periods of time. Also to be determined is whether the collection of records and the use of telemedicine will improve relations, allow for proper diagnosis of the patient and ultimately, produce better outcomes.

The concern of legal liability is of great importance and this shall be discussed from the standpoint of the public and private stakeholder impact.



The Medical Tourism Act of Puerto Rico established the following cumbersome organization:

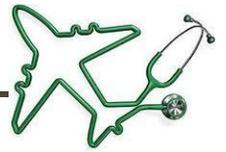




## Recommended Structure

Puerto Rico has the potential to attract a significant number of international patients and much of that opportunity comes from patient flow from the United States, both cash pay and employer or third-party payor systems. To realize this potential, Puerto Rico should allocate sufficient resources and systematically implement the following initiatives.

- The creation of a self-sustainable “Medical Tourism Corporation” (MTC) launched as a nonprofit organization, with a Board of Directors (BDMTC) and deleting the Advisory Council stipulated in the Medical Tourism Act of Puerto Rico.
- The BDMTC shall define goals and be solely responsible for executing the strategy such as marketing and training initiatives. It would also be responsible for service development programs in health and hospitality, monitoring and measurement techniques and development of sales channels and promotion through cooperation of stakeholders.
- The MTC shall be initially funded and budgeted through the Department of Economic Development & Commerce, until the program developed generates sustainable funding. The BDMTC shall allocate such funds as determined by the Board each year.
- The Board shall create the structure to run the Destination Management Organization (DMO), which will run the day-to-day operations of the medical tourism initiative. The Board would determine which functions are delegated to the DMO and which prerogatives would remain at the Board level.
- Alternatively, the BDMTC could segment the different tasks to be performed by the DMO and assign those tasks to different organizations: certification of participants, marketing efforts in the United States, concierge and coordination services in Puerto Rico.
- The MTC would be responsible for establishing the requirements for the facilities involved in the Medical Tourism Plan such as criteria, certification, licenses, evaluations, reports and other regulations. These requirements should not be in the law so as to provide the flexibility and capacity to adjust quickly to changing circumstances.
- The MTC should standardize all data gathered and create analysis to allow for proper monitoring, reporting, benchmarking and goal modification through time to maintain the integrity of the program and provide just accountability for funding received and private sector investment.



- Additionally, the MTC should be authorized to initiate and carry on all marketing efforts on behalf of the stakeholders in the international markets. The development of a turnkey marketing solution will be essential and the basis of which shall be a clear, consistent message across multiple delivery mechanisms outlined through this Study.
- The DMO should be chosen for a period of several years. Since the DMO would be a significant task for any government administration, it is important that each administration has a say on this endeavor. On the other hand, it is important that the DMO efforts are not at the mercy of political winds. Thus, the recommendation is that contracts with the DMO should neither start nor end during the year of a general election, or the year following a general election, and should not have a length that would cover more than one general election. For example, a contract could be issued for the period 2014 to 2018. It could not be issued for the period 2014 to 2020 or 2014 to 2017.
- The BDMTC would advance the development of medical malpractice regulations that reduce the liability effectuating a cap on noneconomic damages and provide a fair and safe environment for patients to receive care and access legal redress, when necessary.

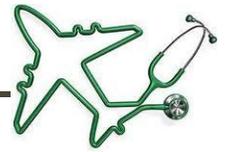
There is a clear need for a Medical Tourism Corporation (MTC) that serves as the center of convergence for a successful initiative. The recommendation is for a non-profit organization although some other legal structure could be considered. It must not be a government corporation.

The Board should have a slight private sector majority and strong governmental participation. It should be composed of four members from the public sector and five members from the private sector, although a different number of board members could be considered.<sup>3</sup>

The secretaries of the Department of Economic Development & Commerce (president of the Board) and the Department of Health, and the executive directors of the Puerto Rico Tourism Company and the Commerce and Trade Corporation, would form the public sector group. It is expected that the public sector representatives would be a more cohesive group, often voting as a block.

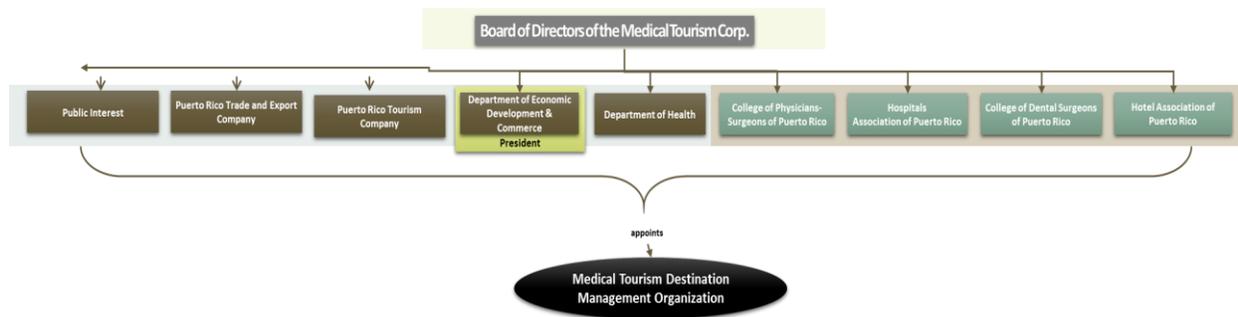
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<sup>3</sup> There was consensus within the consulting team and key stakeholders, such as the Puerto Rico Foundation and the Hospital Association, that the BDTMC should have a private sector majority and significant governmental participation. However, there was dissent in the consulting team as to the size of the board and the role of the advisory committee. Some team members considered a seven-member board too small and advocated to keep an advisory committee.



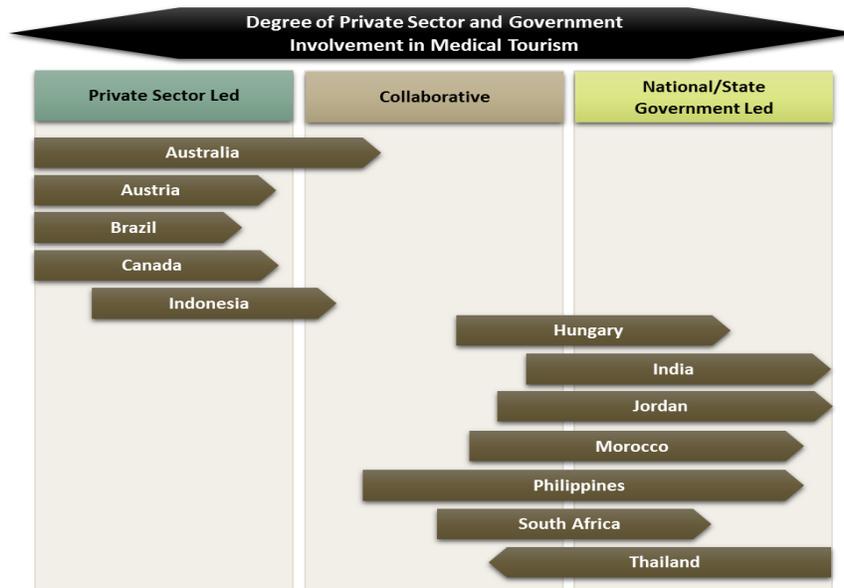
The private sector would be represented by the presidents of the College of Physicians-Surgeons of Puerto Rico, the Hospital Association of Puerto Rico, the College of Dental Surgeons of Puerto Rico, and the Hotel Association of Puerto Rico, and a representative of the public interest.

The BDMTC could delegate the implementation and management of the Medical Tourism Plan to an experienced team of industry professionals that can bring together proven best practices of each component of the initiative, such as training, certification, marketing, negotiations with insurance plans and extensive experience in patient facilitation. The experienced team will be known as the DMO.

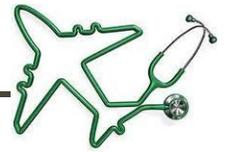


### Organizational Structure: Benchmark

Organizational Structure of medical tourism varies from country to country.<sup>4</sup>



<sup>4</sup> Global Spa Summit (2011). Research Report: Global Spa Summit 2011 Wellness Tourism and Medical Tourism: Where Do Spas Fit?



"The countries with the most well-developed medical tourism sectors and brand images (e.g., India, Thailand, Jordan) also tend to be those where the national government has already established itself as a leading player in promoting these sectors."

- National tourism board or national ministry of tourism typically led promotional efforts while the ministry of health typically oversee and developed the medical sector in general.

Governments recently identifying medical tourism opportunities, are "playing only a small (but often increasing) role in sectoral development and promotion (e.g. Australia, Canada, Brazil)."

- In the recent years the medical tourism sector has been almost exclusively private or supported by collaborative organizations.

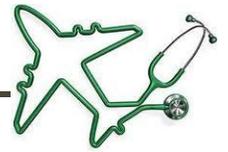
### Puerto Rican Law and Medical Tourism

There are two main laws passed by the Puerto Rican legislature; these laws are Act No. 196-2010, known as the Medical Tourism Act of Puerto Rico (PRMTA), and Act No. 74-2010, known as the Tourism Development Act of Puerto Rico (TDAPR). These laws, with the addition of segments of others laws, provide the legal framework and incentive structure for the growth of the medical tourism industry in Puerto Rico. This section will outline the provisions of the laws as a frame of reference for the recommended revisions.

The Tourism Development Act of Puerto Rico (TDAPR) is a fairly straightforward law. As the name implies, it promotes the development of tourism in Puerto Rico. It does this by providing tax exemptions for many taxes such as property tax, municipal tax, consumption tax and construction tax. The intent of the Act is to get people to invest in improving the tourism infrastructure of the Island. Mainly, the hotel and hospitality sectors utilize the bill for programs. However, within the bill, medical tourism is defined as a tourism activity, so any development of medical tourism facilities will receive the exemptions mentioned below. It is not suggested that the TDAPR be revised or amended as part of this Study.

Benefits include:

- Tax credit of 10% of the total project cost, or 50% of cash from investors (whichever is lowest);
- 100% exemption on municipal construction excise tax;
- 100% exemption on taxes on imported goods and sales tax;
- 100% exemption on municipal licenses;



- 90% exemption on income taxes; and
- 90% exemption on property taxes.

The Medical Tourism Act of Puerto Rico (PRMTA) is more complex. The bill “sets the foundations to develop medical tourism to its maximum potential and turn it into an important component of [the] offer to tourists from all parts of the world, thus promoting the change that the tourist sector needs to become an effective economic and social development tool.” (Act No. 196-2010)

Both the PRMTA and the TDAPR provide incentives to those participating in medical tourism and other tourism activities. The Hospital Facilities Tax Exemption Act also provides incentives. These benefits and incentives are only provided to “duly certified” businesses. These eligible businesses may only receive benefits from one law for each incentivized activity. For example, a hotel which operates as an aftercare facility can only receive benefits for this particular activity from one of the laws, however, if it is engaging in other non-related activities, such as eco-tourism, it can receive benefits from the other laws.

It is essential that the revisions suggested herein make the incentives and authorizations under this law public knowledge, particularly to stakeholders of the respective industries. To date, this Act remains a mystery to most stakeholders.

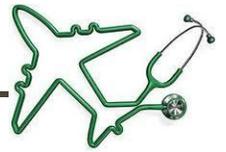
### **Incentives Recommendations**

There should not be tax incentives specifically targeting medical tourism. This would unnecessarily add complexity to the system. The increased burden on the Treasury Department would also generate unnecessary bureaucracy and legal expenses.

Medical tourism is already covered under the Tourism Development Act of Puerto Rico. As an additional option, medical tourism should be included as part of the Act to Promote the Export of Service (Law No. 20-2012).

This act states the following:

“Eligible businesses that hold a decree under this act shall be subject to a fixed income tax rate of four percent (4%) on income derived from the Export of Services during the term of such decree in lieu of any income tax provided in the Code or in any other law, as provided in the Section, counting from the date of the beginning of operation...However,

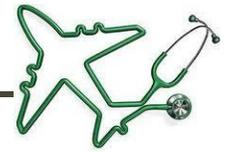


the fixed income tax rate for a taxable year shall be reduced by one percent (1%)” with previous government approval, such as the secretary of the Treasury Department.

Thus, medical tourism projects could opt for either one of these laws, depending on the characteristics of the project and possible future changes in these two laws.

An important addition should be included in the case of Law 20 to promote the export of services. To incentivize surgeons and specialists to either stay or return to Puerto Rico, they should be allowed to form export service corporations in which the only employee is themselves. Therefore, a surgeon in the United States may decide to interact with his patients in an office in the U.S., but fly to Puerto Rico to perform surgeries.

In terms of programs for providing finance to medical tourism projects, no new program should be instituted. Instead, the definition of projects financed by the Tourism Development Fund (TDF), part of the Government Development Bank, should be modified to accommodate medical tourism. The TDF mostly provides guarantees to finance hotels, but the projects must have sufficient equity and be financially viable.



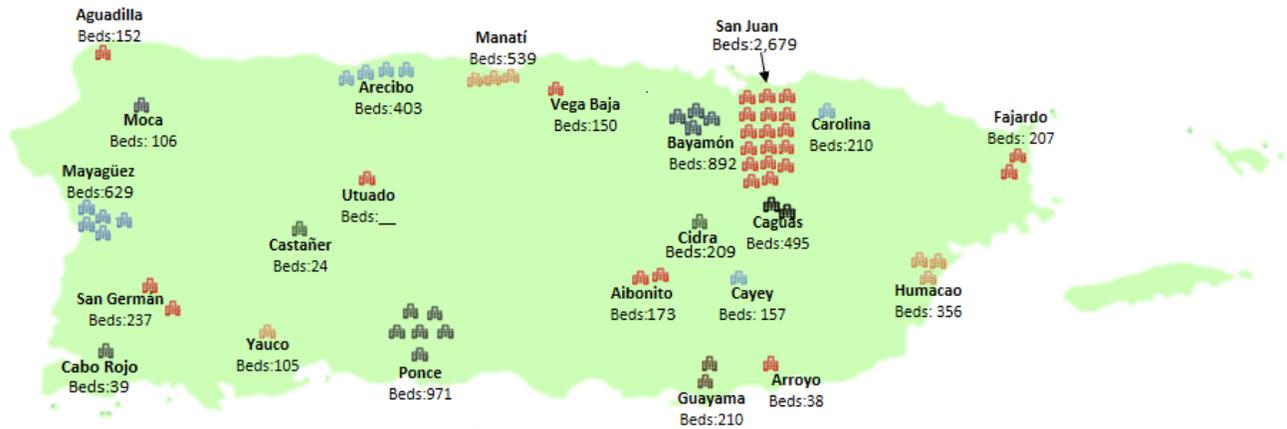
## IV. SELECTED HEALTH AND TOURISM STATISTICS

### Health Sector Profile

The rate of beds per 1,000 inhabitants measures the capacity of available beds in a jurisdiction or country. In the case of Puerto Rico, this rate is 2.27 beds per 1,000 inhabitants. Hospital beds include inpatient beds in government and private hospitals, as well as general and specialized hospitals. The highest densities of beds are located in the San Juan metropolitan area.

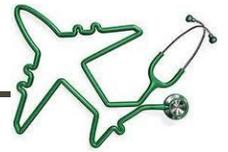
Puerto Rico Beds per 1,000	
P.R. Beds Total (2011)	8,456
Total Population (2011)	3,723,026
<b>Beds per 1,000 Inhabitants</b>	<b>2.27</b>

Source: U.S. Census Bureau and CMS



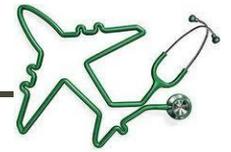
Source: Center for Medicare and Medicaid Services CMS & Advantage Business Consulting  
 Note: The number of beds for some hospitals is missing.

Of the 70 hospitals throughout the Island, 36 are for-profit and 20 are nonprofit, and another 14 are owned by the government. The hospital universe is broken down into 19 institutions that offer specialized healthcare and 51 that offer general acute care.



The next table shows the supply of beds in Puerto Rico. The hospital with the highest market share is Auxilio Mutuo with 534 beds. The occupation rate represents the average number of days when hospital beds are occupied during the whole year and generally mirrors how intensively hospital capacity is used.

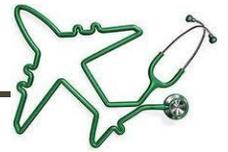
An occupation rate of over 80% is considered good, while over 90% is considered worrisome. The reason is that a 90% average occupancy means some days of over 100% occupancy with patients in the Emergency Room waiting for available beds.



Puerto Rico Hospital Statistics - 2012

Hospital Name	City	Total Beds	Patient Days	Census Daily	Occupation Rate
Doctors' Center Hospital	Manati	250	90,469	248	99.1%
Hospital Menonita De Cayey	Cayey	157	55,948	153	97.6%
Dr. Alejandro Otero Lopez Hospital	Manati	235	82,470	226	96.1%
Perea Hospital	Mayaguez	124	43,280	119	95.6%
HIMA-San Pablo Hospital-Caguas	Caguas	390	134,346	368	94.4%
Caribbean Medical Center	Fajardo	38	12,734	35	91.8%
Mayaguez Medical Center	Mayaguez	181	59,994	164	90.8%
Administrative Medical Services	San Juan	76	24,941	68	89.9%
Hospital de la Concepcion	San German	155	50,211	138	88.8%
Hospital Episcopal San Lucas	Ponce	136	43,313	119	87.3%
Saint Luke's Memorial Hospital	Ponce	314	98,786	271	86.2%
University District Hospital	San Juan	241	75,751	208	86.1%
Hospital Buen Samaritano	Aguadilla	152	47,625	130	85.8%
Ashford Presbyterian Community Hospital	San Juan	195	60,952	167	85.6%
Pavia Hospital - Santurce	San Juan	212	65,225	179	84.3%
University of Puerto Rico Hospital	Carolina	210	63,368	174	82.7%
Hospital Matilde Brenes	Bayamon	128	37,328	102	79.9%
Hospital Hermanos Melendez	Bayamon	241	69,730	191	79.3%
HIMA-San Pablo Hospital-Bayamon	Bayamon	421	120,913	331	78.7%
Hospital Metropolitano	San Juan	122	34,965	96	78.5%
Hospital Episcopal Cristo Redentor	Guayama	115	32,763	90	78.1%
Hospital Dr. Pila	Ponce	131	36,800	101	77.0%
Hospital San Francisco	San Juan	142	39,621	109	76.4%
Hospital Cayetano Coll y Toste	Arecibo	198	55,211	151	76.4%
Dr. Dominguez Hospital	Humacao	60	16,276	45	74.3%
Auxilio Mutuo Hospital of Puerto Rico	San Juan	534	144,368	396	74.1%
Bella Vista Hospital	Mayaguez	180	48,268	132	73.5%
Hospital San Cristobal	Ponce	138	36,470	100	72.4%
Hospital Dr. Susoni	Arecibo	134	35,336	97	72.2%
Doctors Community Hospital	San Juan	125	32,455	89	71.1%
Hospital San Carlos Borromeo	Moca	106	27,111	74	70.1%
Cardiovascular Center of Puerto Rico and the Caribbean	San Juan	146	36,585	100	68.7%
Aibonito Mennonite General Hospital	Aibonito	150	37,452	103	68.4%
Hospital De Damas	Ponce	252	62,067	170	67.5%
HIMA-San Pablo Hospital-Humacao	Humacao	69	16,451	45	65.3%
Hospital Del Maestro	San Juan	216	49,069	134	62.2%
San Juan Municipal Hospital	San Juan	192	38,468	105	54.9%
Hospital Metropolitano San German	San German	82	16,029	44	53.6%
Ryder Memorial Hospital	Humacao	227	43,258	119	52.2%
Pavia Hospital - Hato Rey	San Juan	166	31,501	86	52.0%
HIMA-San Pablo Hospital-Fajardo	Fajardo	169	31,263	86	50.7%
Hospital Metropolitano Dr. Tito Mattei	Yauco	105	19,152	52	50.0%
San Juan Bautista Medical Center	Caguas	105	19,101	52	49.8%
Hospital I. Gonzalez Martínez	San Juan	47	7,918	22	46.2%
Hospital Lafayette	Arroyo	38	6,100	17	44.0%
Wilma N Vazquez Medical Center	Vega Baja	150	22,156	61	40.5%
Hospital San Agustín	Manati	54	7,225	20	36.7%
Bayamon Regional Hospital	Bayamon	102	12,808	35	34.4%
Hospital Santa Rosa	Guayama	95	11,744	32	33.9%
Hospital San Gerardo	San Juan	157	13,017	36	22.7%
Castaner General Hospital	Lares	24	1,384	4	15.8%
Clinica Espanola, Inc.	Mayaguez	69	1,935	5	7.7%
<b>Total</b>		<b>8,456</b>	<b>2,261,711</b>	<b>6,196</b>	<b>68.3%</b>
Panamericano	Cidra	209	-	-	-
CIMA	Aibonito	23	-	-	-
Menonita	Arecibo	23	-	-	-
Dr. Andres Grillasca Oncology Hospital	Ponce	0	-	-	-
San Juan VA Medical Center	San Juan	0	-	-	-
Hospital Metropolitano De La Montana	Utado	0	-	-	-
San Jorge	San Juan	0	-	-	-
Caestrano	San Juan	108	-	-	-
San Antonio	Mayaguez	75	-	-	-
Hospital El Buen Pastor	Arecibo	48	-	-	-
Metropolitano	Cabo Rojo	39	-	-	-

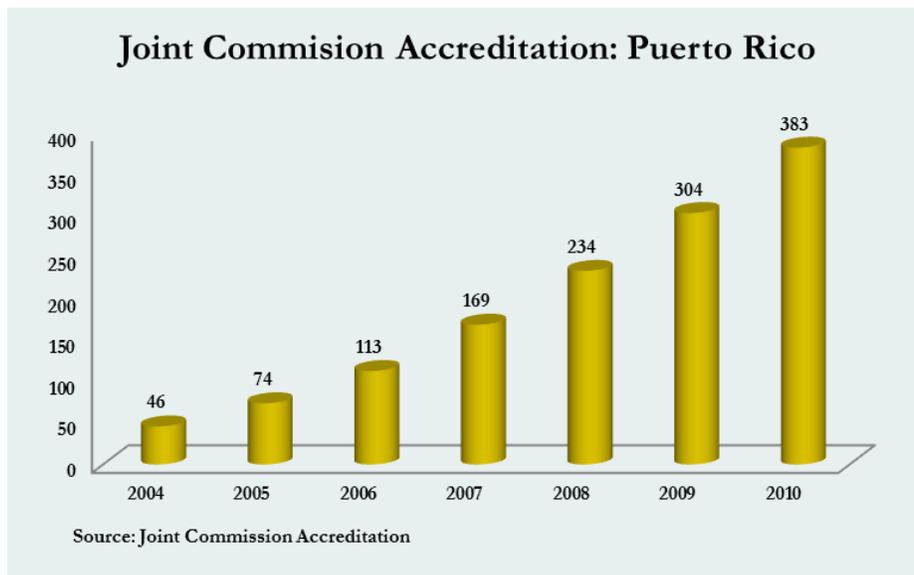
Source: Center for Medicare and Medicaid Services CMS



Many hospitals and other healthcare facilities in Puerto Rico possess the Joint Commission Accreditation. The mission of the Joint Commission is to certify, verify and accredit health facilities such as hospitals, ambulatory clinics and clinical laboratories, among others.

Trusted international accreditation has become one of the biggest drivers in the growth of the medical tourism market. Responding to a global demand for accreditation standards, the U.S.-based Joint Commission launched its international affiliate agency in 1999. Puerto Rico is considered part of the domestic United States for purposes of accreditation.

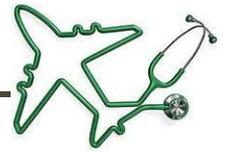
The number of facilities in Puerto Rico accredited by the Joint Commission has increased in recent years.



### Physician Workforce Profile

The profile of health professionals in Puerto Rico has changed over the last years. The progressive aging of physicians and the decrease in the total number of new medical professionals are worrying features in this market. Moreover, the movement of young professionals leaving Puerto Rico creates a distortion in the workforce.

Physician-to-population ratios are used to support healthcare human-resources planning. While physician density ratios are useful indicators of changes in physician number relative to the population, inference from the total number or ratios as to the adequacy of provider resources



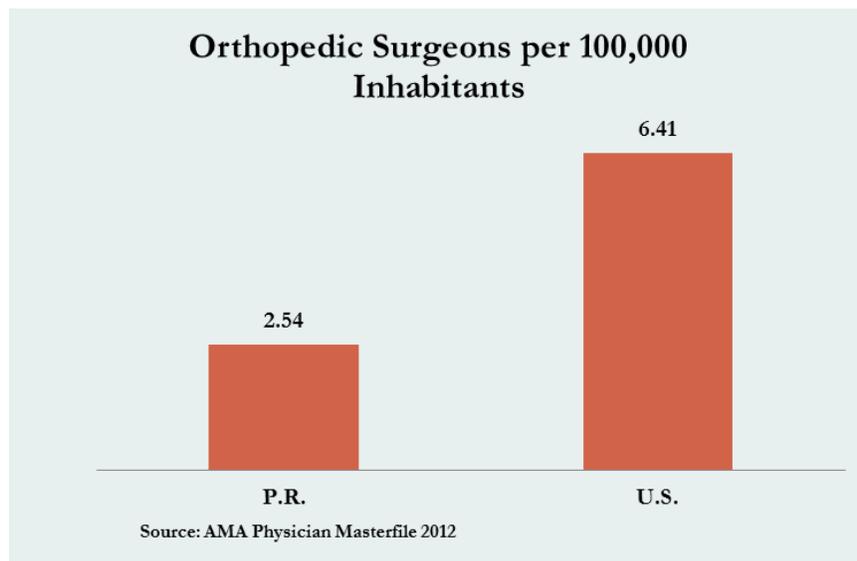
should not be made. The physician-to-population ratio reflects the number of doctor in a region and has not been adjusted to take these movements into account.

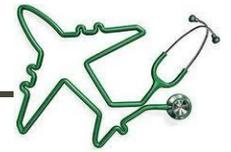
The United States is facing a primary-care physician shortage, but the most pressing concern is the uneven distribution of these physicians. Many people in the most underserved communities are uninsured. As health reform provides insurance to millions of other Americans, the shortage of primary-care physicians will be significant.

Puerto Rico physicians are an attractive labor pool to address this shortage. On the other hand, Puerto Rico faces a shortage of specialists, such as orthopedic surgeons.

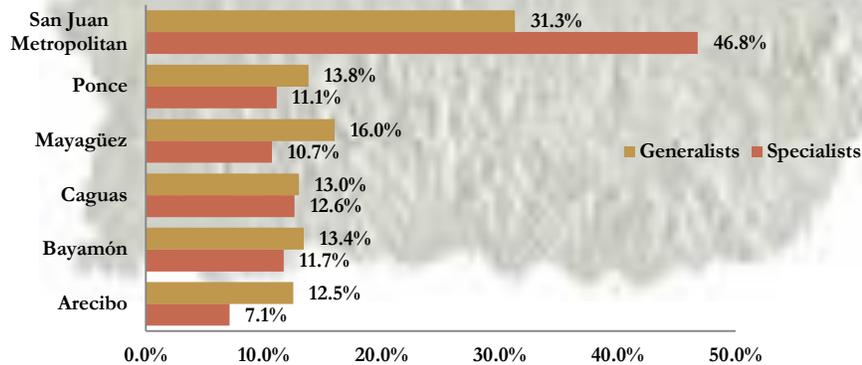
	<u>P.R.</u>	<u>U.S.</u>
Active Physicians per 100,000 Population	270.5	260.5
Active Primary Care Physicians per 100,000 Population	110.4	90.1
Active Specialist per 100,000 Population	160.1	170.4
Active Physicians who are International Medical Graduates	52.8%	24.0%
Active Physicians who are age 60 or older	30.1%	27.6%

Source: 2013 State Physician Workforce Data Book





### Physician Distribution per Working Region 2007-2010



Source: Puerto Rico Department of Health

#### Puerto Rico Physician Workforce Profile -2012

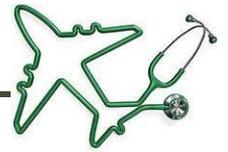
	<u>Total Active</u> <u>Physicians</u>	<u>People per</u> <u>Physicians</u>	<u>Age 60 or</u> <u>Older</u>	<u>Age 60 or</u> <u>Older</u> <u>Percent</u>
All Specialities	9,919	370	2,976	30.1%
Allergy & Immunology	11	333,371	*	*
Anatomic/Clinical Pathology	96	38,199	33	34.4%
Anesthesiology	168	21,828	47	28.0%
Cardiovascular Disease	224	16,371	69	30.8%
Child & Adolescent Psychiatry**	72	12,560	24	33.3%
Dermatology	77	47,624	34	44.2%
Emergency Medicine	177	20,718	45	25.4%
Endocrinology, Diabetes & Metabolism	55	66,674	16	29.1%
Family Medicine / General Practice	1,953	1,878	701	36.2%
Gastroenterology	131	27,993	28	21.4%
General Surgery	278	13,191	131	47.1%
Geriatric Medicine	45	81,491	*	*
Hematology & Oncology	95	38,601	26	27.4%
Infectious Disease	73	50,234	16	21.9%
Internal Medicine	1,133	3,237	283	25.0%
Internal Medicine / Pediatrics**	*	*	*	*
Neonatal-Perinatal Medicine**	44	20,552	13	29.5%
Nephrology	80	45,839	26	32.5%
Neurological Surgery	21	174,623	*	*
Neurology	113	32,452	35	31.0%
Obstetrics & Gynecology	478	7,672	201	42.1%
Ophthalmology	165	22,225	56	33.9%
Orthopedic Surgery	93	39,431	32	34.4%
Otolaryngology	59	62,154	25	42.4%
Pediatrics**	915	988	318	34.8%
Physical Medicine & Rehabilitation	204	17,976	39	19.1%
Plastic Surgery	36	101,863	14	38.9%
Preventive Medicine	65	56,417	34	53.1%
Psychiatry	397	9,237	140	35.4%
Pulmonary Disease & Critical Care Medicine	102	35,952	26	25.5%
Radiation Oncology	22	166,686	11	50.0%
Radiology & Diagnostic Radiology	197	18,615	68	34.5%
Rheumatology	60	61,118	19	31.7%
Thoracic Surgery	20	183,354	*	*
Urology	101	36,308	46	45.5%
Vascular Surgery	*	*	*	*

Source: AMA Physician Masterfile

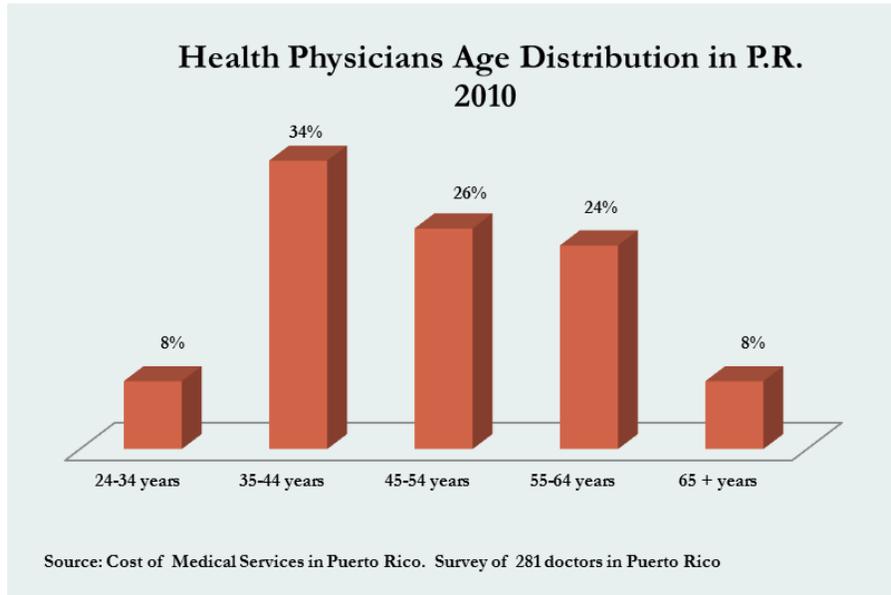
Note: Population estimates as July 1, 2012 are from the U.S. Census Bureau

\*Counts for specialties with fewer than 10 physicians are not shown

\*\*Only those 18 years or younger are included in people per physician

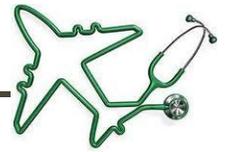


The age distribution of physicians in Puerto Rico shows that 60% of doctors are between 35 and 54 year of age. Recent medical school graduates comprise only 8% of physicians in Puerto Rico. This is consistent with the exodus of doctors that has taken place in recent years.



## Residency Programs

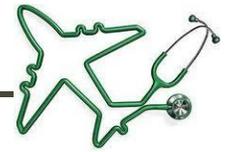
In Puerto Rico, there are 11 institutions accredited by the Accreditation Council for Graduate Medical Education (ACGME). In the case of the number of residencies in Puerto Rico, there are around 68 programs that include specialists and subspecialists. For example, one of the market clusters is orthopedic, which has only one program. The problem of the subspecialist programs is worrisome because the physician does not have alternatives for residencies on the Island, contributing to the movement of physicians outside Puerto Rico.



**Accredited Programs for Residencies in Puerto Rico**

<b>Institutions</b>	<b>Programs</b>
Hospital San Lucas	6
Hospital de Veteranos	8
Damas	2
Hospital de la Capital	7
UPR/SOM	37
Mayagüez Medical Center	2
Concepción / San Germán	1
Alejandro Otero / Manatí	1
Bella Vista / Mayaguez	1
Central del Caribe / Bayamón	1
Ponce SOM	2

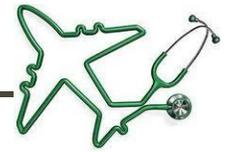
Source: ACGME



**Puerto Rico Residencies Accredited Programs**

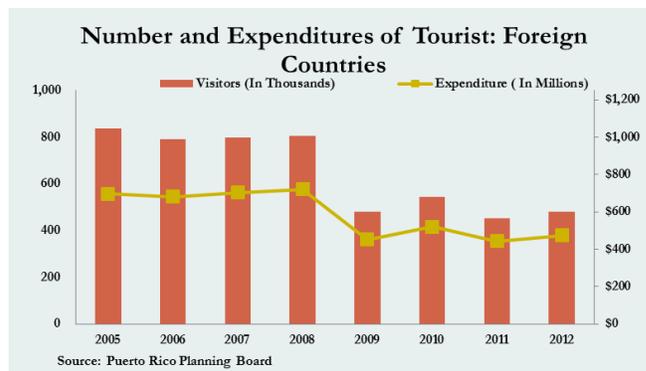
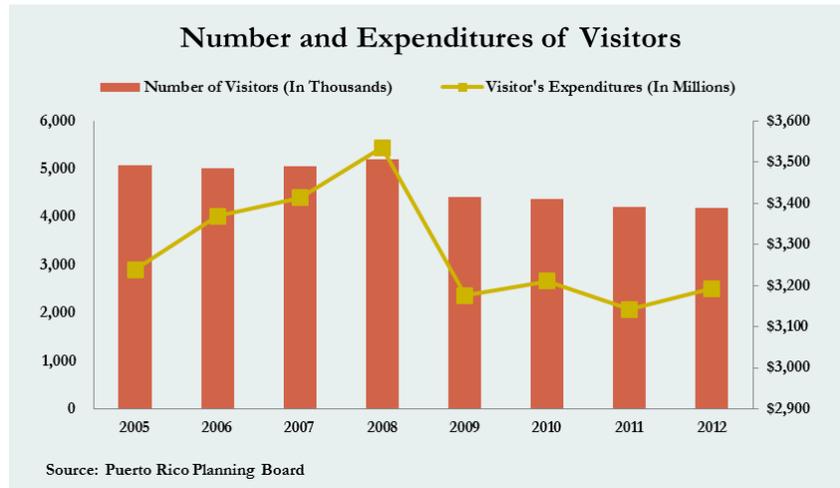
<u>Programs Name</u>	<u>Number Residencies</u>
Allergy and Immunology	1
Anesthesiology	1
Dermatology	1
Emergency Medicine	2
Family Medicine	4
General Surgery	2
Neurological Surgery	1
Pediatric Intensive Care	1
Endocrinology	2
Cardiovascular Diseases	2
Infectious Diseases	2
Gastroenterology	2
Hematology and Oncology	2
Sports Medicine	1
Physical Medicine	2
Geriatric Medicine	1
Internal Medicine	8
Nephrology	2
Neonatology	1
Pneumology	1
Intensive Care Pneumology	1
Intensive Care	1
Geriatric MI	1
Neurology	1
Pediatric Neurology	1
Neuromuscular	1
Obstetrics and Gynecology	3
Ophthalmology	1
Orthopedics	1
Otolaryngology	1
Pathology	1
Forensic Pathology	1
Pediatrics	3
Psychiatry	2
Child and Adolescent Psychiatry	2
Diagnostic Radiology	1
Rheumatology	1
Urology	1
Nuclear Medicine	1
Transitional	4
<b>Total</b>	<b>68</b>

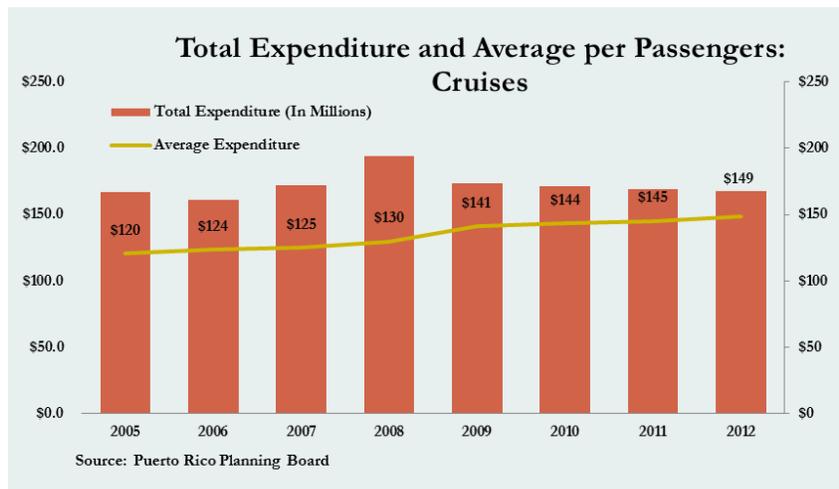
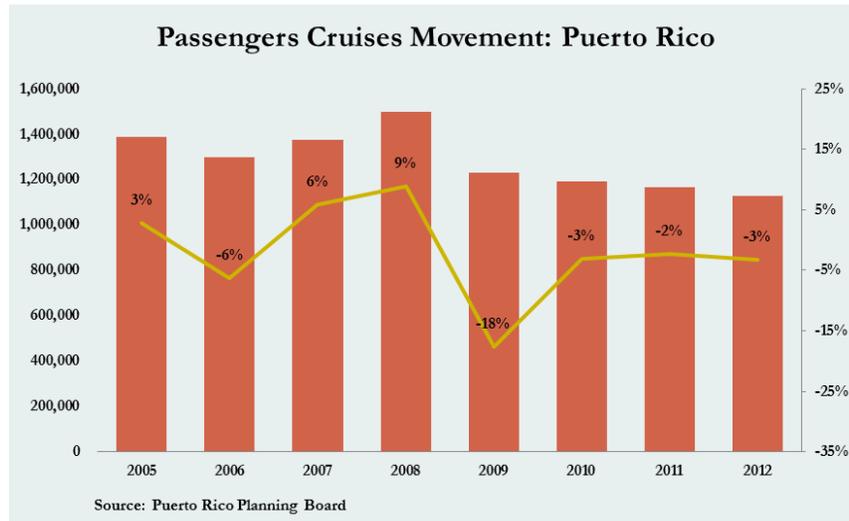
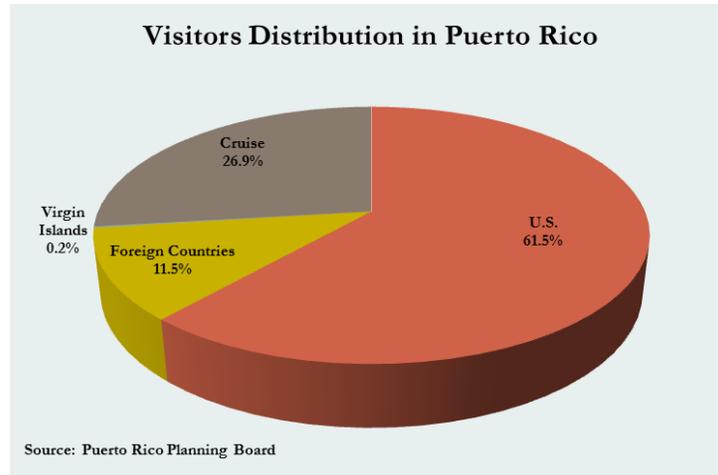
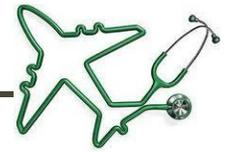
Source: ACGME

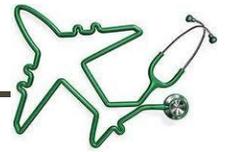


## Tourism Sector Profile

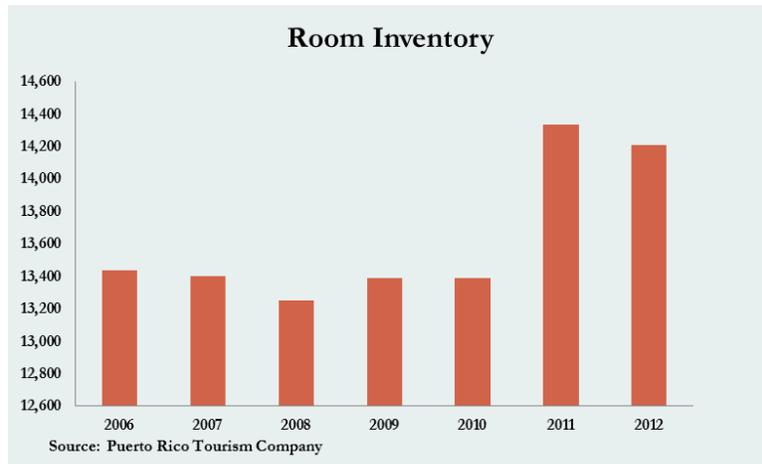
Puerto Rico receives more than four million visitors yearly from the United States, U.S. Virgin Islands, foreign countries and passenger cruises. The total yearly expenditure of visitors is more than \$3 billion. However, trends show a decrease of 17% from 2005 until 2012.







Room inventory includes hotels, guest houses, condo hotels and apartment villas. In 2011, the number of rooms in Puerto Rico increased by 7% but was negative in 2012.



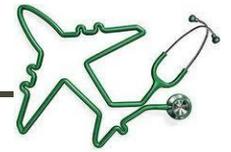
## Diaspora

According to the 2010 U.S. Census, there were 4.6 million people of Puerto Rican origin living in the United States. The states with the highest population of Puerto Rican origin are New York (1.07 million), Florida (848,000) and New Jersey (434,000).

Six of the top 10 states with the highest percentage of Puerto Rican-origin population growth are in the southern region of the United States. After Mexicans, Puerto Ricans in the United States are the second largest Hispanic group.

	<u>Population</u>	<u>% of Total</u>
New York	1,070,558	27.9%
Florida	847,550	22.1%
New Jersey	434,092	11.3%
Pennsylvania	366,082	9.5%
Massachusetts	266,125	6.9%
Connecticut	252,972	6.6%
California	189,945	5.0%
Illions	182,989	4.8%
Texas	130,576	3.4%
Ohio	94,965	2.5%
<b>Total</b>	<b>3,835,854</b>	<b>100.0%</b>

Source: Institute of Statistics of Puerto Rico



## V. SWOT ANALYSIS

### Strengths

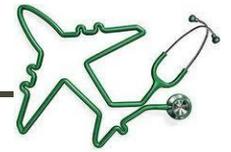
Strength is an inherent capacity that an organization can use to gain strategic advantage. The strengths for Puerto Rico in medical tourism are, but are not limited to the following:



### Weaknesses

A weakness is an inherent limitation or constraint that creates strategic disadvantages. The weaknesses are as follows:





## Opportunities

An opportunity is a favorable condition in the service industry that enables it to consolidate and strengthen its position. The following are opportunities in medical tourism.

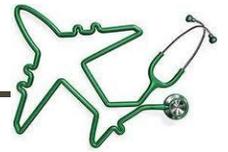


## Threats

A threat is an unfavorable condition in the industry's environment that creates a risk for, or causes damage to, the industry. They are:



A clear threat is that many financial groups that have hospitals in the United States are participating or buying hospitals in other locations, contributing to the process of globalization of medicine. For example, Johns Hopkins of Baltimore is owner of an oncology hospital in Singapore. MD Anderson has a cancer center in Madrid, Harvard has an AIDS treatment center in Botswana, Mayo Clinic has a subsidiary in Dubai, and Hospital University of Pittsburg Medical Center has a hospital in Sicily, Italy. Harvard also has a clinic in Scotland and Cleveland Clinic has a hospital in Abu Dhabi ...



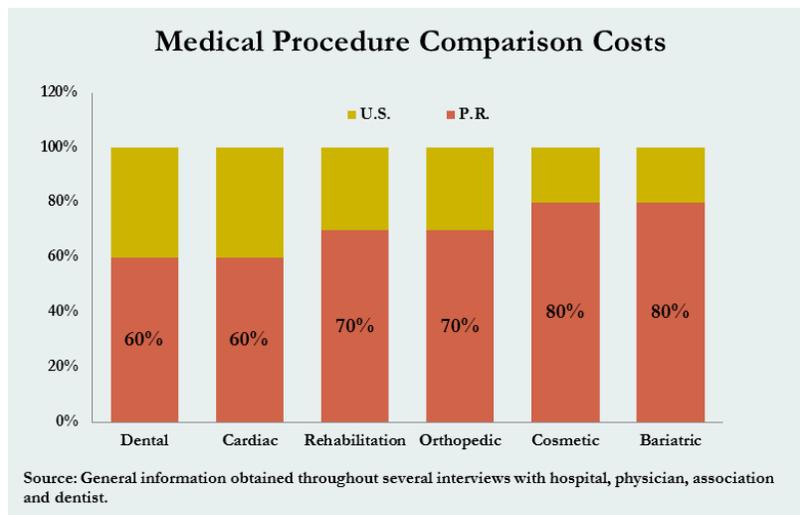
## VI. PROCEDURE COST ANALYSIS

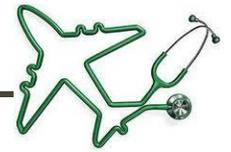
The low cost of medical procedures is a key component of the medical tourism system. The total amount of the medical procedure, hotel, transportation (air and/or ground), food and entertainment should be less than having the procedure performed locally.

Puerto Rico’s main target is the United States market. The cost of medical procedures in the United States is extremely high, leading many U.S. citizens and residents to choose Mexico, Costa Rica and other jurisdictions as medical tourism destinations. However, most of the medical procedures in Puerto Rico are more expensive than in Mexico, Costa Rica and other medical tourism destinations.

Numerous efforts were made to obtain data regarding the cost of medical procedures in Puerto Rico. They were of no avail. Information was received from a single hospital. Interviews provided consistent but general information about the cost structure.

According to the interviews, costs in Puerto Rico range between 60% and 80% of costs in the United States. However, some of the interviewees argued that the fee structure in Puerto Rico for some of the procedures was closer to 50% of the United States rates.





The following table shows a comparison of costs among several jurisdictions. Puerto Rico data includes physician fees, hospital room, supplies and medications. The data for other countries include an estimate of airfare for the patient and a companion. Prices vary according to several factors such as the doctor’s experience, hospital accreditation and currency exchange rates.

<u>Procedure</u>	<u>Puerto Rico</u>	<u>United States*</u>	<u>Costa Rica*</u>	<u>Mexico*</u>
Valve Replacement	\$48,000	\$170,000	\$30,000	\$18,000
Hip Replacement	\$28,000-\$51,000	\$50,000	\$12,500	\$13,000
Knee Replacement	\$24,000	\$50,000	\$11,500	\$12,000
CABG	\$42,000	\$144,000	\$25,000	\$27,000

Source: Medicaltourism.com

\*Data as of 2011, Puerto Rico data as of 2013

Note: Information for United States, Costa Rica, and Mexico cost rates was obtain from the medicaltourism.com web page.

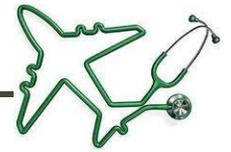
Data for Puerto Rico medical procedure cost was obtained from a typical Puerto Rico’s Hospital.

The data from Puerto Rico includes physician fees, room, board, supplies, and medications.

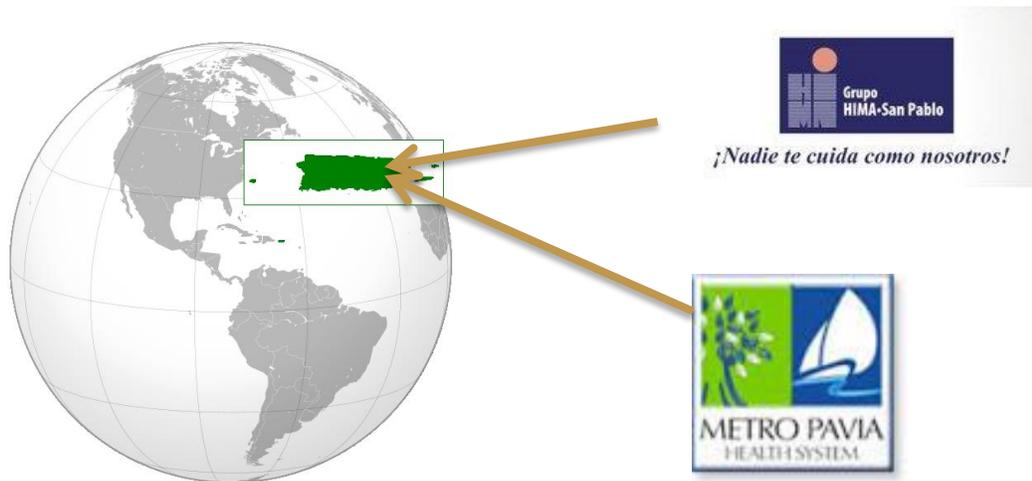
Information about medical procedures costs has been published in the Puerto Rico press that presumably use as source HIMA Health. These figures are not consistent with those obtained by Advantage from another hospital source.

<u>Procedure</u>	<u>Puerto Rico</u>	<u>United States</u>
Valve Replacement	\$25,000-\$35,000	\$100,000-\$160,000
Hip Replacement	\$14,000-\$18,000	\$33,000-\$64,000
Knee Replacement	\$12,000-\$16,000	\$30,000-\$59,000
CABG	\$25,000-\$35,000	\$80,000-\$120,000
Coronary Angioplasty	\$37,000-\$52,000	\$10,000-\$15,000
Mitral Valve Replacement	\$25,000-\$35,000	\$100,000-\$160,000
CyberKnife	\$25,000-\$35,000 (1-5 treatments)	\$90,000-\$120,000 (less than 5 treatments)
Gynecology Procedures (Myomectomy, Hysterectomy)	\$5,500-\$7,000 (Da Vinci)	\$17,000-\$35,000 (No Da Vinci)
Urology procedures (prostatectomy, nephrectomy)	\$9,000-\$12,000 (Da Vinci)	\$28,000-\$39,000 (No Da Vinci)

Source: Rivera, Y. (17 de noviembre de 2013). Apuesta al turismo médico. *El Nuevo Día*, p.13.



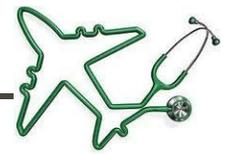
## VII. CURRENT MEDICAL TOURISM SYSTEM IN PUERTO RICO



Notwithstanding its many unique advantages highlighted throughout this study, Puerto Rico is still relatively unknown as a medical tourism destination. Surprising as this may seem at first glance, a closer look at the landscape reveals several reasons for this seeming inconsistency.

Probably the principal reason dates back to the 1993 healthcare reform law, which flooded hospitals with previously uninsured patients. This surplus of patients created a sort of comfort zone for hospitals and clinics, as they had little incentive to look outside Puerto Rico for new patients. However, with the increasing exodus of Puerto Ricans to the U.S. mainland, compounded by the economic recession, payments were reduced, forcing the healthcare sector to look for new alternatives to increase revenue.

Additionally, once the topic of medical tourism entered the narrative, it never gained real traction. At the local level, there has been much discussion and government posturing about promoting the Island as a medical tourism destination, but, unfortunately, these initiatives have never taken off. This can be attributed to several factors including changing governments and competing interests among the different public and private entities involved in these initiatives. Where medical tourism has had some success has been through the efforts of a few private hospitals and clinics that, over the years, have been able to develop referral networks in the Caribbean.



## Characteristics of Caribbean Market

Patients are traveling mainly from the U.S. Virgin Islands, the British Virgin Islands and the Dominican Republic. There are two types of Caribbean patients currently accessing healthcare in Puerto Rico: cash paying patients and those covered by local health plans. In both cases, they are seeking tertiary diagnostic and treatment services not available locally and/or because they perceive the quality of care to be better in Puerto Rico. Within diagnostics, patients are seeking primarily cardiovascular and oncology diagnostic tests, while treatments include cardiology, neurology, oncology, urology and orthopedics. It is worth noting that a significant percentage of these patients are emergency cases that require air ambulance services due to their acute conditions.

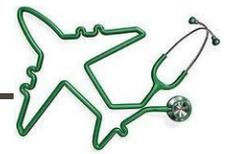
In Puerto Rico, there are some hospitals working to incorporate the medical tourism market; these include the Ashford Presbyterian Hospital, San Jorge Children’s Hospital, HIMA San Pablo, Cardiovascular Center for P.R., Doctor’s Centers Hospital and Metro Pavia. These facilities have made personnel and facility investments to provide international patients with quality service.

From the marketing materials published, it is apparent that the treatments available in Puerto Rico for prospective medical tourists include:

- Cardiology/cardiac surgery (by-pass, valve replacement)
- Orthopedic surgery (hip replacement, resurfacing, knee replacement, joint surgery)
- Bariatric surgery (gastric by-pass, gastric banding)
- Diagnostics and check-ups.
- Dental

HIMA Health is one of the first hospitals to have a medical tourism program in Puerto Rico. HIMA has created a thoroughly advanced healthcare model built expressly for traveling patients. The facility has created centers for specific branches of medicine where leading-edge treatment areas are placed adjacent to each other.

All the physicians within the HIMA hospital network are board certified in the U.S. Most HIMA Hospital physicians studied and trained in top-tier U.S. medical schools and hospitals. Hospitals within the HIMA network are fully accredited by the Joint Commission. HIMA medical tourism offers all traveling patients coordinated services such as: traveling, lodging, transportation, medical



care, nursing and post-op treatment. Their areas of expertise are neurological center, cardiovascular center, orthopedics and oncology.

HIMA Health recently signed a formal partnership agreement with British Virgin Islands Health Service Authority to continue providing enhanced healthcare services in the British Virgin Islands. International patients who receive services at HIMA are mostly from the BVIs and USVIs. The international patients coming to HIMA are about 3,000 patients per year and come for check-ups and some procedures.

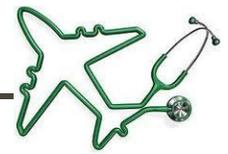
HIMA-San Pablo showcases the Da Vinci Surgical System, a highly advanced robotic device that carries out delicate and complex head and neck surgeries. Among the benefits of the unit are shorter hospital stays, minimal invasive procedure, less pain and blood loss and, in some cases, better clinical results.

Metro Pavia is another hospital that incorporated a medical tourism program in Puerto Rico. It has a network of hospital in the San Juan metro area for patients from the U.S. and British Virgin Islands seeking to expand their options for quality care. The hospital created a membership card so that international patients can enjoy benefits such as discount air travel; discounted rates on certain hotels; furnished apartments at affordable prices; information and guidance center free of charge with bilingual staff, seven days a week; free newspaper daily for patients admitted to the hospital; up to 50% off lab services and imaging services (X-ray, CT-Scan, MRI) (only for uninsured patients); and a free personal care kit.

Also, Metro Pavia has an office center in St. Thomas and St. Croix. They received around 6,000 patients from those islands and the BVI. Among the procedures that the international patients received were cardiovascular surgery and orthopedic surgery.

Metro Pavia provides a world-class health care service called “Advocacy Service”; it is free of charge and provides specialized services including:

- Identifying specialist physicians for adults and children and making appointments;
- Serving as liaison between the physician and the patient;
- Coordinating travel arrangements with discounts from airlines and hotels;
- Coordinating air and ground ambulance services; and
- Duly bilingual personnel.



A key driver in the medical tourism phenomenon is the technological platform provided by the Internet for consumers to access healthcare information and advertising form anywhere in the world. The Internet offers providers vital new avenues for marketing to reach into non-domestic markets. The platform used by HIMA Health and Metro Pavia to advertise their services are websites, brochures and call centers, among others.

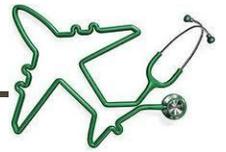
Some of the patients that come from the USVI and BVI are insured, while others are underinsured or pay in cash. Metro Pavia and HIMA Health have agreements with some insurers such as Mapfre, Corvel, Bupa and Atlantic Southern, among others.

The Cardiovascular Center in Río Piedras, San Juan, is one of the first centers on the Island and the Caribbean that performed heart transplants. According to the U. S. Department of Health and Human Resources, the Cardiovascular Center has performed 141 heart transplants in the period 1988-2013.

The Cardiovascular Center is part of agreements between France and the government of Puerto Rico. It provides services to French citizens living in the Caribbean seeking cardiovascular treatment. This is a new service offering by the Cardiovascular Center. The facility is one of the first options for these international patients because those looking for specialized care would usually have to go to France, meaning higher cost for air transport, accommodations and the euro exchange rate.

The strategic plan is to put the Cardiovascular Center on the map through medical tourism and take advantage of the quality of services and the inexpensive processes compared with the U.S. The hospital is one of the few in the Caribbean that offers services to children with heart conditions.

Auxilio Mutuo is the only facility in Puerto Rico and the Caribbean that has a kidney/liver transplant center approved by the “United Network for Organ Sharing” (UNOS). The transplant center has the following programs: Kidney Transplant Program, Kidney-Pancreas Transplant Program and Liver Transplant Program. The services provided by the center are to patients with permanent kidney disease, type 1 diabetes, pancreatic problems, and liver recovery and transplant services. In 2012, Auxilio Mutuo performed 85 kidney transplants, 21 liver transplants and 12 kidney and pancreas transplants.



In 2011, Auxilio Mutuo opened a Breast Cancer program that received the National Accreditation Program for Breast Cancer Centers, the only center in the Caribbean. The clinic includes the breast, colon, prostate cancer clinics.

The Comprehensive Cancer Center of the University of Puerto Rico is on schedule to build new hospital facilities affiliated with MD Anderson.

### Services Provided by Puerto Rico Medical Providers

Hospitals in Puerto Rico that cater to the Caribbean market have each developed their own protocols and services to assist patients with coordinating their care in Puerto Rico. Among the services observed are:

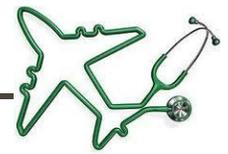
- Assistance with transfer of medical records data;
- Sending price quotes;
- Flight and hotel discounts;
- Coordinating air ambulance services;
- Bilingual (English/Spanish) speaking international staff to assist coordinating care and travel logistics; and
- On the ground patient coordinators who accompany patients to appointments and consultations.

These services evolved over a period of time based on the particular needs of the Caribbean market. It should be noted that international patients in general, and U.S. patients in particular, have very similar needs; therefore, hospitals that are now serving the Caribbean market should have little difficulty in adapting service infrastructure for the U.S. patient market.

The dental sector has made little, if any, in-roads in the U.S. market as few dentists are actively attracting dental patients from the U.S. or regionally. The small volume of international patients tends to be from the Puerto Rican diaspora in the U.S. or a few tourists here and there who take advantage of the island's lower dental prices while on vacation.

### Description of Typical Healthcare Delivery Process

1. Patients in the Caribbean are usually referred by local physicians or insurance companies to Puerto Rico for diagnostic testing or medical care. Several hospitals in Puerto Rico including



Metro Pavia and HIMA also have outreach programs such as educational clinics in the islands that they use to identify patients in need of procedures or expertise not available locally.

2. Once the process is initiated, the hospital in Puerto Rico will request the necessary medical information to confirm the diagnosis and ensure that the patient is a candidate for the requested treatment or surgery. Insurance billing information is also processed for those patients with coverage. Non-U.S. citizens or residents may also need assistance procuring visas.
3. The international offices at hospitals such as HIMA and Metro Pavia will help with flight and lodging arrangements for the patient and family members, often providing patients with discounts.
4. Once the patient arrives, he/she is met at the airport and taken to the hotel or hospital depending on the treatment itinerary. Critical care patients arrive by air-ambulance and are taken directly to the hospital.
5. Once at the hospital, patients will go through an expedited admission process followed by any required appointments, tests or consultations, usually accompanied by a patient coordinator.
6. If the patient has come for surgery, he/she will remain in the hospital for the required number of days before being discharged to a hotel or air ambulance flight back home. If the patient is staying at a hotel for the recovery process, he/she may be brought back and forth to the hospital for therapy or scheduled treatments.

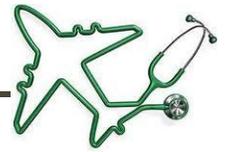
### Expectations Regarding Care and Service Delivery

According to the hospitals interviewed,<sup>5</sup> most Caribbean patients have very high expectations about the services and quality of care provided to them. They expect personalized assistance and hand-holding throughout the medical travel process and can be very vocal if expectations are not met. This phenomenon may be attributed to several factors including:

- A significant segment of these patients are wealthy and expecting VIP treatment;
- They often have received treatment previously in U.S. hospitals so are comparing services in Puerto Rico to previous experiences; and

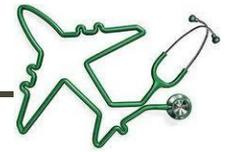
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<sup>5</sup> Interviews conducted for the most part by William and Brad Cook



- Others are expecting higher quality of care than available at home due to Puerto Rico's status as a commonwealth

Regardless of the reasons, it is clear that for hospitals and clinics to be successful in attracting international patients, they must be willing to adapt their current service offering and protocols to the expectations and particular needs of international patients.



## VIII. U.S. INSURED AND UNINSURED MARKETS

There are two main markets in U.S. outbound medical tourism: the insured and uninsured/underinsured. The insured market is made up of people who receive health benefits through the government, a private company or an employer-sponsored health plan. The uninsured/underinsured, as the name suggests, are those individuals who lack insurance coverage or whose insurance coverage is deficient. In this chapter, we will focus mainly on the uninsured, employer, and individual direct purchase markets as they present the biggest opportunity for medical tourism in Puerto Rico. The size and characteristics of these markets will be analyzed, as well as trends, opportunities and challenges as they relate to a Puerto Rico medical tourism initiative.

### Uninsured/Underinsured Market Size

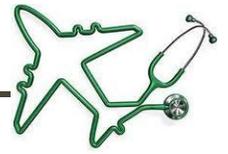
The size of the U.S. uninsured market in 2012 was approximately 48 million individuals.<sup>6</sup> The chart below, from the U.S. Centers for Medicare and Medicaid Services breaks down the numbers.<sup>7</sup>

<b>Number uninsured</b>		48.4 million, 18% of population	
	<b>Description</b>	<b>%</b>	
<b>Age Distribution</b>	0-18	13.9%	
	19-25	20.4%	
	26-34	21.1%	
	35-54	35.0%	
	55-64	9.7%	
<b>Income (Percent of Poverty Level)</b>	≤138%	54.5%	
	139-400%	38.2%	
	>400%	7.3%	
<b>Gender</b>	Male	55.4%	
	Female	44.6%	
<b>Race/Ethnicity</b>	Latino	32.4%	
	White (non latino)	44.8%	
	Black (non latino)	14.9%	
	Asian (non latino)	4.5%	

Source: U.S. Census Bureau

<sup>6</sup> U.S. Census Bureau: Income, Poverty and Health Insurance Coverage in the United States: 2012, Retrieved 11/18/2013

<sup>7</sup> Audience Segmentation for Emerging Health Insurance Market Place. The U.S. Centers for Medicare and Medicaid Services. March 2013. file:///C:/Users/William/AppData/Local/Microsoft/Windows/INetCache/IE/38GQIIVT/social-marketing-research-for-the-health-insurance-marketplace.pdf. Retrieved 11/21/13



Additional facts from the report:<sup>8</sup>

- 55% of the uninsured are male;
- 54.5% of the uninsured earn less than 138% of the federal poverty level, or \$32,499 for a family of four, and will likely qualify for Medicaid as states expand the program;
- 38.2% of the uninsured earn less than 400% of the federal poverty level, or \$94,200 for a family of four, and will likely qualify for subsidies to purchase health insurance on the exchanges in 2014;
- 7.3% of the uninsured earn too much to qualify for subsidies and may be on their own to purchase coverage;
- 44.8% of the uninsured are white, 32.4 percent are Latino and 14.9 percent are black; and
- 15.7% of the uninsured have no English-speaking adult in their household.

Over the next several years, with full implementation of the Affordable Care Act, it is expected that this market will shrink to about 30 million Americans.

### **Characteristics of Uninsured/Underinsured Medical Tourism Patients**

Over the last decade, the majority of U.S. patients traveling abroad for medical care have been uninsured or underinsured individuals seeking elective procedures in specialties such as orthopedic, cardiology, bariatric, cosmetic surgery and dental treatments, among others. Typically, these patients (also known in the medical tourism industry as self-pay or cash paying patients) have few alternatives for affordable care and are paying out of pocket for their medical procedure or treatment.

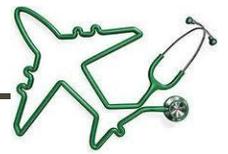
There is little, if any, demographic data available on the U.S. self-pay market traveling abroad for medical care. In Costa Rica, patients manifested the following characteristics<sup>9</sup>:

1. Gender: 55% female, 45% male
2. Education: Mostly university educated
3. Income: Middle income

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<sup>8</sup> Audience Segmentation for Emerging Health Insurance Market Place. The U.S. Centers for Medicare and Medicaid Services. March 2013. <file:///C:/Users/William/AppData/Local/Microsoft/Windows/INetCache/IE/38GQIIVT/social-marketing-research-for-the-health-insurance-marketplace.pdf>. Retrieved 11/21/13

<sup>9</sup> This is the experience of William and Brad Cook



4. Race: 80% Caucasian, 15% Hispanic, 5% African American
5. Area of residence (in order of volume): Florida, Texas, New York, California, Georgia, Colorado
6. Traveling preferences: About 80% traveled with a companion

Access to care abroad is coordinated by the individual directly with a foreign hospital or with the assistance of a medical travel facilitator (a company that serves as an intermediary between patients and hospitals).

Key drivers for self-pay patients seeking care abroad are:

- Lower cost procedures or treatments;
- Availability of procedures or treatments not offered at home;
- Quick access (scheduling) to procedures or treatments; and
- Better quality of care and superior medical expertise.

Additionally, there are other factors that play an important, if sometimes secondary, role during the decision process. These include:

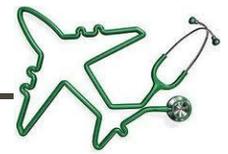
- Proximity of destination;
- Cultural and language affinity or familiarity;
- Safety of destination; and
- Convenient access to destination (e.g. direct flights, number of flights, no need for passport or visa).

## Trends -Numbers

Presently, there is little authoritative information about the number of U.S. patients traveling abroad for medical care. Most of the numbers mentioned throughout the industry appear to be anecdotal or refer to the Deloitte and McKinsey reports that are now quite outdated. The most recent of the two, the 2009 study by the Deloitte Center for Health Solutions predicted that 1.6 million Americans would travel abroad in 2010.<sup>10</sup> However, there has been no follow-up study to confirm these numbers. Part of the problem is due to limited efforts by stakeholders at collecting data, as well as

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<sup>10</sup>[http://www.deloitte.com/assets/Dcom\\_UnitedStates/Local%20Assets/Documents/us\\_chs\\_MedicalTourism\\_111209\\_web.pdf](http://www.deloitte.com/assets/Dcom_UnitedStates/Local%20Assets/Documents/us_chs_MedicalTourism_111209_web.pdf). Retrieved 12-4-2009



variations in how governments and medical providers classify medical tourists. For example, some medical providers may classify foreign residents and tourists (who require care) as medical tourists while others do not.

Costa Rica, one of the leading medical tourism destinations in the region, has stated that it received 48,000 medical tourists (mostly from the U.S. and Canada) in 2012. Close to half of these medical travelers were said to be dental, followed by orthopedics, weight loss surgeries, gynecology and plastic surgery.<sup>11</sup> It is also well established that many U.S. patients are engaging in cross-border medical tourism to Mexico. One dental clinic in the Mexicali area (out of 300 clinics in the same town) of Mexico that provided data on approximately 350-400 patients a month coming from the U.S. and to a lesser extent from Canada.<sup>12</sup>

### **Types of procedures**

In the late 1990s and early 2000s, U.S. outbound medical tourism consisted mostly of cosmetic procedures in plastic surgery and dental. Over the last decade, however, there has been a significant increase in patients seeking procedures in orthopedics, cardiology, weight loss surgeries, infertility treatments, oncology and spinal procedures. In fact, some evidence suggests that there may be fewer U.S. patients traveling abroad for plastic surgery due to a trend among U.S. plastic surgeons of lowering their prices. This is the experience in Costa Rica and some providers in other destinations have acknowledged the same trend.<sup>13</sup> However, anecdotally some destinations manifest an increase in plastic surgery patients from the U.S., so obviously, more research is needed to confirm whether this is true.

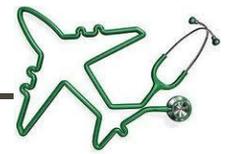
It is expected that over the next few years, the need for orthopedic procedures such as knee and hip replacements will continue to grow based on the exploding baby boomer demographic. Dental treatments also continue to be very popular due to the lack of coverage in the U.S., relatively low perceived risk, and significant price differences.

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<sup>11</sup> Promed press release: “Costa Rica es el mejor destino para el retiro.” February 13, 2013.

<sup>12</sup> Information provided to William and Brad Cook

<sup>13</sup> Information provided to William and Brad Cook



## Affordable Care Act

Once the Affordable Care Act (ACA) is fully implemented, there will presumably be a smaller pool of uninsured patients. This, in turn, will likely reduce the number of self-pay patients seeking care abroad. However, potential doctor shortages and longer waiting times – the result of an overextended healthcare system – could lessen the impact of the ACA for medical tourism.

## Coverage gap

An in-depth study in the *Journal of Health Affairs* found that, even after full implementation of the ACA, 30 million Americans would still remain uninsured.<sup>14</sup> The Kaiser Family Foundation also reports that “nearly five million poor uninsured adults will fall into a coverage gap which results from state decisions not to expand Medicaid.” These are adults whose income is above current Medicaid eligibility but below the lower limit for marketplace premium tax credits. According to the report, the states with the highest number of people falling in the coverage gap are Texas (22%), Florida (16%), Georgia (8%) and North Carolina (7%).<sup>15</sup>

## Opportunities and Challenges

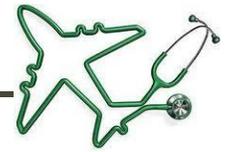
Assuming the ACA is fully implemented, it is likely to significantly reduce the number of uninsured or underinsured seeking care abroad. Therefore, one can expect that there will be less demand from uninsured or underinsured patients for many of the procedures that are currently popular.

Considering the fact that most outbound medical tourism from the U.S. is currently made up of uninsured or underinsured patients, these potentially lower numbers need to be considered in the development of a sound medical tourism initiative. At the same time, there may be opportunities to target populations in the ACA coverage gap, or other procedure niches that could be adversely affected by doctor shortages and wait times (if this phenomenon occurs, as some suggest).

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<sup>14</sup> The Uninsured after Implementation of The Affordable Care Act: A Demographic And Geographic Analysis. June, 2013. By Rachel Nardin, Leah Zallman, Danny McCormick, Steffie Woolhandler, and David Himmelstein. <http://healthaffairs.org/blog/2013/06/06/the-uninsured-after-implementation-of-the-affordable-care-act-a-demographic-and-geographic-analysis/> Retrieved 11/20/13

<sup>15</sup> The Coverage Gap: Uninsured Poor Adults in States that Do Not Expand Medicaid. Oct 23, 2013 The Kaiser Family Foundation. <http://kff.org/health-reform/issue-brief/the-coverage-gap-uninsured-poor-adults-in-states-that-do-not-expand-medicaid/>



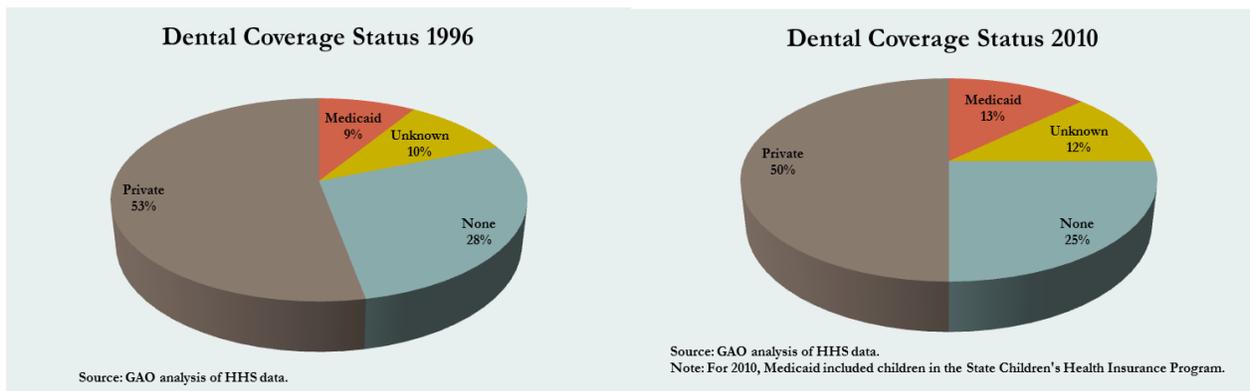
## Dental

Dental treatments are one notable exception to the ACA coverage expansion. Dental tourism could be a key opportunity to target within the uninsured and insured markets, as a significant percentage of the U.S. population has little or no dental coverage, nor will the ACA cover adult dental in its provisions.

Josef Woodman, CEO of Patients Beyond Borders and author of several books on medical tourism, stated in an article on the Fox News website, “We estimate that in 2012, 400,000 Americans crossed international borders for dental care. For 2013, we project a growth rate of approximately 20 percent.”<sup>16</sup> Although the accuracy of these numbers is open for debate, there is little doubt that patients traveling for dental care make up a big slice of the current medical tourism outbound market.

According to a report by the Government Accountability Office (GAO) there were approximately 76 million people in the United States in 2010 without any dental coverage.<sup>17</sup>

The graphs below highlight the dental coverage status in the U.S. between 1996 and 2010.<sup>18</sup>

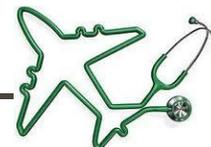


A look at the GAO report shows that most individuals with dental coverage have stand-alone private dental insurance that are not a part of the individual’s medical insurance plan. The types of

<sup>16</sup> Dental tourism could save you big money, By Brandon Green. November 1st, 2013. <http://www.foxnews.com/travel/2013/11/01/saving-big-with-dental-tourism/> Retrieved 11/21/13

<sup>17</sup> United States Government Accountability Office. DENTAL SERVICES: Information on Coverage, Payments, and Fee Variation. Report to the Chairman, Subcommittee on Primary Health and Aging, Committee on Health, Education, Labor, and Pensions, U.S. Senate. September, 2013. Retrieved 11/21/13

<sup>18</sup> Ibid.



dental services covered by these plans vary significantly, with some being more comprehensive than others. “Comprehensive,” in this case, is a relative term, as the median annual coverage caps out at a maximum of \$1,500.<sup>19</sup> This leaves a significant gap in coverage that can be exploited by Puerto Rico and its dental professionals.

As far as spending, the GAO found that Americans spent about \$108 billion on dentists in 2011 at charges that varied greatly for the same service.<sup>20</sup> The GAO analysis showed that average annual dental payments—the total amount paid out of pocket by individuals and by other payers—increased 26%, inflation-adjusted, from \$520 in 1996 to \$653 in 2010. Average annual out-of-pocket payments increased 21%, from \$242 to \$294, for individuals with private insurance and 32%, from \$392 to \$518, for individuals with no dental coverage.<sup>21</sup>

The GAO report went on to say: “High rates of dental disease remain prevalent across the nation, especially in vulnerable and underserved populations. According to national surveys, 42% of adults with tooth or mouth problems did not see a dentist in 2008 because they did not have dental insurance or could not afford the out-of-pocket payments.”

Again, these numbers underscore the potential opportunity for Puerto Rico to market to this niche.

### **Socioeconomic data Puerto Ricans living in the U.S.**

**Educational attainment:** Puerto Ricans have higher levels of education than the Hispanic population overall, but lower levels than the U.S. population overall. Some 16% of Puerto Ricans ages 25 and older—compared with 13% of all U.S. Hispanics and 29% among the U.S. population—have obtained at least a bachelor’s degree.

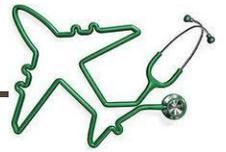
**Income:** The median annual personal earnings for Puerto Ricans ages 16 and older were \$25,000 in the year prior to the survey—greater than the median earnings for all U.S. Hispanics (\$20,000) but less than the median earnings for the U.S. population (\$29,000).

**Poverty status:** The share of Puerto Ricans who live in poverty, 28%, is higher than the rate both for the general U.S. population (16%) and for Hispanics overall (26%).

<sup>19</sup> Ibid

<sup>20</sup> United States Government Accountability Office. Dental Services: Information on Coverage, Payments, and Fee Variation. Report to the Chairman, Subcommittee on Primary Health and Aging, Committee on Health, Education, Labor, and Pensions, U.S. Senate. September, 2013. Retrieved 11/21/13

<sup>21</sup> Ibid



**Health Insurance:** Fully 15% of Puerto Ricans do not have health insurance compared with 30% of all Hispanics and 15% of the general U.S. population. Additionally 5% of Puerto Ricans younger than 18 years are uninsured.

**Homeownership:** The rate of Puerto Rican homeownership (37%) is lower than the rate for all Hispanics (46%) and lower than the 65% rate for the U.S. population as a whole.<sup>22</sup>

**Puerto Rican-Owned Businesses:** The latest U.S. census data shows that 49.1% of Puerto Rican-owned U.S. firms were located in Florida or New York. Florida had the most Puerto Rican-owned U.S. firms at 42,418 (27.1% of all Puerto Rican-owned U.S. firms). New York had 34,410 Puerto Rican-owned U.S. firms (22.0%), while California had 13,157 Puerto Rican-owned U.S. firms (8.4%).<sup>23</sup>

With Hispanics being such a large segment of the U.S. population, it is advisable to target this market, and particularly Puerto Ricans living in New York/New Jersey and central Florida—for a medical tourism initiative. Data shows that at least 57% of Hispanics travel at least once a year, and over 75% of the population has traveled in the past.<sup>24</sup> Additionally, on average, Hispanics travel with three other people (exceeding the general market average)—typically bringing family.<sup>25</sup>

Other advantages include:

- Affinity with culture and language;
- Less perceived risk about the safety and cleanliness of the foreign country;
- Knowledge of the healthcare system (in the case of ethnic Puerto Ricans);
- Patient may be able to recover with family or relatives in the “home” country; and
- Patient can spend time with extended family or visit the country on tourism.

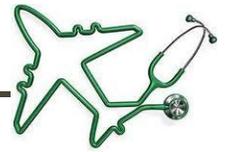
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<sup>22</sup> Pew Research Hispanic Trends data. Brown and Patten. 2011. <http://www.pewhispanic.org/2013/06/19/hispanics-of-puerto-rican-origin-in-the-united-states-2011/> Retrieved 12/9/13

<sup>23</sup> <http://www.census.gov/econ/sbo/getsof.html?07hispanic>. Retrieved 12/10/13

<sup>24</sup> De Vacaciones US Hispanic Vacation Trends 2012.” Latino Cellular LLC. <http://www.slideshare.net/RedMasAdv/de-vacaciones-redmas-survey>. Retrieved on 12/11/13

<sup>25</sup>CB Online Staff. (2012). “Survey Reveals Hispanic Travel Trends.” [http://www.caribbeanbusinesspr.com/news03.php?nt\\_id=70579&ct\\_id=1](http://www.caribbeanbusinesspr.com/news03.php?nt_id=70579&ct_id=1) Retrieved on 12/11/13



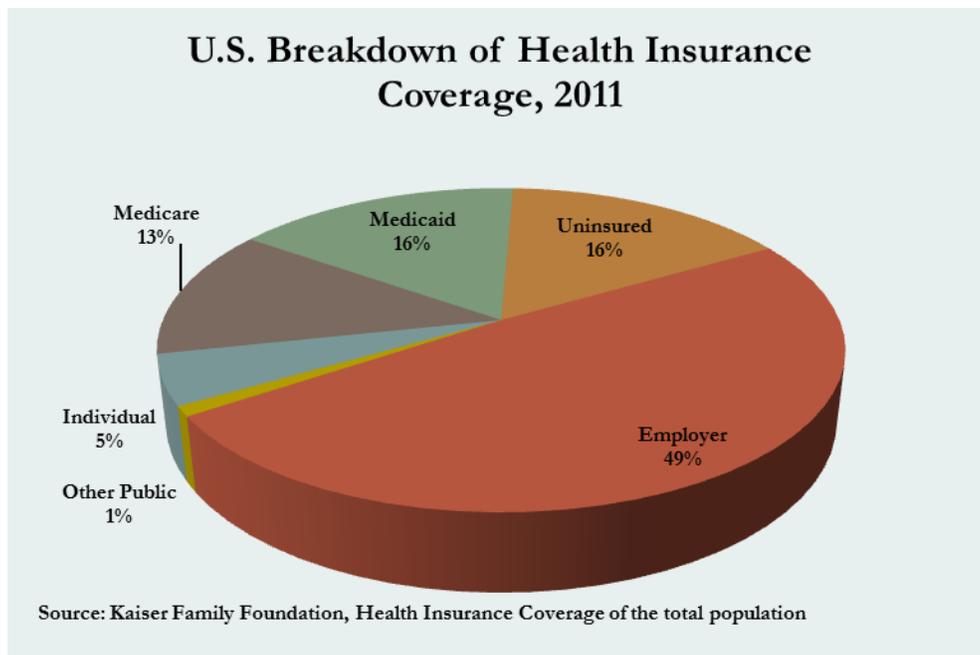
## Insured Market

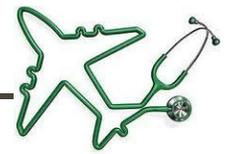
As mentioned above, the U.S. insured market can be divided into government-sponsored health insurance and private health insurance. The former includes such federal programs such as Medicare, Medicaid, and military health care; the Children’s Health Insurance Program; and individual state health plans, while the latter includes plans sponsored through an employer, a union or purchased by an individual from a private company. As government insurance will not likely offer any opportunities for Puerto Rico in the context of a medical tourism initiative, the focus of most of the analysis is on employer-sponsored insurance and individual direct-purchase insurance.

### Market size

Until recently, the insured markets have remained mostly absent from medical tourism. However, in the last several years, a growing number of companies and employers have begun to look into medical tourism as a way to lower costs.

The chart below shows a breakdown of health insurance coverage in the U.S. in 2011.





According to the latest U.S. Census report, there were about 263.2 million insured Americans in 2012, up from 260.2 million in 2011. The percentage of people with health insurance also rose from 84.3% in 2011, to 84.6% in 2012.<sup>26</sup>

### **Private health insurance**

The number of Americans covered by private insurance in 2012 was 198.8 million. These numbers can be further broken down by type of coverage. The number of people covered by employment-based coverage in 2012 was 170.9 million or 54.9%, while the number of people covered by direct-purchase insurance was 30.6 million or 9.8%.<sup>27</sup>

As part of the United States, Puerto Rico is uniquely qualified and positioned to attract US insurance companies to the Island by providing substantial savings for their members, while still maintaining the same healthcare standards, credentialing and recourse afforded on the mainland. Unlike current medical tourism powerhouses such as Mexico, Costa Rica, Thailand, Singapore and India, Puerto Rico is a domestic medical option for U.S. insurance companies and should be aggressively marketed in this context to both large and small insurance plans, self-funded companies, state governments and associations.

Puerto Rico has the distinct advantage of having both Humana and Triple-S (Blue Cross Blue Shield), two of the “Big Five” U.S. insurance companies with operations and plans on the Island that together account for more than 100 million insured lives in the United States alone.

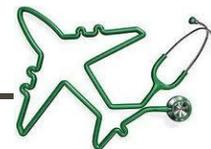
Human Health Insurance Company has operations based in Louisville, Kentucky and is one of the largest health care insurers in the United States. It is a well-established player in the health insurance industry, providing insurance to almost 12 million with annual revenues of more than \$33 billion. Individuals can buy a health insurance policy from Humana in all 50 states and the District of Columbia as well as Puerto Rico. The company sells individual insurance, Medicare plans and group health insurance plan to businesses.

For employers, Humana offers a high-deductible plan which helps companies keep health insurance costs low for employees. Many employees benefit by using the HSA (Healthcare Savings Account) to save money towards any deductible requirements while also enjoying lower healthcare insurance

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<sup>26</sup> U.S. Census Bureau: Income, Poverty and Health Insurance Coverage in the United States: 2012, September 17<sup>th</sup>, 2013. Retrieved 11/18/2013

<sup>27</sup> Ibid.



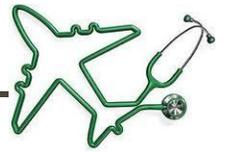
premiums. Humana's basic healthcare insurance option which covers only hospitalization costs and basic healthcare related expenses is called Coverage First. This is the low-cost health insurance options for those needing to stay within a budget. The Point-of-Service plan offers a choice of using either in-network or out-of-network providers.

The Blue Cross Blue Shield Association is one of the most recognized names in health insurance not only in the United States, but also worldwide. Blue Cross Blue Shield has a presence in over 170 countries throughout the world. The U.S. federation consists of 38 separate health insurance organizations located throughout the United States. More than 99 million Americans can claim to be insured by Blue Cross Blue Shield through the membership of all locations combined.

The company's headquarters is in Chicago, with annual revenue of over \$320 million. Through the combined efforts of all 38 U.S. companies, the Blue Cross Blue Shield Association has health insurance products available in all 50 states, the District of Columbia and Puerto Rico. Blue Cross Blue Shield is the provider for the Federal Employee Health Benefits Plan. The Federal Employee Program is the single largest health plan group in the world. Blue Cross Blue Shield is also a Medicare contractor for the federal government and processes more than 190 million claims from hospitals each year. There are several single-state association members as well as the multi-state groups of WellPoint, CareFirst, The Regence Group and Health Care Service Corporation.

During an interview with plan executives on the Island, there was definite interest by both plans in participating in the country's medical tourism initiative as an opportunity for growth and expansion of services. Humana executives seemed especially intrigued about the opportunity of offering their network in Puerto Rico as a host domestic network for Humana plans on the mainland. Humana and Blue Cross, as well as any other insurance company in the U.S., could create new more affordable and comprehensive plans for their members willing to go to Puerto Rico for non-emergency procedures. Another option would be for existing plans to simply waive deductibles and co-pays while covering travel expenses and perhaps including other incentives for those members willing to fly overseas for care.

By both Humana and Triple-S already having their own credentialed networks up to mainland standards in Puerto Rico, it reduces significantly the obstacles that other medical tourism hot spots have faced when proposing to fully insured, partially insured, state governments and associations to go overseas for healthcare.



Puerto Rico provides a compelling argument as one of the few existing options for insurance carriers to dramatically reduce costs and premiums without cutting quality or eliminating services from their members' plans. If anything, Puerto Rico provides an alternative for companies to include more robust coverage and a better overall patient experience than what they are able to get under their traditional plans.

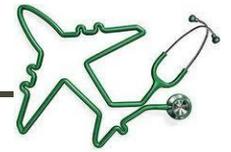
### **Government health insurance**

The number of people in the U.S. covered by government health programs in 2012 was 99.5 million or 32.6%. The percentage and number of people covered by Medicaid in 2012, 16.4% and 50.9 million, were higher than the percentage and the number of people covered by Medicare in 2012, 15.7% and 48.9 million.

### **Employer sponsored healthcare**

The majority of mid to large employers (200+ employees) in the U.S. are either fully insured or self-funded. Fully insured companies provide employee health benefits through an insurance company for a negotiated price and bear no insurance risk. A self-funded employer on the other hand, is one that, instead of paying insurance premiums to a carrier such as BCBS of Florida, directly assumes the costs of its employee's medical care, thus bearing all the insurance risk and the administrative burden of the plan. In most cases, the self-funded employer will design a plan that is similar to that offered by traditional insurance carriers that includes deductibles, co-pays and exclusions.

With continually rising healthcare costs it has been self-funded employers who have begun to look at medical tourism as a way to reduce costs while still offering attractive healthcare benefits.



## Market size

According to recent survey by the Kaiser Family Foundation, employer-sponsored health insurance covers approximately 149 million non-elderly people in the U.S. Of these, 61% are in a self-funded plan.<sup>28</sup> Therefore, the self-funded market covers roughly 90 million lives. The survey goes on to report that the percentage of covered workers who are in a plan that is completely or partially self-funded has increased over time from 49% in 2000 to 54% in 2005 and to 59% in 2010.<sup>29</sup>

## Firm size

Often the level of employer involvement will depend on the number of employees. Research shows that covered workers in large firms (200+ workers) are significantly more likely to be in a self-funded plan than covered workers in small firms (3-199 workers) (83% vs. 16%). Additionally, the percentage of covered workers in self-funded plans increases as the number of employees in a firm increases. About 79% of covered workers in firms with 1,000 to 4,999 workers and 94% of covered workers in firms with 5,000 or more workers are in self-funded plans in 2013.<sup>30</sup>

The table below shows the percentage of covered workers in partially or completely self-funded plans by firm size.

	Percentage of Coverage Workers in Partially of Completely Self-Funded Plans, by Firm 1999-2013														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
3-199 workers	13%	15%	17%	13%	10%	10%	13%	13%	12%	12%	15%	16%	13%	15%	16%
200-999 workers	51%	53%	52%	48%	50%	50%	53%	53%	53%	47%	48%	58%	50%	52%	58%
1,000-4,999 workers	62%	69%	66%	67%	71%	78%	78%	77%	76%	76%	80%	80%	79%	78%	79%
5,000 or more workers	62%	72%	74%	72%	79%	80%	82%	89%	86%	89%	88%	93%	96%	93%	94%
<b>All firms</b>	<b>44%</b>	<b>49%</b>	<b>49%</b>	<b>49%</b>	<b>52%</b>	<b>54%</b>	<b>54%</b>	<b>55%</b>	<b>55%</b>	<b>55%</b>	<b>57%</b>	<b>59%</b>	<b>60%</b>	<b>60%</b>	<b>61%</b>

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2013

Note: Estimate is statistically different from estimate for the previous year.

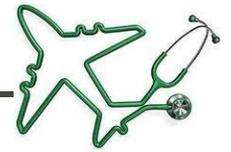
Due to a change in the survey funding status was not asked firms with conventional plans in 2006. Therefore, conventional plan funding status is not included in the averages in this exhibit for 2006

The table below shows the percentage of covered workers in partially or completely self-funded plans by firm size, region and industry.

<sup>28</sup> Employer Health Benefits 2013 Annual Survey. The Kaiser Family Foundation and Health Research & Educational Trust. Retrieved 10/21/13

<sup>29</sup> Ibid.

<sup>30</sup> Employer Health Benefits 2013 Annual Survey. The Kaiser Family Foundation and Health Research & Educational Trust. Retrieved 10/21/13



Percentage of Covered Workers in Partially or completely Self-Funded Plans, by Firm Size, Region and Industry, 2013

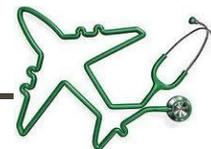
	<u>Self-Funded (Employer Bears Some or All Financial Risks)</u>
<b>Firm Size</b>	
200-299 workers	58%
1,000-4,999 workers	79%
5,000 or more workers	94%
All Small Firms (3-199 workers)	16%
All Large Firms (200 or more workers)	83%
<b>Region</b>	
Northeast	63%
Midwest	64%
South	67%
West	67%
<b>Industry</b>	
Agriculture/Mining/Construction	45%
Manufacturing	37%
Transportation/Communications/Utilities	82%
Wholesale	39%
Retail	78%
Finance	69%
Service	46%
State/Local Government	78%
Health Care	69%
<b>All firms</b>	<b>61%</b>

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2013

Note: Estimate is statistically different from estimate for all other not in the indicated size, region, or industry category.

Self-funding is common among larger employers as they can spread the risk of costly claims over a large number of employees and dependents. Many self-funded plans use insurance, often called stop-loss coverage, to limit the plan sponsor’s liability for very large claims.

The above data should be taken into consideration when formulating an employer-targeted marketing plan to promote Puerto Rico as a medical tourism destination.



## Trends

One of the major questions about the Affordable Care Act (ACA) was whether more employers would drop coverage in anticipation of the law going into effect in 2014. The latest U.S. Census data shows that companies were not dropping coverage in 2012, ahead of health reform. Some 54.9% of Americans had employment-based plans, not statistically changed from a year earlier.<sup>31</sup>

Additionally, an August 2013 study by the consulting firm Towers Watson found that 98% of employers reported they will keep “active medical plans for 2014 and 2015.” However, the same study found that 92% of employers said they would likely change their health insurance options by 2018, the year the law’s “Cadillac” tax on high-cost plans takes effect, with 47% saying they “anticipated significant or transformative change.”<sup>32</sup>

It is interesting to note that in Massachusetts, which in 2006 implemented health-insurance reforms similar to the ACA, the share of employers offering health-insurance coverage rose from 70% in 2005 to 76% in 2011.<sup>33</sup> One of the main reasons for this phenomenon, according to some experts, is that workers, looking to avoid paying a penalty for not carrying insurance, pressured their employers to provide it. Some speculate that this same trend could occur under the ACA.

On the self-funded side, and in the same context of the ACA, the Kaiser Family Foundation survey asked employers offering health benefits whether they plan to self-insure. Self-funded plans are not required to comply with the medical loss ratio or the essential health benefits rules that apply to some fully insured plans. About 6% of firms offering fully-insured plans reported they plan to self-insure, 83% reported that they did not plan to self-insure, and 11% did not know. There were no significant differences between small and large firms.<sup>34</sup>

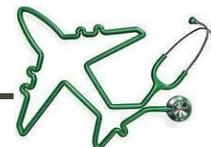
The next table shows the percentage of firms which plan to self-insure because of any provision of the ACA, by firm size and region, 2013.

<sup>31</sup> U.S. Census Bureau: Income, Poverty and Health Insurance Coverage in the United States: 2012, September 17<sup>th</sup>, 2013. Retrieved 11/19/2013

<sup>32</sup> Health Care Reform Heightens Employers' Strategic Plans for Health Care Benefits. Towers Watson. August 21, 2103. Retrieved 11/20/13

<sup>33</sup> Will Companies Stop Offering Health Insurance Because of the Affordable Care Act? The Wall Street Journal, June 16, 2013. Retrieved 11/20/13

<sup>34</sup> Employer Health Benefits 2013 Annual Survey. The Kaiser Family Foundation and Health Research & Educational Trust. Retrieved 10/21/13



**Among Firms which Purchase Insurance Underwritten By an Insurer, The percentage of firms which plan to Self-Insurance because of Any Provision of the Affordable Care Act, by Firms Size and Region, 2013**

	Yes, planning to self insure because of the ACA	No, planning to self insure because of the ACA	Don't Know
<b>Firm Size</b>			
3-24 workers	71%	81.2	12%
25-49 workers	1%	92%	6%
50-199 workers	1%	86%	13%
200-999 workers	1%	85%	14%
1,000-4,999 workers	6%	74%	20%
5,000 or more workers	NSD	NSD	NSD
All Small Firms (3-199 workers)	6%	83%	11%
All Large Firms (200 or more workers)	1%	84%	15%
<b>Region</b>			
Northeast	6%	81%	14%
Midwest	1%	90%	10%
South	12%	79%	9%
West	3%	83%	14%
<b>All firms offering fully insured plans</b>	6%	83%	11%

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2013

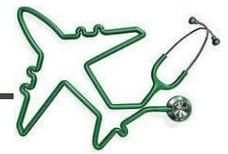
## Opportunities and Challenges

The self-funded employer market presents an important opportunity for a Puerto Rico medical tourism initiative. Over the years, most of these companies have experienced rapidly escalating healthcare costs, and, with the implementation of the ACA, are feeling squeezed further by regulations and the threat of fines for non-compliance with the provisions of the ACA. Although there is currently no hard data on the number of self-funded employers engaging in medical tourism, there is evidence that the trend is growing, both internationally and domestically.

What are the benefits of medical tourism for self-funded employers?

- Savings on their healthcare costs
- Predictability of surgery costs because pricing is “fixed”
- Enhances limited medical plans so that employees can be covered for major surgeries
- Reduces overall costs while maintaining quality benefits
- An incentive to retain and attract high quality employees
- Elimination of Stop Loss claims

What are the benefits of medical tourism for Self-Funded Employees?



- Waiving of deductible, coinsurance, out-of-pocket expenses and travel expenses for the patient and companion
- In some cases, receiving cash incentives
- Often experiencing a higher level of personalized care by nurses, doctors and hospital staff
- Being able to engage in tourism activities or take a vacation they otherwise would not be able to afford

There are already some companies sending employees abroad and there is evidence that others are looking for innovative solutions to lower their healthcare costs, while still allowing them to offer high quality healthcare benefits to employees and future prospects.

Satori World Medical, a well-known facilitator that caters to the employer market stated that they have contracts with “approximately two dozen self-funded companies that have implemented Satori World Medical as their international network/medical tourism benefit. Approximately half of the companies are sending patients with more signing on each day.” Satori indicated that companies in their network range in size from 600 to 70,000 covered lives, with most being in the 2,000 to 5,000 range. They are sending employees to 12 destinations including Puerto Rico, Costa Rica, India and Mexico.

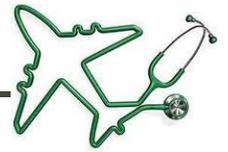
Timothy Isenhower, benefits director of HSM, a North Carolina company already sending patients to Costa Rica and India, said in a recent ABC News Nightline segment<sup>35</sup> that HSM had saved about \$10 million since offering a medical tourism benefit to approximately 250 employees over a five-year period.

In an interview with Isenhower,<sup>36</sup> he commented that since the ABC News segment, he had received calls from other employers “almost every day” asking him about medical tourism. His biggest surprise was to learn that most of these employers had never heard about medical tourism before the segment aired. He went on to comment that a well-known U.S. airline was planning to meet with him to learn more about medical tourism.

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<sup>35</sup> As More Americans Have Surgeries Overseas, US Companies Consider 'Medical Tourism' a Health Care Option. Oct. 1<sup>st</sup>, 2013 <http://abcnews.go.com/Health/americans-surgeries-overseas-us-companies-medical-tourism-health/story?id=20423011>

<sup>36</sup> Interview of Mr. Timothy Isenhower, Health Benefits director of HSM carried out on November 20<sup>th</sup>, 2013.



## Domestic market

Domestic medical tourism, whereby individuals or employees travel across the country for medical care, has been growing steadily over the past few years. The trend has been driven less by individuals seeking low cost surgeries than by employers and insurers whose primary focus is quality and lowering costs.

These programs usually involve a large company negotiating a bundled rate from a specialized healthcare facility or center of excellence for certain services. The procedures are then offered to employees who need them, with no co-pays or deductibles. Travel expenses for the patient and a companion are usually included.

By steering workers to facilities with high-quality care and lower prices, employers can reduce their costs 20% to 40%—more than enough to cover the travel expenses. To encourage workers to use the program, employers often waive deductibles and cover their travel and hotel costs.

In recent years, a number of high profile companies including Lowes, PepsiCo, Walmart and Boeing have implemented domestic medical tourism programs.

As with traditional medical tourism, companies with domestic travel programs save money in part by negotiating a single rate, which includes fees for surgeons, anesthesiologists and all medical care up until the patient is discharged. But there are other benefits. Referring employees to a center of excellence has also been shown to reduce medical complications, surgical re-interventions and recovery times, and allowing employees to return to work quicker. Hospitals benefit by getting paid up front and increasing patient volume.<sup>37</sup>

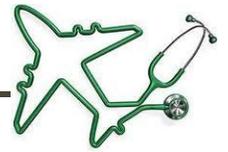
Although domestic medical tourism is still only a small slice of the medical tourism pie, its recent implementation by several high profile companies can only help its growth in the coming years.

Puerto Rico is essentially a domestic medical tourism option that offers the ideal conditions to attract the self-funded employer market.

- As a U.S. territory, it can be marketed as a domestic medical tourism or in-network option.
- Liability concerns are also mitigated as Puerto Rico falls under the U.S judiciary system.
- Most hospitals are Joint Commission accredited and many doctors are U.S. board certified.

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<sup>37</sup> Miami Health and Wellness Destination Guide. 2012. Published by the Medical Tourism Association.



- No passport required for U.S. citizens or residents
- Close proximity to the U.S. mainland
- English language affinity

### **Dropping Coverage in ACA**

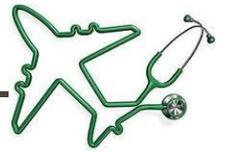
One of the potential threats to the self-funded employer market by the ACA is the possibility that some companies may decide to drop coverage, pay the fine, and push employees out onto the insurance exchanges. While this is a possibility over the long term, present data, as reflected in the latest U.S. Census report cited earlier, does not reflect this trend.

In the same interview with Isenhower,<sup>38</sup> he reflected that he had engaged with many companies over the past month talking about issues related to the ACA and medical tourism and “none had indicated that they were considering dropping coverage.” In the particular instance of HSM, he said that the company could cut their healthcare costs in half by dropping coverage and paying a stipend for employees to go to the insurance exchanges (assuming the system was working correctly, which it was not at the time of the interview). However, he felt there was a general feeling among employers that costs would go up over the mid to long term as they were “unsustainable” and would end up costing the company much more over the long run. He went on to state that there was a general distrust of the ACA system and that sending people to the exchanges would make it more difficult for them to attract good labor, which was already a challenge. He felt that dropping coverage might make sense for smaller employers, but not larger companies.

Isenhower also mentioned that the excise tax on so-called Cadillac Plans, goes into effect in 2018. A 40% excise tax will be assessed, beginning in 2018, on the cost of coverage for health plans that exceed a certain annual limit (\$10,200 for individual coverage and \$27,500 for self and spouse or family coverage). Health insurance issuers and sponsors of self-funded group health plans must pay the tax of 40% of any dollar amount beyond the caps that is considered “excess” health spending. Isenhower referred to this tax as incentive for HSM to maintain its medical tourism program as it (the medical tourism benefit) allowed the company to keep health expenditures low and therefore avoid the tax by not going over \$10,000 cap. He stated that he believes other employers will see this as an asset for the same reason.

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<sup>38</sup> Interview of Mr. Timothy Isenhower, Health Benefits director of HSM carried out on November 20<sup>th</sup>, 2013.



Asked about the effect of the ACA on the self-funded employer market, the representative of Satori World Medical said that he was unsure of how everything was going to play out, but he felt it was likely that “it will make everything more expensive (especially co-pays and deductibles) so our cost-saving option should be even more attractive.”

In another interview, the operations manager of a well-known facilitator who works with several self-funded companies (more in the capacity of a third-party administrator) stated that he had seen an exponential increase in self-funded companies interested in offering a medical tourism benefit internationally or domestically. In his words, the interest had evolved from “lukewarm four or five years ago, to warm two years ago, to very hot at the moment and growing.” He stated that the interest was tied directly to the implementation of the ACA. In his experience, companies as well as state and county governments were being impacted by continually rising costs and were interested in innovative solutions including medical tourism. This interest was especially prevalent in companies with 1,000 or more employees.

It bears emphasizing that the previous comments are the opinions of just a few stakeholders (and the companies they had talked to) that have already implemented medical tourism. It is to be expected that some employers may have contrasting views.

A review of the current literature and surveys on the subject suggest that it is unlikely most larger employers will drop coverage in the near future as there are still many incentives to offer coverage (subsidies, tax breaks, retaining and attracting a quality workforce), as well as uncertainty about the long-term effect of the ACA.

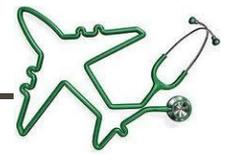
### **Unknowns**

Although self-funded employers may be a tempting market to target as part of a Puerto Rico medical tourism initiative, there are several unknown factors:

What is the general perception in the United States of Puerto Rico as a healthcare destination?

Are companies that are currently sending patients abroad part of a broader trend or will they remain on the fringes of healthcare delivery?

What percentage of the employer market is likely to feel comfortable offering a medical tourism benefit that includes Puerto Rico?



Are there some companies that would be more open to medical tourism than others? How do we identify them? For example:

- Companies with operations in Puerto Rico?
- Companies with employees that have certain ethnic or income characteristics?
- Companies that have an onsite clinics?
- Companies that are located in certain geographic regions?
- Companies that belong to particular industries?

These questions should be explored further to obtain a good grasp of the market's potential.

### Individual direct purchase insurance

Individuals who are not offered employer sponsored insurance (ESI) or who are ineligible for a government-sponsored plan are left to purchase coverage in the individual insurance market. Individual insurance is the least common type of non-government insurance in the U.S. healthcare market. In most cases, individual insurance is purchased using a broker, directly from a health plan, via the Internet or through a healthcare exchange.

#### Market size

According to the U.S. Census Bureau, there were 30.6 million or 9.8%<sup>39</sup> individuals covered by direct purchase insurance in 2012. These numbers are expected to double to about 64 million if all goes as planned with the ACA implementation (which is not at all certain at the time of this writing).<sup>40</sup>

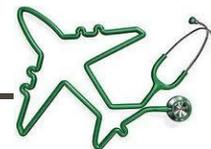
#### Characteristics

Individuals purchasing plans in the individual market tend to be self-employed, students, retirees not yet eligible for Medicare, unemployed, individuals between jobs, and individuals who are employed

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<sup>39</sup> U.S. Census Bureau: Income, Poverty and Health Insurance Coverage in the United States: 2012, September 17<sup>th</sup>, 2013. Retrieved 11/19/2013

<sup>40</sup> Deloitte: The Impact of Health Reform on the Individual Insurance Market: A strategic assessment. 2011. Retrieved 11/22/13



but do not use ESI. Single policies comprise most purchases in the individual market (57%) and family policies comprise the rest.<sup>41</sup>

## Trends

With the ACA mandates just getting underway it is assumed that the majority of those currently unemployed will be covered by insurance in 2014. According to the ACA provisions, individuals that purchase insurance in the individual market will be guaranteed coverage for pre-existing conditions, and their premiums cannot vary based on their gender or medical history. Penalties will be imposed on individuals and employers who fail to obtain and provide essential health coverage, respectively.<sup>42</sup>

At the same time, there are provisions in the ACA that will likely increase the cost of coverage, such as the health insurance tax, minimum essential benefits, and restrictions on age rating. The final result of all of these provisions may dissuade a segment of this market (particularly the young and healthy) from purchasing insurance or delaying purchase until they become sick or injured, which would increase the cost of coverage for everyone else with insurance.

## Opportunities and Challenges

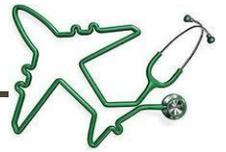
At first glance, the individual direct-purchase market does not seem to hold much promise for medical tourism considering that everyone is insured. However, there are some opportunities that can be exploited. Dental is probably the most obvious as coverage for most individuals is very limited if nonexistent. As with the uninsured, Puerto Rico should look at ways of attracting this market.

There may also be opportunities to attract insured patients with plans that have high deductibles or co-pays. Although the levels of coverage in the ACA are not defined using specific deductibles, co-pays, and co-insurance (they are specified using the concept of an “actuarial value” with bronze, silver and gold level plans), individuals will still be responsible for paying out-of-pocket-costs that vary depending on the level of their plan as well as other factors. For certain procedures then, it may make more sense for individuals to travel to Puerto Rico for surgery than pay the deductibles

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<sup>41</sup> “Survey of People Who Purchase Their Own Insurance,” Kaiser Family Foundation, June 2010.  
<http://www.kff.org/kaiserpolls/upload/8077-R.pdf>

<sup>42</sup> <https://www.healthcare.gov/> Retrieved 11/22/13



and co-pays for surgery in the U.S. This option would need to be studied further once the ACA has been fully implemented to see if the economics for patients make sense.

Another option that should be kept open for consideration would be to include a “Puerto Rico option” within some of the plans included in the insurance exchanges. In other words, allowing the patient to choose Puerto Rico as a lower cost option where deductibles and co-pays may be waived. Granted, this would likely require some sort of government involvement to push through, but in theory, at least, might make sense for jurisdictions with a high concentration of Puerto Ricans.

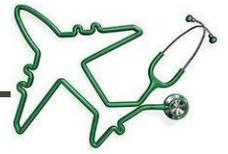
## Summary

The common thread throughout this chapter has been the ACA and the uncertainty of how it will ultimately impact the insured and uninsured markets.

In the final section of this chapter it is included the potential forecasts as to the economic impact these markets may have in Puerto Rico based in part on the available numbers (limited as they may be), and some educated assumptions. In particular:

- The individual direct purchase market and uninsured markets (self-pay for elective procedures)
- Self-funded employers

Due to the anticipated dynamics of the ACA and the likelihood that much of the uninsured market will shrink (though not disappear) and transition to the insurance exchanges, it is likely that the biggest opportunity for the self-pay (whether insured or uninsured) will be elective procedures with little or no coverage, in particular dental procedures and plastic surgery. As noted earlier in this chapter, even after the ACA has been fully implemented, there will still be gaps in coverage, so the potential to target other procedures such as orthopedics, cardiology and weight loss may still be a profitable strategy. It is also important to consider the potential of the Hispanic market and the Puerto Rican diaspora that would be much more likely to travel to Puerto Rico due to cultural and language affinity.



## Potential revenue from direct purchase and uninsured markets (self-pay for elective procedures)

To get an idea of the potential market for this group, it would be useful to look at Costa Rica, a country with a well-developed medical tourism sector. According to PROMED (a quasi-government organization responsible for promoting medical tourism in Costa Rica), there were 48,000 medical tourists that visited the country in 2011 for various procedures broken down as follows:<sup>43</sup>

- Dental procedures, 20,160 patients
- Cosmetic Surgery Procedures, 4,800 patients
- Orthopedic, general surgery and gynecology procedures, 10,560 patients
- Preventive medicine, 7,680 patients
- Others, 4,800 patients

In dollar terms, PROMED states that on average; each medical tourism patient spent \$7,000 dollars for a total of \$338 million dollars in 2011.

## Potential revenue from employer market

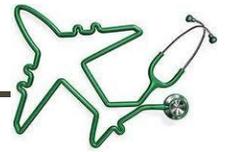
In looking at the potential for this market, we start by analyzing the number of medium/large sized firms in the U.S. Statistics show that there are about 7,829 companies with between 1,000 and 10,000 employees, employing a total of 20,387,763 workers.<sup>44</sup> About 84% or 6,576 of these firms employing 17,125,720 are self-insured.<sup>45</sup>

Looking again at Costa Rica and its experience in this market, the numbers indicate that in the case of one medium-sized firm with about 2,500 workers and 10,000 lives insured (employees and dependents), about 40 patients per year were sent in the last two years. This translates to about 16 patients per 1,000 employees. The average spent by these patients is approximately 12,000 USD in medical costs and \$3,000 USD dollars in food, lodging and other expenses.

<sup>43</sup> Promed press release: “Costa Rica es el mejor destino para el retiro.” February 13, 2013.

<sup>44</sup> Number of Firms, Number of Establishments, Employment, and Annual Payroll by Large Enterprise Employment Sizes for the United States, NAICS Sectors: 2010 Insurance Coverage, raw data. U.S. Census Bureau

<sup>45</sup> Employer Health Benefits 2013 Annual Survey. The Kaiser Family Foundation and Health Research & Educational Trust. Retrieved 10/21/13. \*According to the survey, 79% of firms with 1,000 – 4,999 employees are covered in self-funded plans, while 94% of firms with 5,000 – 9,999 employees are covered in self-funded plans. 84% was used as an average for both groups.

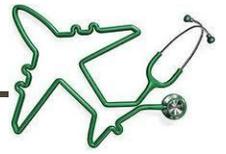


In an interview with the former director of HIMA Health, Milton Segarra,<sup>46</sup> he stated that in his previous experience with employers, one could expect on average six patients for every 1,000 employees.

Based on these experiences in Costa Rica and Puerto Rico, the potential number of patients per 1,000 employees was assumed to be close to 10. Applying this figure to the number of workers employed by medium-sized firms with between 1,000 and 10,000 employees, there is a hypothetical potential for about 171,257 annual medical tourism patients from these firms. Spending would total approximately \$2.57 billion.

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<sup>46</sup> Interview with Milton Segarra, director of the Puerto Rico Convention Bureau. October 14, 2013.



## IX. THE U.S. MEDICAL TRAVELER'S PERSPECTIVE

### Primary factors that influence U.S. patients' choice of destination

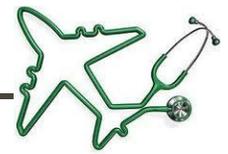
Quality can be defined as the effectiveness of both the clinical/technical care and interpersonal care.

Elements or examples that promote the perception of effective clinical/technical care are:

- Positive branding as a superior healthcare facility
- International accreditations and affiliations
- Expertise of medical staff
- Superior healthcare quality indicators
- A research facility or known center of excellence
- Patient testimonials
- Modern-looking facilities equipped with cutting-edge technology
- A successful procedure outcome
- A nurse inserting an IV into a patient's arm quickly and without causing undo pain

Examples of effective interpersonal care:

- Responding quickly to a patient's email requests for information
- Keeping the patient informed
- A cordial and friendly call center representative that is empathetic to the patient's needs
- A doctor spending 30 minutes listening to a patient's concerns with empathetic body language
- Speaking the patient's language
- Sensitivity to the patient's culture and traditions
- A nurse smiling and making eye contact with the patient while inserting an IV
- Visiting a patient at the hotel
- Patient testimonials



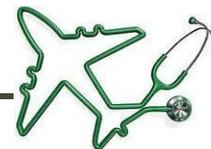
Both these elements of “quality” are critically important to the overall patient experience.

- **Cost:** A high percentage of U.S. patients are looking for more affordable medical care options than those available at home. Certainly for the uninsured, cost is probably the number one reason they will choose a particular destination.
- **Availability:** Some patients are looking for medical procedures or treatments not available in the U.S., such as non-FDA approved cancer treatments or stem cell therapy.
- **Perception of destination:**
  - Patients want to travel to a jurisdiction where they feel safe.
  - Oftentimes they prefer to have an affinity or familiarity with the culture and language.
  - All things being equal, they will prefer a destination that is close by.

## Typical concerns

Most U.S. buyers of healthcare will assume that the quality of out-of-country medical services is inferior to those at home. Therefore, the burden for the MTC is to change this perception by building trust in its provider network. Specifically, it must educate the skeptical U.S. market about the high quality of care in Puerto Rico, while at the same time provide the necessary services and conveniences needed to attract the U.S. market. U.S. patients will typically have the following concerns:

- “I’m concerned my friends and family might think I’m crazy if I travel for surgery.”
- “I’m concerned about the qualifications of the doctor I choose.”
- “I’m concerned the hospital or clinic I choose will not be up to U.S. quality standards.”
- “I’m concerned the price I was quoted might change.”
- “I’m concerned of privacy issues when transferring my medical records.”
- “I’m concerned it will be difficult for me and my family to get to and from the hospital.”
- “I’m concerned I may have difficulty communicating with doctors and hospital staff.”
- “I’m concerned I will be forced to do things that are forbidden to do in my culture.”
- “I’m concerned people might ridicule my local customs or family members.”
- “I’m concerned that the destination I am traveling to may be unsafe.”
- “I’m concerned about medical complications.”
- “I’m concerned that I will have no legal recourse in a strange country.”
- “I’m concerned my local doctor might not be unwilling to treat me once I return home.”



While some of the above concerns (e.g. quality of hospital facilities and legal recourse) should be a non-issue for U.S. patients traveling to Puerto Rico; each of them must be addressed to make patients feel comfortable with the idea of traveling to Puerto Rico.

## Expectations regarding care and service delivery

### Hospitals and clinics

Medical providers should have the capability to assist international patients with the preparation and planning of their trip. This includes coordinating remote payment, assisting the patient with travel logistics (recommending appropriate lodging and transportation), sending itineraries and arranging the necessary concierge services to suit the needs of international patients. Internally, medical providers need to schedule pre-operative exams and doctor consultations in a way that minimizes waiting times so as to ensure a fluid experience for the patient.

**Physical environment:** International patients and their companions often judge the quality of a provider's medical services based on their perceptions of a hospital's physical environment. Public spaces such as entrance areas, cafeterias and waiting lounges have the potential to create a positive first impression if clean, well-maintained and designed with the patient's best interests in mind.

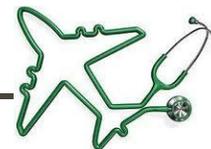
The positioning, design, layout and signage of the treatment setting are crucial factors in the way patients feel about their care environment. Given that patients may be tired from traveling, feeling disoriented, or experiencing cognitive or physical difficulties, every effort must be made to make access to services easy in a stress-free healing environment.

**International office:** The purpose of an international patient office should be to provide foreign patients with an outstanding medical tourism experience from first contact until they return home. In essence, the international office should function as a bridge or intermediary between the international patient and the services—both clinical and non-clinical—a hospital provides.

### Hotels

Hotels should highlight on their website the range of services offered to medical travel guests, and educate sales and reservations staff about these services, as well as the needs and expectations of this market. Some important considerations for medical travel guests are:

- Availability of rooms for patients with limited mobility
- Free Internet



- Package pricing that includes all meals
- Transportation services to and from the airport and to and from the hospital
- Availability of nursing services
- Transportation to nearby malls or shopping centers

**Location:** Hotels should be situated in safe neighborhoods with restaurants and shopping venues nearby. Although the patient may not always access these services, the companion certainly will.

**Infrastructure:** Hotels targeting medical guests should be wheelchair friendly and offer rooms designed for guests with limited mobility. Reducing hindrances to getting around the property needs to be a consideration for facilities not previously prepared to accommodate wheelchairs or other mobility assistance equipment. In the event that elevators are not present in the hotel, it may be necessary to use the first floor rooms for those with such needs.

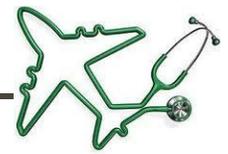
**Staff:** It is important to educate staff about a medical guest's unique needs. They may need frequent changes of linens and towels, periodic calls to check on how they are doing, and personal safety do's and don'ts in serving or aiding the guest (including coordinated medical response for emergencies).

**Protocols and services:** Hotels with significant medical guest volume should implement a fast-track separate check-in process to minimize wait times on arrival. Any comfortable hotel may be sufficient for patients who have undergone relatively "soft" treatments or procedures such as dental or minor cosmetic surgeries. However, patients undergoing more critical care procedures such as hip replacements, spinal surgery or a heart intervention will require closer supervision and facilities that are adequate for guests with limited mobility. With regards to services, hotels should consider:

- Offering special diets
- Massages and spa treatments
- Offering personal shopping services
- Providing transportation (that perhaps can accommodate wheelchairs) to and from clinics
- Some hotels may need to make nursing support available to their medical guests through contracted third party providers.

### **Airport meet and greet**

Creating a positive first impression for patients arriving in Puerto Rico should be a top priority. As is to be expected, combining travel with surgery can make for a stressful experience. Therefore, the



medical tourism process should be as fluid and as stress free as possible. On arrival, and regardless of whether they require special assistance, all patients should be met at the gate and assisted through customs and out to the shuttle that will take them to the hotel or hospital. There are already two companies embedded inside the airport in San Juan offering similar services. These can be leveraged for the budding medical tourism sector.

### **Transportation sectors**

English language and customer service skills are notoriously inconsistent among local taxi drivers. Therefore it is recommended that shuttle drivers transporting medical tourism patients have a tour guide license. For a medical tourism initiative, it is recommended that drivers shuttling patients between the airport, hotel and hospital should be in uniform and have adequate English speaking skills. They should be trained in CPR and be aware of the particular needs and expectations of each patient. For example, if a patient is arriving in a wheelchair, it may be necessary to have shuttles equipped with hydraulic lifts.

### **Description of typical healthcare delivery process**

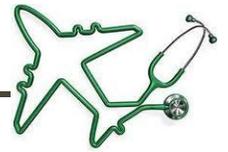
The U.S. medical tourism market is currently made up of three main types of patients:

1. Direct or retail patients: these are individuals that contact a foreign hospital directly, usually through the Internet.
2. Agency referred patients: these are individuals who contact a medical tourism facilitator (intermediary agency) to help them coordinate their care abroad.
3. Employees from self-funded companies: these are individuals who are offered a health plan by their employer that includes a medical tourism component.

It is important to note that direct and agency referred patients are actively searching for medical tourism while employees, on the other hand, are usually not. Medical tourism is presented to them as an option among several others.

### **Direct and agency referred patients:**

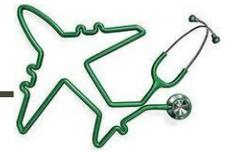
1. Will contact the medical provider directly or through a facilitator to learn about the provider's service offering and whether they can help with the requested procedure or treatment.



2. The hospital in Puerto Rico will request the necessary medical information to confirm the diagnosis and ensure that the patient is a candidate for the requested treatment or surgery. If the patient is a candidate, a price quote (may be tentative) will be sent.
3. Often, a conference call will be arranged between the patient and the destination surgeon(s).
4. The international office will help with flight and lodging arrangements for the patient and family members, often providing patients with discounts. Non-U.S. citizens or residents may also need assistance procuring a visa.
5. Once the patient arrives, he/she is met at the airport and taken to the hotel or hospital depending on the treatment itinerary.
6. Once at the hospital, patients will go through an expedited admission process followed by any required appointments, tests or consultations, usually accompanied by a patient coordinator.
7. If the patient has come for surgery, he/she will remain in the hospital for the required number of days before being discharged to a hotel or air-ambulance flight back home. If the patient is staying at a hotel for the recovery process, he/she may be brought back and forth to the hospital for therapy or scheduled treatments.

**Employees from self-funded companies:**

The process will be similar to direct patients except that the employer or a facilitator (instead of the patient) will typically make all the necessary arrangements for sending the patient directly to the hospital. As the employer is dealing directly with the patient, there is no need for back and forth correspondence designed to lead the potential patient towards a decision, as would be the case with direct patients. It should be noted that most employers will demand all-inclusive medical packages where the employee has no out-of-pocket expenses while at the destination.



## X. POTENTIAL ECONOMIC IMPACT

Puerto Rico sees a medical tourism program as a progressive vehicle to diversify its economy, promote employment generation, and strengthen the health service industry. Medical tourism has the potential to stimulate other economic sectors through its backward and forward linkages and cross-sectorial synergies with sectors such as transportation, hotel, and insurance, among others.

It is projected that within several years, medical tourism in Puerto Rico could match the size of the industry in Costa Rica at present.

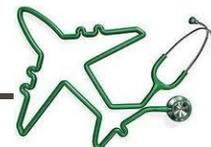
According to the interviews conducted for this study, Puerto Rico receives some 15,000 international patients per year. These patients come mainly from the U.S. Virgin Islands and the British Virgin Islands for checkup and some specialized procedures. The main reason for coming to Puerto Rico is that medical options are limited in the Eastern Caribbean. Meanwhile, Costa Rica receives some 48,000 patients per year.

Medical Tourism Patient Movement Estimate in Puerto Rico

Years	Period of 2 Years		Period of 10 Years: Medical Tourism Program Set										Patient Movement in 10 Years
	2014*	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Natural Growth of Medical Tourism Patient	15,000	15,300	15,606	15,918	16,236	16,561	16,892	17,230	17,575	17,926	18,285	18,651	170,881
New Medical Tourism Patient Estimate	-	7,650	15,606	17,510	19,484	21,530	23,649	25,845	28,120	30,475	32,913	35,436	250,568
<b>Total</b>	<b>-</b>	<b>22,950</b>	<b>31,212</b>	<b>33,428</b>	<b>35,720</b>	<b>38,091</b>	<b>40,542</b>	<b>43,076</b>	<b>45,695</b>	<b>48,401</b>	<b>51,198</b>	<b>54,087</b>	<b>421,449</b>

\*According to the interviews the medical tourism patient that coming to Puerto Rico.

According to MTA Patient Survey 2013, medical tourists spend between \$7,414 and \$15,833 per trip. Many of the patients come with at least one companion. In the case of Puerto Rico, patient expenditure was estimated at an average of \$10,000 per patient. The expenditures by the companion were estimated at \$750, according to the Puerto Rico Visitors Profile (2008).



Medical Tourism Patient Economic Impact Estimate in Puerto Rico

	Period of 3 Years		Period of 10 Years: Medical Tourism Program Set										Patient Movement in 10 Years
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Medical Tourism Patient Expenditure Estimate \$10,000	-	\$76,500,000	\$156,060,000	\$175,099,320	\$194,837,789	\$215,295,757	\$236,494,108	\$258,454,275	\$281,198,251	\$304,748,605	\$329,128,493	\$354,361,678	\$2,174,518,956
With One Accompanying Person Expenditure Estimate \$750	-	\$5,737,500	\$11,704,500	\$13,132,449	\$14,612,834	\$16,147,182	\$17,737,058	\$19,384,071	\$21,089,869	\$22,856,145	\$24,684,637	\$26,577,126	\$163,088,922
<b>Total</b>	-	<b>\$82,237,500</b>	<b>\$167,764,500</b>	<b>\$188,231,769</b>	<b>\$209,450,623</b>	<b>\$231,442,938</b>	<b>\$254,231,166</b>	<b>\$277,838,346</b>	<b>\$302,288,120</b>	<b>\$327,604,750</b>	<b>\$353,813,130</b>	<b>\$380,938,804</b>	<b>\$2,337,607,878</b>

However, the net income from medical tourism may need to be adjusted somewhat. Part of the rationale for the pursuit of medical tourists is to generate additional tourism income, which assumes that these individuals and their companions would not otherwise have been in the country.

In many cases, medical tourists are either diaspora or patients who have previously visited the country and are likely to do so again. To the extent that the medical tourism patients are regular visitors implies that the non-healthcare revenue would not increase.

At the same time, many inputs used in the process, from prosthetics to drugs, is part of the \$10,000 per patient expenditure, but would not represent additional income for Puerto Rico.

The job creation in the medical tourism sector will depend on the volume of patients that the industry could generate. For example, Colombia medical tourism suffered a decrease in the number of patients in 2013. As a result, the Colombian Government started to create innovative services to attract a higher volume of patients. One of the new services was the opening of an \$11 million Hispanic Clinic focused on medical tourism, by the Ministries of Commerce and Tourism. This investment generated 430 jobs.<sup>47</sup>

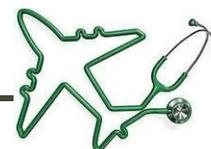
In Puerto Rico, medical tourism could generate some 2,612 jobs in three years. The data includes hotel and health employments. The estimate is consistent with the figure of 2,700 in the document “Economic Roadmap”, published in 2013 by the Department of Economic Development & Commerce.

<sup>47</sup> Oliver Griffin, Colombia’s medical tourism declines, September 6, 2013.



Medical Tourism Employment Estimate in Puerto Rico

Years	Period of 2 Years		Period of 10 Years: Medical Tourism Program Set									
	2014*	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
New Medical Tourism Patient Estimate	-	7,650	15,606	17,510	19,484	21,530	23,649	25,845	28,120	30,475	32,913	37,301
Medical Tourism & related services	-	463	945	1,060	1,180	1,303	1,432	1,565	1,703	1,845	1,993	2,258
Accumulative Employment	-	463	1,407	2,468	3,647	4,951	6,383	7,947	9,650	11,495	13,488	15,746



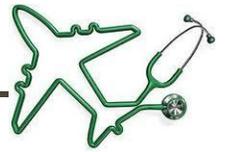
## XI. ACTION PLAN FOR PUERTO RICO MEDICAL TOURISM

The first step in an effective medical tourism initiative is the reconfiguration of the Medical Tourism Destination Management Organization. This organization would serve as the focal point for the efforts of the different stakeholders. The following is a possible action plan for medical tourism in Puerto Rico:

### Puerto Rico Action Plan

Description	Timeframe
Revise and amend the present law of Medical Tourism	Two months from start
Constitute the Board of Directors of the Medical Tourism Corporation	Three months from start
Choose the administration of the Destination Management Association (DMO) through a Request for Proposal	Five months from start
Start with the training and certifications of healthcare and hospitality providers	3 months from start
Coordinate the network of medical providers, determinate who will participate and establish the price structure	Eight months from start
Create and develop the website with DMO and provider information	Eight months from start
Start the marketing process for the different target markets: insurance corporations, “self-insured” companies and uninsured populations	Nine months from start

One alternative to accelerate the timetable would be for the DDEC to name the DMO for the first term and the BDMTCO to do it from then onwards.



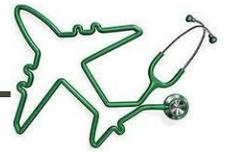
## XII. BUDGET

Initially, budget and financing for this initiative would come from several sources including government funding. However, government funding would scale down significantly as revenue generated by the Medical Tourism Corporation (MTC) increases and the initial set-up expenses are concluded.

As is common in other parts of the world, the MTC would be financed by a fee based structure to be charged providers of the medical tourism services.

Stakeholders expressed a need for some \$8 million in commitment of government funds to the MTC during the first three years of operations. This should be considered seed money to launch the initiative. Then, the MTC would become self-sufficient.

- The Department of Economic Development & Commerce would provide seed money for the first three years of operation:
  - \$2,000,000 first year
  - \$1,000,000 for second and third year
- Additionally, the Puerto Rico Tourism Company would set aside \$1.5 million for specialized marketing and campaign efforts. These funds would be released as the initial contacts with insurance companies and self-insured corporations bear fruit, not before.
- Other resources would be provided by MTC fee income.



### **XIII. CONCLUSION**

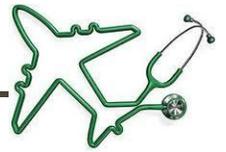
Medical tourism is an industry with huge potential for Puerto Rico. As is the case with tourism at large, Puerto Rico has strengths that can be leveraged. At the same time, competition from lower cost jurisdictions will place limitations as to the potential of the sector.

Puerto Rico is already a significant destination for medical tourism from other Caribbean residents. There has been no breakthrough in the United States because a requirement for success is building a network of providers, both medical and non-medical, that can be attractive to insurance companies and self-insured corporations. Therefore, there is a clear need for a Medical Tourism Corporation (MTC) that serves as the center of convergence for a successful initiative.

The re-launch of the medical tourism initiative should take as much as possible from existing frameworks. The incentives used should be those already in place in the tourism incentives law, the export of services law, and the Tourism Development Fund. The structure of the MTC can use as reference the Puerto Rico Convention Bureau. The selection of the operator of the Medical Tourism Destination Management Organization could use as starting point the process followed to select the operator of the P.R. Convention Center. The medical tourism law should be simple, leaving the details of the initiative (provider certifications, strategy, etc.) to the MTC.

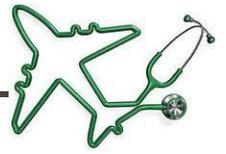
Like that of the Caribbean, building a clientele from the United States will take time. While setting up the network of providers should be relatively quick, reaching agreements with insurance operations will take longer. Once this is achieved, and not before, marketing would need to be performed both with the insurance beneficiaries and with their doctors for referrals. The uninsured market can be approached in parallel, but this is much smaller, and getting smaller as a result of the Affordable Care Act, and more responsive to the price advantage of cheaper jurisdictions.

Tourism in Puerto Rico started small, with the first major hotel in 1947, and grew into a large industry. Properly executed, the same will happen with medical tourism.



## APPENDIX 1

### Description of Medical Tourism Stakeholders



## Description of Medical Tourism Stakeholders

This chapter summarizes the findings from the interviews of the medical and hospitality sectors carried out on October 14-18, November 11-15, and December 2-5, 2013.<sup>48</sup> The goal of these interviews was two-fold:

1. To gain a better understanding of the capability and readiness of sectors to adequately service international patients (particularly U.S. patients).
2. To gather a wide range of ideas, suggestions and viewpoints (including pitfalls and opportunities) that can serve to improve a potential medical tourism initiative.

### Hospital and Physicians Associations:

#### Colegio de Médicos y Cirujanos

Date of interview: November 13, 2013

People interviewed: Dr. Eduardo Ibarra, President

**General/corporate information:** The College was born from the womb of the Medical Association of Puerto Rico on August 13, 1994, when Law 77 was passed, giving legal force to the creation of the College of Physicians-Surgeons of Puerto Rico. The College became a reality only after constant medical struggles and disagreements made it evident that a single organization needed to bring together doctors in Puerto Rico.

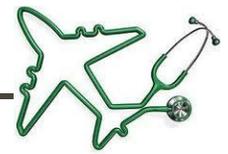
**Current efforts in Medical Tourism:** Even though there has been talk about the medical tourism sector over the years among doctors as an opportunity for growth, Dr. Ibarra did not point to any specific initiatives that have been led by the association. He did mention some potential projects of which he is aware, such as the Normandie Hotel conversion into a recovery facility and a project that he is hoping to get investment for a property he owns in the mountains that he would like to develop for a medical tourism project.

**Pricing:** Dr. Ibarra did not mention a formal study but believes that pricing in Puerto Rico is generally about 50% less than on the U.S. mainland. He went on to emphasize how insurance reimbursement's by all the plans but especially by Mi Salud with capitation have driven down fees paid to doctors, fueling the exodus of the medical class to the United States.

**English language competency:** Most doctors have a high level of English competency.

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<sup>48</sup> Interviews conducted for the most part by William and Brad Cook



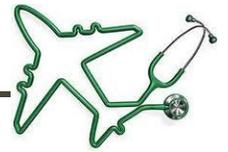
**Opportunities and challenges:** With regard to a medical tourism initiative, Dr. Ibarra believes that this is an opportunity that the Island is letting slip away, and it must act fast to insert itself in the discussion as one of the region's primary destinations. Puerto Rico offers many singular advantages over its competitor and the fact that it is part of the United States makes it a natural destination for the American market.

What most needs to be highlighted in his opinion is the fact that training and standards for the medical class and health sector in Puerto Rico are exactly the same as the standards and accreditations for hospitals and physicians in the U.S. For this reason, a significant percentage of Puerto Rican doctors are U.S. board certified.

The College is willing to collaborate with the medical tourism initiative and knows of many specialists who would be eager to participate.

Dr. Ibarra also admitted that some hospitals have been fairly successful in maintaining doctors such as HIMA, Metro Pavia and Menonita and would probably be the most successful initially in participating in a medical tourism initiative.

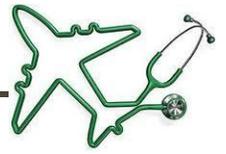
The greatest threat that directly impacts the success of a medical tourism project and for that matter healthcare in general on the Island is the large number of doctors migrating to the United States. Dr. Ibarra points out that there are already physician shortages at many hospitals for cardiologists, anesthesiologists and orthopedists. Dr. Ibarra as an example stated that the Island has gone from 400 to 120 cardiologists in recent years and that orthopedists have been reduced to less than 50 in his estimation and anesthesiologists to just over 100. He blames most of this exodus directly on the insurance plans that are making a fortune at the detriment of the hospitals, clinics and physicians. He went on to state that insurance companies are even looking to see how they can get laws passed to use physician assistants in Puerto Rico to reduce their costs even further. Without hesitation Dr. Ibarra emphasizes that the insurance companies are so powerful that they have the government on its knees while, because of anti-monopoly laws, doctors have no mechanisms or recourse to join together and establish a fee schedule for the medical class of Puerto Rico. One of the few solutions he sees if all of these trends continue is for the government to allow doctors from other countries to fill the void that is being generated by the exodus of medical professionals from the Island.



When asked about the relationship between the College and the Hospital Association, he stated that there is not much of a relationship between the two or projects that have brought the two groups together. Dr. Ibarra believes that the doctors are seen as a necessary evil so to speak by the hospitals in their efforts to make as much money as possible.

Regarding liability issues Dr. Ibarra admitted that for some doctors this is an area of grave concern when it comes to treating medical tourist as the thought of getting dragged to federal court is just not worth the risk. Still, he does not see it as in issue without a simple solution as there are inexpensive insurance policies that cover from \$100,000 to \$300,000 for about \$10,000 a year that most doctors already have and that today there is a new insurance company offering policies for over a million dollars of coverage while still maintaining very moderate rates that are a fraction of those paid for similar amounts of coverage in the U.S.

As with the dental class, the most serious challenge for a medical tourism initiative in the opinion of Dr. Ibarra is the growing exodus of specialists, especially orthopedics and anesthesiologists from the Island and second, the fear of some doctors of getting sued in federal court by American patients. Dr. Ibarra did emphasize his hope that a consensus initiative would motivate more doctors to stay and perhaps bring others back home.



## Asociación de Hospitales de Puerto Rico:

Date of the interview: December 15, 2013

People interviewed: Mr. Domingo Cruz, President, Mr. Pedro González, Board Member, Mr. Jaime Pla, Executive Director

### General/corporate information:

The Association brings together most of the hospitals operating in Puerto Rico, including private sector, government owned and nonprofit institutions.

### Entrepreneurial Engagement & Medical Tourism

The Hospital Association is already engaged in an effort of medical tourism. It has lined up some hospitals committed to the effort. It has initiated contact with insurance companies in the United States to offer them a network of providers in Puerto Rico.

The Hospital Association is interested in leading the effort of medical tourism in Puerto Rico as the public policy initiatives contemplated by the present administration take shape. It understands that, while other healthcare providers can offer required services to medical tourists, hospitals contribute the largest value added and thus, should be front and center of the medical tourism efforts.

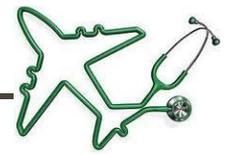
## Foundation for Puerto Rico (FPR)

Date of the interview: December 3, 2013

People interviewed: Mr. Jon Borshow, President, Milton Cruz, Board Member, Maria Jaunarena, Director of Collaborations

### General/corporate information:

- Mission: To serve as a catalyst for Puerto Rico's transformation into a vibrant society and economy by driving entrepreneurship and innovation.
- Purpose: To discover, link and unleash Puerto Rico's potential as an active participant in the global economy.



## Entrepreneurial Engagement & Export

The objective of the Entrepreneurial Engagement & Exports platform is to enable strategic business entrepreneurs and enterprises to create socio-economic progress.

### Public Sector

The Public Sector Innovation platform aims to leverage the resources of FPR and its collaborators to support Puerto Rico's government.

### Human Capital

The Human Capital Platform aims to advance relevant, rigorous and value-based educational skills training and professional development experiences.

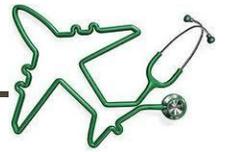
The team is growing with eight full-time and two part-time staff supported by interns, volunteers, advisors and fellows. The Foundation is in the process of launching multiple initiatives across sectors in the coming months.

**Current Efforts in medical tourism:** The foundation has been aggressively working to be a catalyst in the formation of a medical tourism initiative. They have gone as far as commissioning a recent feasibility study by the Massachusetts Institute of Technology and in August 2013, provided a memorandum of understanding for government with a proposal to develop the medical tourism sector with the Hospital Association of Puerto Rico. At this time they indicated that they have not pursued the project further with the government or Hospital Association.

During the interview, Borschow and the other members interviewed were emphatic that the medical tourism initiative needs to be big and hugely aggressive stating on more than one occasion that they had investors willing to spend up to a billion dollars in the development of a medical tourism complex (*Villa Médica*) where all medical tourism services would be housed together and allow for real growth of the sector. They also highlighted that they have some key relationships to help market and bring patients to Puerto Rico.

Cruz was emphatic that this industry needs to benefit everyone and development projects associated with the industry need to be fast tracked through changes to current medical tourism law.

**Conclusions and Opportunities:** Cruz's main concern appeared to be focused on making sure the proposed structure would be successful and allow for initiative to get rolling quickly and eventually



become self-sustainable. Cruz also mentioned that if it took a request for proposal to choose the destination management company, this could delay any real progress for six months or more.

## Hospitals

Interviews were conducted at six hospitals that were certified as medical tourism-ready by the Hospital Association of Puerto Rico and their “Cuidado Médico Global: Turismo Médico de Puerto Rico” brand founded in 2009.

It is important to emphasize that interviews were requested with several other hospitals that were also on the list of certified hospitals, but the requests were either declined or not possible to coordinate. It should be highlighted as well that Doctors Center Hospital at both Manatí and San Juan locations, as well as Health South in Manatí were visited by the Cook brothers on four separate occasions over the past 18 months, so there was no need to include them in this round of site visits. These institutions showed a high level of interest and commitment to participating in a medical tourism initiative.

### **Metro Pavia, Santurce**

Date of the interview: October 14, 2013

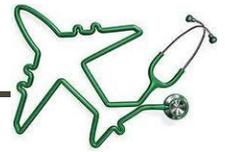
People interviewed: Dr. José Luis Rodríguez, CEO Metro Pavia Health System, and Madeliza Ramírez, Medical Tourism Director.

**General/corporate information:** Metro Pavia Health System is made up of 13 hospitals including one in Miami. Four hospitals are located in the San Juan metro area. They are Joint Commission and Medicare accredited.

**Physicians:** All Pavia Santurce staff physicians are U.S. Board Certified.

**Physical environment:** It is a relatively large hospital that can be somewhat difficult to navigate. The physical infrastructure is somewhat worn. However, in general the facilities are adequate for U.S. patient needs. There are approximately 30 private rooms. Patient rooms are adequate but not high-end in terms of comfort and aesthetics. Cable TV in English/Spanish is available for a small fee.

**Specialties:** Cardiology, orthopedics, ob-gynecology (including high risk pregnancies), endocrinology, gastroenterology, urology, neurosurgery, hematology and oncology. The hospital is



especially interested in promoting cardiovascular and joint replacements to the U.S. market. One of the innovative procedures they are promoting is the TAVR (TAVI) heart valve replacement.

**Capacity:** Current occupancy is approximately 84%; however, the administration does not view capacity as an issue for medical tourism as most surgeries are programmed. There is also talk of building another facility nearby just for international patients.

**Brain drain:** They acknowledge brain drain is a problem in Puerto Rico but are recruiting doctors by offering incentives. They help with scholarships in exchange for doctors committing to work a certain number of years in Puerto Rico. Brain drain of nurses was a problem in the past but no longer an issue.

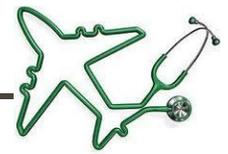
**Current efforts in medical tourism:** Since 2000, they have been receiving patients from the Caribbean (in particular the BVI and USVI) and have liaison offices in St. Thomas, St. Croix and St John. Marketing is very aggressive.

There is a new international office space located within the hospital premises, staffed with four full time, fully bilingual (English & Spanish) Coordinators and one Medical Tourism Program Director. The hospital also just finished implementing a \$50,000 CRM to help manage patient requests.

Metro Pavia attended 6,115 international patients (from the Caribbean: BVI & USVI) in 2012. Most of these patients were consultations, laboratory and X-ray exams. According to the hospital, 305 of these were surgical procedures.

**International patient services:** According to the administration, they provide the following services for international patients:

- English language website
- Identifying patients' needs
- Referral to appropriate physician and/or department
- Coordinate and confirm appointment with physician or department
- Ground Transportation (free of charge) from and to international airport in San Juan
- Coordinate airline and hotel reservations at special discounted rates
- Serve as facilitator to ensure timely services and the well-being of the patients and their companion



- Serve as liaison between the patient and the health insurance company

A toll-free telephone number is accessible as well as the local and off-site telephone numbers to reach their Patient Information Centers. Currently, most of the contacts are made over the phone, but they are seeing a marked increase of inquiries through their website.

A brochure (English & Spanish) is available electronically as well as hard copies located at the international and off-site offices. It details the services available, hospital credentials and contact information.

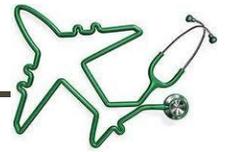
**Pricing:** Metro Pavia indicated that their prices were approximately 50% less than on the U.S. mainland and that they could create packages for medical tourism patients.

**English language competency:** According to the administration, 90% of physicians at Metro Pavia Santurce speak English with a high degree of fluency. English language competency among nurses is more deficient; however, they state that 75% of nurses speak “some English.” Staff that speaks English is identified with “I speak English tag.” They mentioned that they are in the process of hiring more English speaking staff, and that documents and waivers are currently being translated into English. All the marketing material is printed in English and Spanish and provides contact information with appropriate addresses, phone numbers and website for the hospital and its staff. Signage at the hospital is also in both English and Spanish.

**Current international marketing efforts:**

- Establishment of physical presence in various target markets by means of Patient Information Centers (U.S. and British Virgin Islands)
- Ongoing Wellness and Preventive Clinics by partnering with other private and/or nonprofit organizations (U.S. and British Virgin Islands)
- Ongoing Medical Symposiums (U.S. and British Virgin Islands)
- Year-round advertising campaign (including coops) via Internet, radio, TV and print media

The hospital is not currently marketing to the U.S. mainland but it is interested in doing so in the context of an Island-wide medical tourism initiative.

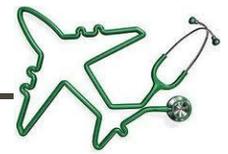


**Opportunities and challenges:** Based on the interview, site visit, and the data provided by the hospital, Metro Pavia has the necessary qualities to successfully attract and service international patients from the U.S. mainland. Its strengths include:

- Top quality physicians
- Availability of medical specialties that are attractive to the U.S. market
- Years of experience servicing international patients from the Caribbean market which can be leveraged for the U.S. mainland market
- Experienced staff and infrastructure in place to manage increased patient volume from the U.S.

**Weaknesses:** Aesthetically, the hospital is not on par with many of the hospitals around the world currently attracting patients from the U.S. Although it is not a serious impediment at this time, it will become an issue if facilities and infrastructure are not upgraded or given a “face lift” in the next few years.

Although the administration stated that most medical staff and nurses have a high degree of English fluency, it was our impression that English language fluency may still be an issue with nursing and certainly with other frontline staff.



## San Jorge Children's Hospital, Santurce

Date of the interview: October 16, 2013

People interviewed: Maria J. Rodríguez, Administrative Associate

**General/corporate information:** San Jorge Children's Foundation is a nonprofit organization dedicated to the health and welfare of children in Puerto Rico.

**Facilities:** It is a large and attractive hospital with colorful design themes focused on fun and making children comfortable. The parking levels next to the hospital each have a super hero's character theme (e.g. Batman, Superman, Wonder Woman). There are:

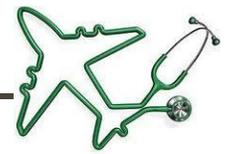
- Six surgery rooms
- 164 beds
- four private rooms
- seven private in suites for plastic surgery
- 12 ICU beds where companion can stay with children
- four neonatal ICU units
- New area for oncology on third floor

Private rooms are nice though a little small. It was noted that they have Wi-Fi Internet and a security box.

**Specialties:** Pediatric surgery, oncology, neurosurgery, orthopedics, bone marrow transplants, plastic and reconstructive surgery. The hospital is focused on pediatrics with adult services in orthopedics and plastic surgery. The adult areas are independent from the pediatric hospital.

**Capacity:** Current occupancy is approximately 82%. They mention there is availability in surgery rooms so do not see lack of capacity as an issue for programmed surgeries.

**Brain drain:** According to the hospital administration, brain drain among specialists is a big concern. There is a scarcity of certain specialties, particularly neurologists and neurosurgeons, where there can be considerable waiting times. The hospital does not see as big a problem in orthopedics. The hospital is working on recruiting Puerto Rican medical students in the U.S.; however, it is difficult to compete with U.S. salaries and benefits. In the case of nurses, there used to be a shortage



due to salary issues, however, they adjusted salaries closer to U.S. standards and this is no longer an issue.

**Current efforts in medical tourism:** Currently there are no efforts to attract patients from international markets. They receive 15-20 pediatric patients a year from the Caribbean (mainly the Dominican Republic), mainly through doctor to doctor referrals. The hospital has an interest in medical tourism focusing primarily on pediatric oncology (particularly bone marrow transplants), orthopedics (children and adults) and plastic and reconstructive surgery (primarily adults).

**International patient services:** There is no international office or patient coordinator, though they are open to the idea. They indicated that a doctor in the plastic surgery area has a concierge person who can coordinate care and assistance for English-speaking locals.

**Pricing:** No procedure packages available that include both hospital and doctor fees.

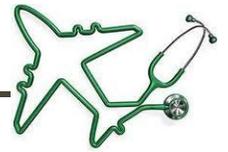
**English language competency:** According to the administration, 40% of hospital staff speaks English. Nurses for the most part understand the language (as they have to put notes in English) but are hesitant to speak it. It was noted that hospital signage in English was inconsistent. Cultural sensibility training is offered to staff once a year.

**Current international marketing efforts:** The hospital is not currently marketing to the U.S. mainland but it is interested in doing so in the context of an Island-wide medical tourism initiative.

**Opportunities and challenges:** Based on the interview, site visit, and the data provided by the hospital, it is understood that San Jorge is not ready to attract and service international patients from the U.S. mainland. In addition, there does not currently seem to be many pediatric patients from the U.S. traveling for care abroad. The hospital mentioned bone marrow transplants as an area they would like to focus on. This may have potential for a limited number of patients if the pricing is competitive. There is a market for orthopedic procedures and potentially for plastic and reconstructive surgery, so this is an area the hospital could focus on once it has adapted its services to include international patients.

**Its strengths include:**

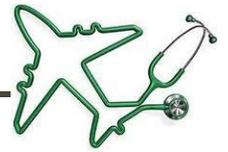
- Top quality physicians
- Modern and aesthetically pleasing hospital infrastructure and patient rooms



- Expertise in many pediatric procedures

**Weaknesses:**

- No international office
- Lack of services for international patients
- Limited capacity (private patient rooms)
- English language proficiency among staff is deficient



## HIMA San Pablo, Caguas

Date of the interview: November 12, 2013

People interviewed: Josephine Vidal, HIMA Health Director

**General/corporate information:** HIMA San Pablo is the third largest private hospital in Puerto Rico. Grupo HIMA has been treating patients since 1978 and has expanded to include four hospitals with more than 1,100 beds. HIMA Health's hospitals are fully accredited by the Joint Commission on the Accreditation of Health Care Organizations (JCAHO).

**Physicians:** 1,200 physicians are part of the HIMA faculty with 40% U.S. Board Certified, many of whom formerly practiced on the U.S. mainland.

**Physical environment:** The San Pablo facility is impressive for its size, but it can be somewhat difficult to navigate. The physical infrastructure is somewhat worn, however, in general the facilities are more than adequate for U.S. patient needs.

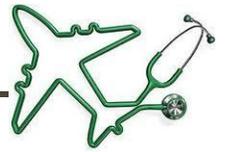
The private rooms feature a hospital bed, a daybed for visitors and a private bathroom. The rooms are airy (large windows) and modern with neutral colored décor. Each private room comes with a patient kit, a phone kit, plus a welcome kit with discounts, maps, hospital, hotel and tourism information. Cable TV and Wi-Fi are also available. The private suites each feature two adjoining areas – a hospital room and a spacious living room complete with a pullout couch for family and guest sleepovers, comfortable chairs, and a mini-fridge to accommodate family and guests.

**Specialties:** HIMA Health offers four specialty centers of excellence:

- Neurological Center
- Cardiovascular Center
- Orthopedics Center
- Oncology Center

The hospital also offers cutting-edge technologies such as the DaVinci Surgical Systems, Cyberknife and the Aquilion One, 320 Ultra-High Resolution Detector.

**Capacity:** Current occupancy is running near 100% so capacity is a big problem especially for emergency cases. However, there is room for pre-programmed surgeries as would be the case with most medical tourism from the U.S.



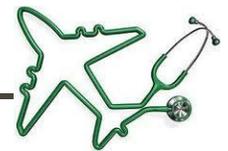
**Brain drain:** They acknowledge brain drain is a problem in Puerto Rico but are recruiting doctors by offering incentives. HIMA has established a foundation that provides fellowships and financial assistance to doctors that return and practice in Puerto Rico for at least four years. They have already done this with 10 doctors.

**Legal/liability:** The threat of potential lawsuits from international patients is a serious concern for their physicians. So much so that at first it was very difficult to get doctors to work in medical tourism. To encourage doctors to work with international patients they were given liability coverage through the hospital and receive higher pay. Since these initiatives they have no longer had problems recruiting doctors for medical tourism.

**Current efforts in medical tourism:** HIMA has an experienced team of medical clerks, nurse practitioners and patient coordinators that work together to manage international patients. HIMA is currently receiving approximately 3,000 patients a year from the Caribbean, particularly the Dominican Republic and the USVI.

**International patient services:** According to the administration, they provide the following services for international patients:

- English language website
- Toll-free telephone number
- 24/7 call center service provided by medical clerks that can assist with:
  - Emergency Services and transfer coordination
  - Physician and facility information
  - Hotels and transportation
  - HH registration and clinical coordination
  - Financial and insurance coordination
- Concierge Service and case management services
  - Assistance with appointments, procedures and emergencies
  - Ground transportation to and from airport and hotel
  - Accommodation
  - Discharge coordination and follow-up care



**Pricing:** HIMA’s website states that on average, medical procedures cost 50% to 70% less than treatments in U.S. mainland hospitals. For example, a Coronary Artery Bypass Graft (CABG) that costs up to \$120,000 in the mainland U.S. is just \$25,000 to \$35,000 at HIMA Health.

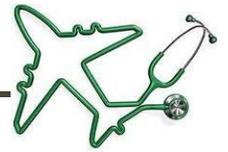
**English language competency:** According to the administration, all the physicians in HIMA Health speak fluent English. They also have the fifth floor dedicated for international patients and have nurses assigned that are bilingual English/Spanish. Signage is in English as well as all documentation and waivers.

**Current international marketing efforts:** HIMA has been working on creating referral/partner networks in the Caribbean critical care procedures that are not available in the location of the referring physician. They are focusing considerable effort on the Dominican Republic as HIMA sees a big opportunity to attract patients that are currently traveling to Miami for tertiary care procedures. In one particular initiative in Tortola, BVI, HIMA has a clinic and is sending a different specialist every week to educate providers and potential patients about healthcare topics. They have been able to leverage this to attract more patients from the Eastern Caribbean. On average they are receiving five to seven air-ambulances a week from the Eastern Caribbean for emergency procedures such as neurosurgery, bone fractures, burns and orthopedics. As for future potential, Vidal felt that they were only touching the tip of the iceberg in the Caribbean and that there was still much more room to grow. She mentioned that in non-emergency cases visas were sometimes a problem for the Caribbean market (except the USVI).

With regard to the U.S. market, she indicated that they are receiving “a few” patients from employers but not a big volume. Vidal stated that approximately 5% of their international patient volume was coming from the U.S. mainland.

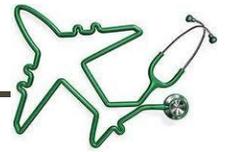
**Opportunities and challenges:** Based on the interview, site visit, and the data provided by the hospital, HIMA Health offers all the necessary conditions to attract U.S. patients. From these observations, it is probably the best prepared hospital for medical tourism in Puerto Rico. Its strengths include:

- Top quality physicians
- Availability of medical specialties that are attractive to the U.S. market



- Years of experience serving international patients from the Caribbean market which can be leveraged for the U.S. mainland market
- Some experience working with U.S. employers
- A well-oiled service infrastructure and protocols for international patients
- Experienced staff and infrastructure in place to manage increased patient volume from the U.S.

**Weaknesses:** The hospital is a little difficult to navigate and aesthetically it is adequate but a little worn down. Although it is not a serious impediment at this time, it will become an issue if facilities and infrastructure are not upgraded or given a “face lift” in the next few years.



### Auxilio Mutuo, San Juan

Date of the interview: November 13, 2013

People interviewed: Jorge Matta, Administrator and Sra. Vanessa Marzán

**General/corporate information:** Auxilio Mutuo is a 130 year old nonprofit general hospital.

**Physicians:** The faculty is made up of over 700 specialists and sub-specialists, 40% of whom are U.S. Board Certified.

**Physical environment:** The hospital is a sprawling facility made up of several interconnected buildings. The older buildings date back to the early 20<sup>th</sup> century and are characterized by narrow hallways that can be somewhat difficult to navigate. The newer buildings are spacious and aesthetically attractive.

**Specialties:** Although Auxilio Mutuo is a general hospital, its main focus is on the following areas:

- Cardiology
- Pediatric surgery
- Kidney, liver and pancreas transplantation
- Cancer Center (director of center was formerly at MD Anderson)
- Maternity
- Orthopedics

The hospital is especially interested in promoting orthopedic surgeries to international patients.

**Capacity:** Although current occupancy is high, they feel capacity is not an issue as they are in the process of building five more surgery rooms for a total of 22.

**Legal/liability:** The threat of potential lawsuits from international patients is a concern for their physicians; however, the hospital does not feel this will be a serious issue for medical tourism initiatives as doctors are covered by a comprehensive insurance policy.

**Current efforts in medical tourism:** The hospital currently receives a low volume of patients from the Caribbean and some cruise ship patients. Patients from the Caribbean are usually referred by doctors. They do not have a formal medical tourism program but have a committee working on implementing one. Some of the key administrative staff were at the recent World Medical Tourism



Congress in Las Vegas and received certification in international patient services from the Medical Tourism Association.

**International patient services:** Currently there are no coordinated services for international patients. However, as mentioned previously, the hospital is in the process of setting up an international program. They are looking to the government initiative to provide direction.

**Pricing:** The hospital states that pricing at their facility is approximately 50% lower than on the U.S. mainland. They currently do not offer package pricing but would be amenable to do so within the medical tourism initiative.

**English language competency:** The hospital stated that most physicians speak good English; however, English language competency among nurses needs to be improved. To solve this problem, the hospital has begun to hire English speaking nurses. They are also working on including signage and way-finding in English.

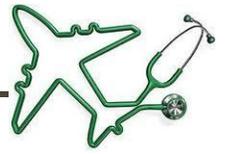
**Current international marketing efforts:** There are no coordinated marketing efforts aimed at international patients at this time. However, the hospital does have an English website that can be adapted for international patient needs.

**Opportunities and challenges:** Based on the interview, site visit, and the data provided by the hospital, it is clear that Auxilio Mutuo has an interest in attracting international patients and working within a country-wide medical tourism initiative. While the hospital infrastructure and technology is impressive – and certainly a point of attraction for patients from the U.S. and elsewhere, a lot of work needs to be done to adapt protocols and services for an international market. Its strengths include:

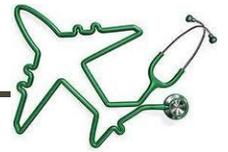
- Top quality physicians who are U.S. Board Certified
- Cutting-edge technology
- Expertise in critical care procedures such as transplantation and cardiology
- Availability of medical specialties that are attractive to the U.S. market

**Weaknesses:**

- No international office



- Some areas of the hospital are difficult to navigate
- Lack of services for international patients
- Limited capacity (private patient rooms)
- English language proficiency among staff is deficient



### **Hospital Centro Cardiovascular, Río Piedras**

Date of the interview: November 12, 2013

People interviewed: Lcda. Waleska Crespo, Executive Director and Lilliam Camacho, Public Relations

**General/corporate information:** Hospital Centro Cardiovascular is a government-run hospital that began operating in 1992. Its heart transplant program survival rate is among the top 3% in the U.S.

**Physicians:** The hospital is a nine-story structure with invasive procedure laboratories, operating rooms, clinical laboratories, radiology, noninvasive laboratories, nuclear medicine, pharmacy, two intensive care units (cardiovascular and surgical) and four floors with in-patient rooms. There are 124 beds with a maximum capacity of 192 beds. Catheterization laboratories, operating rooms and surgical intensive care areas are on the same floor, allowing communication between these areas through internal corridors without the use of elevators.

**Specialties:** A wide range of cutting-edge cardiovascular procedures including:

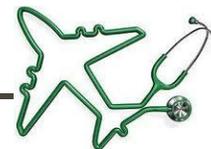
- Heart transplants and other invasive cardiac procedures
- Non-invasive cardiac procedures
- Diagnostic imaging

**Capacity:** Current occupancy is at 85%; however, they have additional room for expansion. The administration mentioned that 36 patient rooms could be put into commission quickly if required. There is also a floor that will be dedicated to medical tourism patients.

**Brain drain:** Although they acknowledge that brain drain is a problem for Puerto Rico in general, they do not have a big issue as the faculty is very stable and there is little turnover of physicians and nurses. The average tenure of medical staff is 17 years.

**Legal/liability:** The threat of lawsuits in a U.S. federal court is not a big concern as there are caps in place due to the hospital being government owned. However, the administration felt it was important for the government to look at ways of keeping designation of legal venue in local courts.

**Current efforts in medical tourism:** Up until now there have been no coordinated efforts in medical tourism. Currently the hospital receives approximately 70 patients a year from the Caribbean through doctor to doctor referrals. These include 10-15 cases a year of children with congenital heart



problems. Over the short-term there are plans to expand the admission area to include a section for international patients and possibly assign an entire floor to international patients.

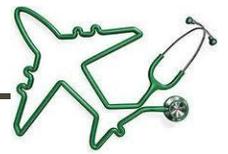
There is a lot of interest from the hospital administration in leveraging the hospital's experience and expertise in cardiac procedures to attract U.S. patients. They feel it is important to show that a government hospital can offer the same high standards of care as private hospitals. The administration feels that heart transplants can be an opportunity to attract international patients as the waiting times for a donor in Puerto Rico average less than three months compared with 12-18 months in the U.S. The hospital indicated that there was currently a surplus of donor hearts in Puerto Rico due in part to the high incidence of death by traffic accidents.

**International patient services:** Currently there are no coordinated services for international patients. However, as mentioned previously, the hospital is in the process of setting up an international program. They are looking to the government initiative to provide direction. There is a Howard Johnson Hotel on-site that would be an ideal accommodation option for international patients. Currently it is being used by the families of out-of-town patients or the few international patients they are currently receiving from the Caribbean. The hospital was open to the possibility of using the hotel as a step-down facility.

**Pricing:** The hospital indicated that their prices were approximately 50% less than the U.S. mainland. In the particular case of heart transplants, they mentioned that there is a 48% savings compared to the U.S. mainland. With regard to package pricing, they felt that there were too many variables in cardiac procedures to provide a package price; however, they could customize a quote for each patient.

**English language competency:** According to the administration, most of the physicians speak fluent English. Language competency in other departments is not as prevalent, so they have begun to require staff to attend English training courses. Signage is in English as well as all documentation and waivers.

**Current international marketing efforts:** The Centro Cardiovascular has not yet made a serious effort at attracting international patients. They do see themselves starting to promote their services abroad in the context of the country-wide medical tourism initiative, particularly to ethnic Puerto Ricans and other Hispanics residing on the U.S. mainland. The administration mentioned that



UNOS (the United Network for Organ Sharing) was open to the possibility of allowing Puerto Ricans or other Hispanics on the heart donor lists to request a change to Puerto Rico. However, Centro Cardiovascular needed to work with the government to obtain funds for promotional efforts.

Some of the other procedures they are looking at promoting to an international market include:

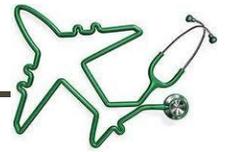
- CABG
- Angioplasty
- Cryoablation
- Lead management (pacemakers and defibrillators)
- Pediatric cardiology

**Opportunities and challenges:** Based on the interview, site visit, and the data provided by the hospital, Hospital Centro Cardiovascular offers a high quality facility and superior medical expertise to successfully attract and treat international patients. What is missing is the international patient infrastructure of services and protocols in order to ensure an outstanding medical travel experience. Its strengths include:

- Top quality physicians
- A center of excellence in critical care cardiac procedures and transplantation
- Attractive physical infrastructure and facilities
- Hotel on the premises
- Administration committed to implementing a medical tourism initiative

**Weaknesses:**

- Medical specialties may not generate a high volume of international patients
- No international office
- Lack of services for international patients
- English language proficiency among some staff segments is deficient



## Dr. Ricardo Jiménez- Centro Medico

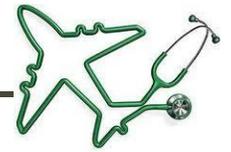
Date of the interview: December 3, 2013

People interviewed: Dr. Ricardo Jiménez

**Current efforts in medical tourism:** They occasionally have to perform a revision surgery for a foreign patient.

**Doctor shortages:** Doctors in Puerto Rico prefer to take their more complex surgery cases to Centro Medico since liability is capped. As a result, they do not suffer from any doctors shortages and in fact a large group of doctors in some of the most in demand specialties for medical tourism like orthopedics are in surplus.

**Conclusion & Opportunities:** Occupancy and Capacity: Dr. Jimenez envisions that the recently renovated Hospital Oncológico Dr. Isaac Gonzalez, a stand-alone facility, could be a tremendous fit for a medical tourism initiative. The hospital interior after upgrade looks similar to many of the private hospitals on the Island and is currently being vastly underutilized where they could easily accommodate over 400 more surgeries per month. Dr. Jimenez would need to get permission for this initiative but does not believe he would get very much opposition. Another factor highlighted as an incentive would be the doctors' fees being as much as 50% less at Centro Medico than what is generally charged in a private hospital. The doctor is quite positive the hospital would negotiate special rates as well.



## Dental Association

### Colegio Cirujanos Dentistas de Puerto Rico

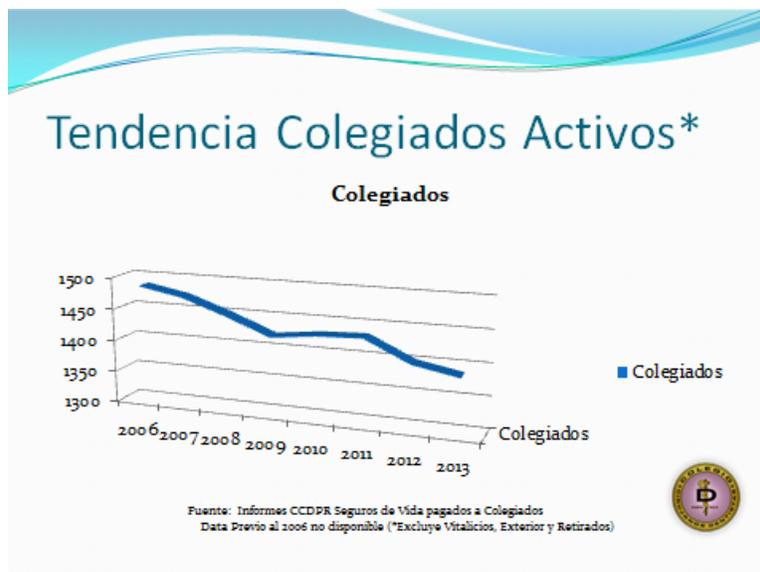
Date of the interview: November 14, 2014

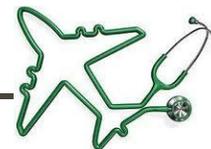
People interviewed: Gilberto Ríos, Executive Director

**General/corporate information:** The College was created in 1941 as a legal entity or quasi-public corporation. Practitioners entitled to practice dentistry in the Commonwealth of Puerto Rico are constituted as the College. The association responds to the desirability of self-regulation, dentists are regulating themselves rather than, for example, allowing the Health Department to regulate all matters. Another task is that it brings together professionals to defend the interests of the dental profession.

Membership (“colegiatura”) is compulsory for all dentists in Puerto Rico along with regular ongoing training. As an organization they are well organized and have their own web page for their members. The College represents the American Dental Association in Puerto Rico and training for their sector is the same as in the United States and specialists are required to be board certified in the United States.

Today there are approximately 1,350 dentists registered in Puerto Rico from almost 1,500 only a few years ago as can be observed in the graph below (provided by the College exclusively for purposes of this document).





**Current efforts in medical tourism:** Rios understands there is interest by local dentists in regards to medical tourism and as an association they have had regular discussions on the topic but not a lot of action as of yet. Efforts up to now by dentists on the Island to attract medical tourists are few and have consisted mainly in attending local tourists in need of urgent care or Puerto Ricans returning to the Island to visit family.

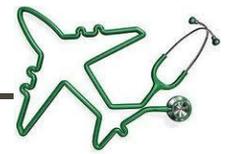
**Pricing:** The College has not done a formal study to compare costs for dental procedures in Puerto Rico with those in the United States but they have heard that pricing is about 50% less on the Island than on the U.S. mainland. Insurance providers like Mi Salud have reduced prices for dental procedures. The College is not allowed to establish pricing for their sector (price fixing). Plans are free to negotiate with each dentist and as a result drive down prices for entire sector.

**English language competency:** Most dentists in Puerto Rico are fluent in English. Rios does foresee some challenges when it comes to dental technicians as the majority are not quite as fluent and play an important role in communicating with the patient.

**Opportunities and challenges:** Rios believes that a serious on going medical tourism initiative supported by the government could eventually help to stem the exodus and potentially bring doctors back and keep recent graduates from leaving seeing that there is potential to charge higher rates for their services and not depend only on local health plans for patients. As an association they believe initial efforts should focus on the dentists with the best credentials and installations for attracting this market. The College is eager to support the initiative from including information on their web site to hosting events at their offices to help prepare and educate the sector.

The most serious concern the College highlights is the exodus of dentists to the United States which they estimate to be no less than 240 professionals in the past three years and the trend does not appear to be slowing down. In a recent survey, 50% of their members stated that they are considering moving to the mainland and many that are not are either semi-retired or close to retirement age. Some 90% of local dental students are choosing to go to the U.S. to start their professional practices. This is particularly the case when it comes to specialists who must pay student loans.

Rios says that if they are not able to reverse the exodus there will be shortages by the year 2022 and already they are seeing shortages in certain specialties like pediatric dentistry.



## Dental clinics

During the three phases of interviews five dental clinics were visited to meet with specialists and perform site visits.

The following five dental clinics in the San Juan metro area were visited:

October 14: Dr. Fernández, Megacenter Dental, Bayamón

October 15: Dr. Clyde Fassik, Condado

October 16: Dr. Pedro Rodríguez, Guaynabo

October 17: Dr. Luis Ferrer, Clinica Americas

November 11: Dr. Omar Cruz, Condado

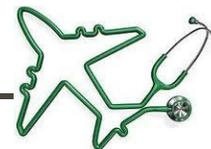
**Physical environment:** All the clinics are modern and aesthetically pleasing. In terms of size they ranged from smaller boutique type clinics (Dr. Rodríguez, Dr. Cruz, Dr. Fassik) to medium-size facilities (Dr. Fernández and Dr. Ferrer).

**Specialties:** Cosmetic dentistry, laser dentistry, maxillofacial, general dentistry, endodontics, periodontics, prosthodontics, implants, orthodontics and dental surgery.

**Capacity:** The clinics had anywhere from one to eight chairs. All the dentists indicated that they either had excess capacity or that they had room to grow. For example, Dr. Rodríguez stated that he has available two full days a week he could occupy and space for eight more chairs. All the other specialists had similar views.

**Brain drain:** All the dentists interviewed were in agreement that there is a significant exodus of dentists from Puerto Rico to the U.S. mainland. Dr. Cruz commented about the many dental clinics that are up for sale due to dentists retiring or leaving.

As to the impact on medical tourism, most felt that there were still enough practicing dentists (approximately 1,200 -1,500) on the island to treat a significant volume of international patients in the short to mid-term. There is a feeling that if Puerto Rico becomes an attractive dental tourism destination, this will stem the exodus of dentists and perhaps lure some Puerto Rican dentists in the U.S. mainland back to the Island.



**Current efforts in medical tourism:** None of the clinics were receiving a high volume of U.S. patients. Most were sporadic cases, or ethnic Puerto Ricans coming to the island on business or pleasure and taking advantage to get dental work done. As an example, Dr. Rodríguez indicated that he was receiving between 4-6 international patients a month from the Caribbean Islands, U.S., France, Spain, and Venezuela.

**International patient services:** Few of the clinics visited have a person dedicated to assist international patients; though they can assist with lodging recommendations if needed. All agreed that they could put a person or persons in place if the volume justifies it. The exceptions were Dr. Ferrer and Dr. Rodríguez, both of whom have experience arranging concierge services for patients.

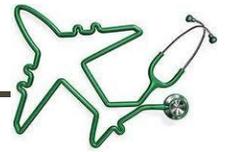
**Pricing:** All dentists were in agreement that prices in Puerto Rico are typically about 50% less than on the mainland U.S. The ability to provide a treatment plan with a package price is not seen as an issue since it is already being done by some of the dentists.

**Government incentives or impediments:** There was a general wait-and-see attitude among the dental specialists as to what the government was going to do to promote medical tourism. They have heard about many so-called medical tourism initiatives over the years that never materialized. At the same time, there was mention of the need to incentivize the sector and remove impediments to growth.

**English language competency:** All the dentists interviewed spoke fluent English. The general consensus was that most dentists in Puerto Rico speak good English. Supporting staff and assistants had more deficient English language skills, but this was not seen as a critical issue as there were people with these skills available for hire.

**Current international marketing efforts:** Most of the clinics visited were doing little if any marketing to attract patients from the U.S. The sporadic international patients they are receiving tend to be mostly from word-of-mouth referrals. There were some exceptions, with doctors advertising their services on web portals, through their own web page, or in one instance, using the services of a medical travel facilitator. The general consensus among the dental specialists interviewed was that no one in Puerto Rico is receiving a large volume of international patients.

**Opportunities and challenges:** Based on the interviews, site visits, and the data provided by the dental specialists, Puerto Rico has top of the line facilities and the technology and prices to be an



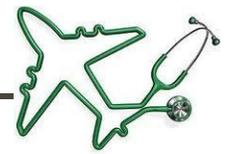
attractive destination for the U.S. market. The dental specialists want to work with the government to promote dental tourism; however, there is a general feeling of skepticism towards past initiatives that never materialized so the sector wants to see signs that the government will get involved for the long term.

**Dental sector's strengths include:**

- English speaking specialists
- Modern and aesthetically pleasing clinics
- Dentists interested in working with the government to promote Puerto Rico as a dental tourism destination
- Attractive pricing
- Cutting-edge technology

**Weaknesses:**

- Clinics tend to be small
- Few clinics currently offer concierge type services
- There is a lack of awareness in the U.S. about the quality of dental care in Puerto Rico
- A shortage of specialists may be a concern over the long term
- Pricing, though lower than the U.S., is higher than regional competitors



## Medical Plans

### TRIPLE-S

Date of the interview: November 13, 2013

People interviewed: Dr. Astor, Medical Director & Viviana López, VP Public Relations

**General/corporate information:** Largest health plan in Puerto Rico and part of Blue Cross Blue Shield. Triple-S also manages the Mi Salud program for the government of Puerto Rico with 1.5 million lives.

**Current efforts in medical tourism:** Dr. Astor previously was one of the directors for Blue Cross Blue Shield of Florida where he was involved in their efforts to send patients to Panama and the Dominican Republic as part of a pilot program that did not gain much traction.

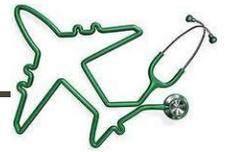
**Puerto Rico Health System:** Dr. Astor went on to emphasize that prices in Puerto Rico compared to what he saw in Florida are 50% to 70% lower for the exact same healthcare system on every level.

When we asked Dr. Astor as to which hospitals he considered to be the most ready to receive medical tourist he listed HIMA as far and away the most ready and then Ashford, Metro Pavia and then Cardiovascular (if they can get some more English speaking staff) and he also highlighted San Jorge as a children's hospital which he believes is as good as anything on the mainland. Dr. Astor did emphasize however, that in all of these hospitals and for Puerto Rico in general, there is a lot of work to be done in improving the level of service that this is a cultural problem since locals equate service with "servitude" and that this attitude has done great harm to the country.

**Occupancy and Capacity:** Dr. Astor states that he does not see capacity as a problem as most procedures will be programmed well in advance but it is an issue that needs to be looked at.

**Doctor shortages:** Physician fees on the mainland are much higher than in Puerto Rico. On top of that there are also no real obstacles or limitations for doctors to move to the U.S. Triple-S and its fee schedule are often said to be largely responsible for doctors leaving Puerto Rico but Dr. Astor is not in agreement and points to market forces and lower premiums as the real culprit.

**Opportunities and challenges:** The medical tourism experience even though unsuccessful for BCBS of Florida has not deterred Dr. Astor from thinking that medical tourism is an idea that insurance companies should explore further. He emphasizes that Puerto Rico provides many unique advantages over Panama or any other country due to its status as a U.S. territory. He also sees

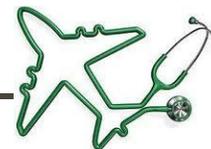


Puerto Rico as not only being attractive for Americans but for the rest of Latin American and Caribbean as an alternative to patients going to the U.S. for high quality medical treatments. There are quite a few insured patients from the U.S. Virgin Islands going to the United States for treatments who do not even consider Puerto Rico as they see the medical care on the Island as an inferior option to the US. Puerto Rico needs to work hard to position the Island as a high quality option so more and more of these patients begin thinking of Puerto Rico as a viable alternative to the U.S. mainland.

Triple-S is aware that they and other insurance plans are often made out to be the main culprits in Puerto Rico for driving down prices resulting in doctors and other healthcare professionals leaving the country. Dr. Astor emphasizes quite passionately that few take into account that average premiums in Puerto Rico are less than what they are in the U.S. for commercial premiums and there is still pressure on insurance companies to lower premiums further. For example, medication on the Island cost the same as in the U.S., so they do not have the price advantage of some international markets but must purchase medicine and equipment at the same cost as in the U.S. They maintain that market forces mostly beyond their control are the driving factors when it comes to premiums and reimbursements.

Triple-S is interested in participating in the medical tourism industry and believes they can have a significant role in helping with the initiative as they are a major player in the healthcare industry in Puerto Rico

Dr. Astor mentions that some insurance plans in the U.S. allow members through what they call an Inter Plan to purchase insurance in their home state (Home Plan) but receive treatment through the medical network and contracts of an out of state plan known as a Host Plan. He believes something like this could be offered to insurance plans in the U.S., particularly smaller ones that are looking for a marketing edge in order to sell their products and gain greater market penetration. Puerto Rico is in fact a domestic option for the U.S. and could become the Host Plan for many insurance companies operating in the U.S. The Home Plans would be able to offer lower premiums to their members who purchase an Inter Plan designed to send the members to Puerto Rico when in need of certain non-emergency medical treatments. This model is not something Triple-S has considered offering just yet in the U.S., but definitely a unique advantage and opportunity for Puerto Rico in its efforts to attract considerable patient volume to the country.



## Humana

Date of the interview: December 4, 2013

People interviewed: Mr. Earl Harper, President

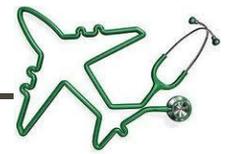
**General/corporate information:** Humana Inc., headquartered in Louisville, Kentucky, is a company that offers health and wellness products to more than 18.5 million people in 50 states and Puerto Rico. Humana is registered in Puerto Rico as Humana Health Plans of Puerto Rico, Inc. and Humana Insurance of Puerto Rico, and offers a variety of products such as: HMO, PPO, POS, and Medicare Advantage programs. Humana Health Plans of Puerto Rico Inc. provides products and coordinated health for individuals, employers and their employees through a centralized network of suppliers throughout the Island. More recently Humana lost the Mi Salud government account for three Puerto Rico regions to Triple-S.

**Current efforts in Medical Tourism:** None

**Services:** They highlighted among the different plans they offer in Puerto Rico the success they are having with their Medicare Advantage plan that is rated as one of the best on the Island and has allowed them to build a coordinated care platform that would be ideal platform for a medical tourism initiative. Humana also spent quite a bit of time talking about their network of providers and how their coordinated care model appropriately documents and provides care for patients at home.

**Conclusions and Opportunities:** It was stated that they have not been affected significantly by doctor's shortages though they admit that if doctors continue to migrate to the U.S. it could become a factor. They also mentioned that they are very interested in the medical tourism initiative and offered their network as platform to help manage the patient needs on the ground in Puerto Rico.

The Humana executives were excited to take a serious look at how Humana Puerto Rico could offer their network in Puerto Rico as a host network for Humana plans in the U.S. They were especially intrigued and excited by this initiative as a way for them to expand their service offering and increase revenue in Puerto Rico while providing a unique solution for members in the U.S. Many of their employees who are no longer assisting with Mi Salud are currently helping with the Humana U.S market exchange product being offered as part of the Affordable Care Act. He envisions some of this same staff helping with a medical tourism project for Humana.



## P.R. Tourism Company & Convention Bureau

### Puerto Rico Tourism Company

Date of the interview: October 18, 2013

People interviewed: Eddie Pérez, VP of market development

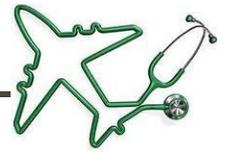
**General/corporate information:** The Puerto Rico Tourism Company (PRTC) was created during Gov. Luis A. Ferré's administration to coordinate the marketing and growth of Puerto Rico's tourism sector. It is governed by a Board of Directors appointed by the Governor of Puerto Rico with the advice and consent of the Senate of Puerto Rico and an Executive Director appointed by the Governor with the Senate's advice and consent.

**Medical tourism initiatives past and present:** Pérez stated that there had been much talk about medical tourism and potential initiatives over the years, but nothing concrete was ever implemented. This has led to cynicism among potential players in the sector when they hear about a new initiative.

**Medical Tourism Law:** He explained that recently a task force made up of the Department of Economic Development & Commerce, PRTC, and the Health Department was assigned to review and clarify the regulatory structure and incentives in the medical tourism law. In the context of this initiative, Pérez met with several hospitals interested in medical tourism (HIMA, Metro Pavia and Cardiovascular). There were some meetings but nothing concrete came out of this initiative. He indicated that the law should be revised and made more realistic to the needs of the different sectors; however, the PRTC has been unable to implement the provisions in the law as they do not have necessary funding. He believes the new government sees the potential of medical tourism to positively impact the economy.

**Role the PRTC should play:** Pérez stated that the PRTC needs to have the tools to assess the expertise of sectors and determine advertising/promotional priorities. A study like the one commissioned by the Department of Economic Development & Commerce would provide this data.

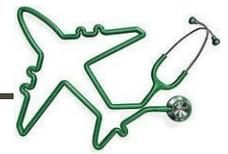
He indicated that he saw the PRTC as putting the "music" and "poetry" in to the product to effectively promote it. In other words, the PRTC would be charged with building the medical tourism brand.



The PRTC sees its primary focus as working on marketing development and ensuring the quality of the “product” during all phases of the patient experience. The PRTC, in his opinion, needs to work with hospitality sectors to audit quality of the product. He used as an example a Division of Tourism Quality that would carry out surveys in airports to assess satisfaction regarding medical tourism product.

**Marketing:** Pérez lamented the fact that Puerto Rico has suffered from a sort of identity crises that is reflected in the inconsistent and frequently changing branding strategies implemented by successive governments. He reflected that there needs to be a long-term branding strategy similar to what Costa Rica has done with eco-tourism. He felt the medical tourism marketing should be targeted to specific demographic niches in U.S., Canada and the Caribbean, rather than using mass marketing. He mentioned the success they have had with wedding tourism and promotional strategies with local “paradores.” He also felt that, being a non-seasonal activity, medical tourism had the potential to increase tourism flow during the low season (August – November).

**Safety:** According to Pérez, the perception that Puerto Rico is an unsafe destination may be increasing and would certainly have a detrimental effect on medical tourism as well as traditional tourism. He mentioned some initiatives they were working on such as creating “clusters” in tourist areas to lower crime.



### **Puerto Rico Convention Bureau (PRCB)**

Date of the interview: October 18, 2013

People interviewed: Milton Segarra, Director

**General/corporate information:** Founded in 1962, the PRCB is a nonprofit organization that markets Puerto Rico as a meeting and convention destination. Its main focus is on group event planning, management and promotion. It also coordinates the agenda of the Convention Center. Among its approximately 260 members there are hotels, airlines, transportation companies, travel agencies and restaurants. The PRCB also has presence in several major U.S. cities.

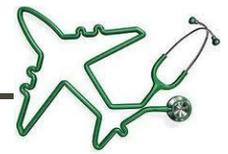
**Target markets:** Currently, 80% of individual travel is from the U.S. northeast; however, only 18% of group travel is from the same region. Groups are coming from all over the U.S. and the Caribbean. About 41% are corporate and 19% are health related.

**Competition:** According to Segarra, Puerto Rico's main competitors are: Mexico (Cozumel), Miami, Orlando, and Fort Lauderdale.

**Competitive advantages:** As pricing is very similar among regional competitors, Puerto Rico's main competitive advantage is flight access. There are over 2,000 flights a year from the U.S. mainland. Flying to Puerto Rico is also less expensive than flying to many other regional destinations.

**Medical tourism:** According to Segarra, Puerto Rico's big advantage is that U.S. buyers of healthcare are looking for domestic networks and Puerto Rico is the least expensive network for the U.S. For example, he mentions that orthopedic procedures are on average 40% to 50% less than in the U.S. (comparing only U.S. hospital price versus full package in Puerto Rico). He mentioned that during his last year at HIMA in 2012 they had received approximately 3,000 international patients, mostly from the Caribbean, and mainly for consultations and diagnostic tests. He mentioned the Four Points by Sheraton, the Caribe Hilton, the Condado Plaza and the San Miguel Hotel in Bayamon as the primary hotels used by HIMA Health patients.

**Self-funded employers:** Based on his previous position as director of HIMA Health, Segarra indicated that at first it had been very difficult to attract self-funded employers to Puerto Rico. However, they were finally able to negotiate a contract directly with an employer (5,000 – 10,000 employees) through a U.S. representative that brokered the deal. In Segarra's experience at HIMA,



every company they were able to bring down to Puerto Rico eventually signed a contract, always starting with a test case.

He indicated that in his experience, for every 1,000 employees one could expect six patients a year. He recommended focusing on companies with one location, and with doctors and nurses on staff.

**Capacity:** Segarra stated that although occupancy was high at HIMA, he did not see it as a problem for an Island-wide medical tourism initiative as surgeries are programmed and could be scheduled on weekends or other hours with less in-patient volume.

**Brain drain:** In his view, the number of medical professionals leaving the Island was worrisome and needed to be addressed by the government and private sector. He mentioned several ideas to stem flow of medical professionals:

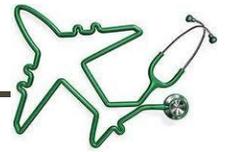
1. Hospitals providing scholarships to doctors who commit to return and practice in Puerto Rico
2. Invest in cutting edge medical equipment and technology similar to high-end U.S. hospitals
3. Raise salaries to close gap with the U.S.

Segarra mentioned an example at HIMA where they paid doctors working in medical tourism \$20 per surgery point verses \$14 which was the normal pay.

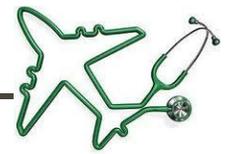
**Liability:** Segarra felt that the fear of getting sued in federal court was not a big issue. At HIMA, doctors had originally been hesitant to treat international patients and had asked the hospital to pay for their liability insurance; however the hospital declined. Instead, it paid doctors a premium for international cases and made sure to avoid treating high risk patients.

**English language competency:** Segarra felt that English language competency among physicians was not a problem; however, he did feel it was a serious problem among nurses and other support staff. He called on the need for training of support staff.

**Role the PRCB should play:** Segarra indicated that the PRCB could play an important role in promoting/marketing the medical tourism industry as he feels they have the staff, contacts and know-how to be successful. However, funding would be a key issue. Segarra suggested charging insurance companies a small fee (he mentioned \$1) per member per trimester or asking hospitals to donate a small amount per bed day (he mentioned as an example 10 cents).



**Opportunities and challenges:** Segarra advocates leveraging PRCB's network of affiliations and providers and logistical expertise for the benefit of the medical tourism initiative. The PRCB can make recommendations as to which providers to use, and provide guidance as to how to best leverage the different sectors in the hospitality industry in order to provide patients with a seamless medical tourism experience. The relationships and affiliations it has developed with international organizations can serve as the launching pad for marketing initiatives. Through its membership base and influence in the hospitality sectors, it has the ability to quickly disseminate information and organize members toward common goals such as training or improving customer service standards. Ultimately, the PRCB could serve as a model for the organization that is charged with managing the medical tourism initiative.



## Hotel Association & Hospitality Industry

### Hotel and Tourism Association

Date of the interview: October 15, 2013

People interviewed: CPA Ismael Vega, President

**Medical tourism initiatives past and present:** Vega stated that implementing an Island-wide medical tourism initiative is a “no-brainer,” he and the members of the Hotel Association are totally on board. He feels that the Puerto Rico Convention Bureau has done a poor job of “selling” Puerto Rico, but feels things are improving since Milton Segarra became the director. There is more trust and optimism now.

**Medical tourism destination management:** According to Vega, the government needs to facilitate the initiative but then step out of the way and let a private entity manage the program. This is important so there is continuity of the program regardless of which government is in power.

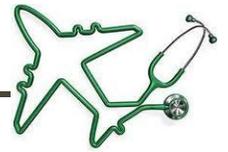
**Hotel capacity:** There is no lack of capacity issue with regards to a medical tourism initiative. Vega indicated that hotel occupancy rates are extremely low and the sector is struggling to survive. Medical tourism could inject new growth into the sector.

**Challenges:** Vega mentioned the increasing cost of water and electricity as big problems for hotels as they were being forced to reduce staff and services to make ends meet. In Vega’s case as the manager of the Hotel Ambassador, he had laid off a number of casino and security personnel.

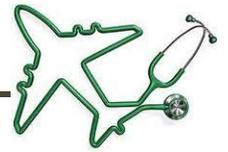
**Safety:** According to Vega, the growing crime rate in Puerto Rico was a concern and should be addressed by the government. However, he felt that most of the Condado area was safe would not present an issue for medical travel guests.

**Role the PRHTA should play:** He stated that the PRHTA would get the message out to its members and support the medical tourism initiative in any way it could, including training to educate and prepare the sector. He felt it was urgent to get this started and feels it has true potential to positively impact the island.

**Opportunities and challenges:** The hotel sector is looking for innovative ways to revitalize the hotel industry in Puerto Rico which is suffering from a prolonged slump. Rising costs and stiffer competition have led hotels to reduce services, or search for innovative ways to stand out and attract



new client niches. Hotels have taken a positive view of medical tourism as a potential source of new revenue. Capacity is not a problem on the island; the challenge will be to integrate qualified hotels into the patient's continuum of care process and ensure an outstanding experience. However, some hotels are better positioned than others to attract this market due to their location, infrastructure and quality of service they provide. Medical providers will need to exercise caution when recommending aftercare options for patients (particularly those undergoing surgical procedures). Therefore, it is critical that hotels are trained to understand the needs and expectations of medical travel guests *before* committing to service this market.



## San Juan Marriott Resort & Stellaris Casino

Date of the Interview: December 2, 2013

People interviewed: Judy Miller, Director of Sales

**General/corporate information:** The resort opened in 1995 on Ashford Avenue in Condado right in front of the beach with 525 rooms, including what they believe to be the largest number of rooms for the disabled of any hotel on the Island. Hotel runs generally at about 85% capacity except for September and October where it may drop to as low as 70%. Rates vary greatly for a standard room depending on occupancy, but generally between \$190 to \$320 dollars.

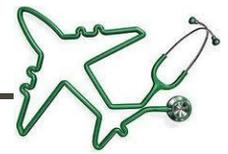
**Current efforts in medical tourism:** There have been no intentional efforts or statistics kept on these patients but Miller is aware that they do get few, but regular, medical tourist due in part to their proximity with Ashford Hospital. Their concierge desk run by Travel Services Incorporated (TSI) a Destination Management Company generally takes care of any special needs that these patients may require.

**English language competency:** Staff is bilingual

**Services:** This Marriott focuses principally on the leisure traveler but also sees plenty of business travelers who stay at their hotel. As a resort, the hotel has a wide range of amenities from swimming pools, casino to multiple restaurants, bars and seating areas throughout, which are all tastefully decorated and in a relatively condensed setting that makes it easy to get around.

**Opportunities and challenges:** The hotel is at a price point that is high for most medical tourists, but nonetheless, they are interested in participating in this sector and willing to create special packages for these patients including things like meals or other amenities specific to the patient's needs.

Even though the Marriott is at a high price point, their location, concierge services and amenities make it a viable option especially for corporate patients whose companies are looking to provide accommodations and recovery at a name brand hotel where they are familiar with the standards and services. Some medical tourism specific training and attention to the particular needs of medical tourists would make this hotel an ideal setting for recovery for those patients or companies willing to pay more for added peace of mind during the recovery phase.



## Hotel Caribe Hilton

Date of the interview: October 17, 2013

People interviewed: Jessica Sierra, Director of Sales

**General/corporate information:** The Caribe Hilton is part of a group of three hotels/resorts in Puerto Rico. The Caribe Hilton has 917 rooms including studios with kitchenettes.

**Medical tourism initiatives past and present:** Sierra indicated that the hotel has not been actively seeking medical travel guests; however, it has been receiving one to two medical tourism guests a month, mainly from HIMA, Auxilio Mutuo, Panamericano and San Jorge. Sierra has previous experience with medical travel guests while working at a hotel in Miami. The Caribe Hilton is interested in a medical tourism initiative and would be willing to have higher level staff trained as long as there was no economic commitment on their part. They feel that medical tourism needs to show a clear potential return on investment before they will invest significant resources.

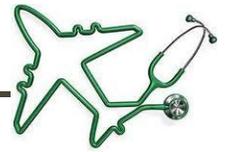
**Facilities and services:** This is a resort hotel that is accustomed to providing VIP type services to leisure and business travelers. The hotel has standard rooms, suites and villas with studios. Approximately 5% of these have been modified for use of guests with limited mobility, according to the standards of the ADA (Americans with Disabilities Act). Additionally, the entire hotel has been designed to be wheelchair accessible. Rooms include a safety box and Wi-Fi, and guests have access to a coin operated laundry and a concierge desk. A spa and several restaurants are also located on the hotel premises.

Sierra felt that the studios would be ideal for medical travel guests. She also stated that her staff meets each day to discuss the needs of VIP patients staying at the hotel.

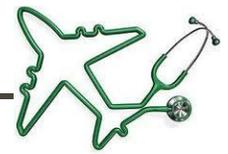
**Occupancy:** Occupancy was way down in 2008, but it has slowly rebounded and they now average about 76% occupancy throughout the year. Nevertheless, hotels had to keep innovating and providing improved services to stand out from the competition.

**Operational costs:** Sierra indicated that the cost of utilities had skyrocketed and this was definitely impacting the Caribe Hilton as well as other hotels in the area.

**Opportunities and challenges:** The Caribe Hilton is situated in an ideal location for medical travel guests, near the airport, ocean, restaurants and shopping venues. It also has the necessary facilities and services to successfully target this market, including rooms for disabled guests, studios,



personalized VIP services, concierge desk and a spa. However, smaller boutique-type hotels are usually able to offer a better experience due to their smaller size and the level of personalized attention they provide. The Caribe Hilton would need to ensure that patients do not fall through the cracks, as has occurred in the past at larger hotels in other jurisdictions. The hotel would also need to consider outsourcing the services of a nurse or physician if the volume justifies it.



## Gonzalo García, Hotel Owner & Developer

Date of the interview: November 14, 2013

People interviewed: Mr. Gonzalo García, hotel owner, manager and developer

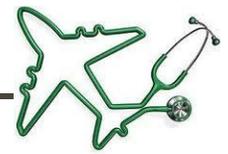
**General/corporate information:** The Beach House is a small hotel, or “parador,” owned and managed by Gonzalo García.

**Physical environment:** Great oceanfront location on Isla Verde with 17 rooms, restaurant and bar.

**Current efforts in medical tourism:** García, besides wanting to use his small hotel for medical tourism, envisions raising funds to renovate the Normandie Hotel and turning it as a facility for medical tourism patients to recover. Some of his ideas for the Normandie also focus on wellness, meditation, nutrition, medical checkups, personal trainer and even facilities for retirees or doctors’ offices.

**Opportunities and challenges:** As a developer, he is willing to create whatever type of services and infrastructure are needed to support the medical tourism industry in Puerto Rico. One of his goals would be to get government support for a project like the one he envisions at the Normandie. García would favor a certification system for hotels wanting to attract medical tourists.

He is concerned that San Juan may not have enough hotel rooms to meet the needs of medical tourist in the future especially if Puerto Rico is truly committed to become a major medical tourism destination. He emphasizes that something similar occurred with the Convention Center which was built to attract big conferences even though the area does not have enough hotel rooms to support these larger events.



## American Society of Travel Agents (ASTA)

Date of the interview: November 11, 2014

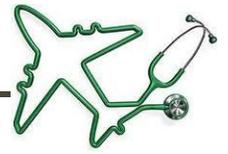
People interviewed: Daphne Barbeito

**General/corporate information:** The ASTA is the oldest and best known travel agency association in the world with 12,000 members worldwide with 8,000 of those members being located in the United State between 26 chapters with one located in Puerto Rico. The Puerto Rico chapter has 40 participating travel agencies of the 150 total agencies on the Island. The largest travel agencies in Puerto Rico are members of ASTA. Their members in Puerto Rico focus mostly on out bound tourism and are certified by the Tourism Board of Puerto Rico.

**Current efforts in medical tourism:** Barbeito stated that even though there has been occasional talk about the industry, none of their members that she is aware of have pursued any serious initiatives. As a whole, she does not think AFTA has been considered as an important industry player in the medical tourism sector by other stake holders. She mentions that their value in coordinating concierge services and the patient experience was being overlooked as a critical component for the success of the industry.

**Opportunities and challenges:** Over the past few years, there are less and less flights coming into Puerto Rico especially as a result of the pull-out from the Island of American Airlines. Although there are four million tourists coming to Puerto Rico a year, this number has not been growing in recent years. Barbeito is also concerned that the medical tourism industry may only benefit a few sectors and believes much of this is related directly to a few sectors having more political clout than others.

According to ASTA's president, Puerto Rico must create a formal structure as basis for a sustained initiative that can in turn be promoted and supported by their association. In their experience there are still plenty of people that prefer a travel agency over researching and booking services on line and for that reason she is convinced their role should not be minimized but in fact seen as an opportunity to reach a different segment. Their association can also help with booking airline tickets, negotiating special airfares, hotel rates and other arrangements for medical travelers.



## Destination Management Companies

Date of the interview: November 14, 2014

People interviewed: Yasmin Nieves, Comptroller of Group Services Incorporated (GSI) & Joan Ferguson, President of Travel Services Incorporated (TSI)

**General/corporate information:** Both companies have more than 20 years of experience in Puerto Rico working as Destination Management Companies.

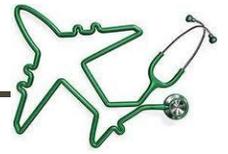
**Services:** GSI and Travel Services Incorporated were two of the top Destination Management Companies (DMC) recommended by the Convention Bureau. They coordinate a wide variety of ground and concierge services for tourists in Puerto Rico, which they subcontract to companies who provide vehicles and personnel that have been duly licensed and trained by the DMC.

### Services include:

- Tour desk concessions at many of the top hotels
- Airports pick up and assistance
- Ground operators for conventions and cruise ships
- Personalized VIP services
- Transportation and tours throughout the Island
- They also have access to handicap vehicles though they are somewhat limited

**Current Efforts in medical tourism:** Both companies have had some limited experience with medical tourists by providing transportation or assisting them at one of their tour desks. Both GSI and TSI are eager to get much more involved in providing services and support for the medical tourism industry.

**Conclusions:** There are several companies already in place in Puerto Rico that with some additional training specific to the medical tourism industry could help fill the critical role of providing world class concierge services for patients. These essential services include, but are not limited to, airport meet and greet, transportation to and from appointments, tours, lodging and personalized attention. Having much of this infrastructure already in place through these Destination Management Companies is a great advantage as the concierge piece will be one of the most critical to the entire patient experience and overall success of the medical tourism industry for Puerto Rico.



### **Transportation Union:**

Date of the interview: October 17, 2014

People interviewed: Mr. Carlos Cruz, President

**General/corporate information:** The Unión de Transportistas was founded to provide services for the cruise ship industry. Cruz is also president of United Tour Guide which is a cruise ship tour operator.

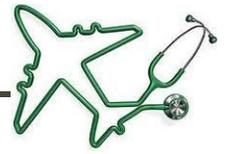
**Current efforts in medical tourism:** None, but they do send an occasional passenger who requires medical assistance to Ashford Hospital for treatment.

**English language competency:** Their guides and drivers are all bilingual and some speak other languages as well.

**Services:** Their members offer tours for most cruise ship lines but particularly for Royal and Celebrity, while another group called Tour Coop works more with Princes and Carnival. Both are focused mainly on group tours for U.S. passengers. They have a large fleet of licensed vehicles with capacity as well to manage disabled passengers. Most of their tours consist mainly of one day tours for larger groups. Cruz highlights that their best year was back in 2008 with the decline being blamed in part on cruise lines looking for new destinations. The good news is that the cruise industry in Puerto Rico is beginning to grow again. With regard to tour packages, that they create for the cruise lines typically the split is 50/50 or 40/60 depending on the type of tour.

**Opportunities and challenges:** Unión de Transportistas has direct relationships with the cruise lines and can help provide access to them for future medical tourism initiatives. He reiterated many times that the cruise lines are in constant search for new products and tours to offer their clientele so the idea of adding medical services to the offering was quite intriguing.

Dental services could be attractive for this market and something that could perhaps be promoted by the cruise lines in their promotional materials to passengers passing through Puerto Rico and especially for those that have the Island as their hub. It is not too far-fetched to envision passengers arriving a day early to have dental checkups and then staying an additional day on their return to complete any procedures that were initiated prior to the cruise. Beyond dental, the dock could have an information center for curious passengers to stop in and learn about the world-class dental treatments and medical packages available in Puerto Rico.



### Rome International-Airport

Date of the interview: December 3, 2014

People interviewed: Mr. Matthew, General Manager

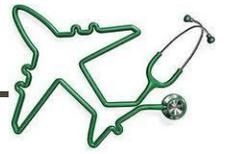
**General/corporate information:** Company started by Adalberto Romero 33 years ago assisting charter flights, private planes as well as VIPs. They have 19 employees with offices and even a lounge in the airport. The only other company doing something similar is Aereo Med but more than compete, they generally complement each other.

**Current efforts in medical tourism:** None, but they do send an occasional passenger who requires medical assistance to Ashford Hospital for treatment and assist air ambulances that land at the airport.

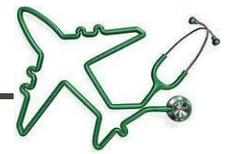
**English language competency:** Staff fluent in English

**Services:** Rome International supports airlines and charter flights coordinating a variety of services from fuel, food and VIP assistance for passengers within airport. They also provide air ambulance support services including coordination of ground ambulance for air ambulance flights coming predominantly from Tortola and Anguilla. Staff meets passengers at gate and provides escort services and special need assistance including wheelchairs and escort to vehicle. Rome International can also assist customers with ticketing, priority boarding, security check and luggage. Standard fee is \$35, but with volume they would reduce rates further. According to Matthew, they are the only private company with clearance past security to gates at airport for these services. On a typical day, they provide 40 services from general aviation and charter operations to assistance at gate.

**Opportunities and challenges:** One of the areas that create a high level of anxiety and tension for medical travelers are the airports, so having a company that can hand-hold the patient and facilitate this process would provide an enormous benefit. Since Americans do not need to clear customs, travel to San Juan feels much like to any other U.S. city. Rome International could put together a package where they would receive patients at the jet way, or in cases where patients require additional assistance at their seat on the plane, and then escort them through the airport to baggage claim and finally hand them off to the transportation team. The airport package would also include assistance during the departure phase including expedited ticketing, assistance with security checks,



baggage and priority seating. This level of assistance and service at the airport makes travel in and out of Puerto Rico seamless and sets the tone for the rest of the patient's medical trip to the Island.



## Support Services & Technology

### TeleMedik

Date of Interview: October 17, 2013

People Interviewed: Dr. Joaquín Fernández

**General/corporate information:** Call Center founded in 1996-1997 as a triage nurse and health line that serves nearly three million lives in Puerto Rico.

**Current efforts in medical tourism:** None

**Services:** TeleMedik provides a variety of services and customer support programs mostly in coordination with local health plans:

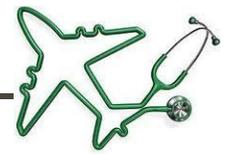
- Call Center
- Disease management software
- Smoking and weight loss programs with monitoring
- Software to help against dengue
- In home coordination of medical assistance
- Accreditation by NCQA and CMS for health call center
- Medical monitoring equipment (Cardio con)
- Pharmacy Benefits Managers
- Software conversion from Icd-9 to Icd-10
- Disaster recovery support

**Conclusions:** A company like TeleMedik could provide call center support and follow up throughout the continuum of care for medical tourists coming to Puerto Rico. This would include medical monitoring during the patients recovery phase along with sending medical personnel to the patient's hotel for post op services and assessment. The TeleMedik platform would also allow for follow up with patients back home to insure that they are recovering adequately and following doctor's guidelines and protocols. These types of services could give an extra layer of comfort for insurance companies and self-funded companies looking at Puerto Rico as an option.



## APPENDIX 2

### Examples of Medical Tourism Organizations



The state involvement varies from country to country with a mixture of private and public facilities catering to medical tourism. For example, in Poland, a popular destination for dental and cosmetic tourists, medical tourism is facilitated through private companies; many of the clinics used are state-owned, serving Polish citizens alongside medical tourism. This reflects the Polish government's desire to capture the potential of medical tourism and marked by the creation of the Polish Medical Tourism Chamber of Commerce and networking with the Polish Association of Medical Tourism (PAMT).

Other countries have stimulated the medical tourism industry through policy initiatives and government agencies. Since 2003, Singapore Medicine has been a multi-agency, government-industry partnership aiming to promote Singapore as a medical hub and a destination for advanced patient care. It is led by the Ministry of Health, and has the support of the Development Board (new investments and healthcare industry capabilities); International Enterprise Singapore (growth and expansion of Singapore's healthcare interests overseas); Singapore Tourism Board (branding and marketing of its healthcare services).

India has introduced a special visa category – an M visa – to cater to the growing number of medical tourists as well as allowing tax breaks to providers. Sengupta (2008) notes that medical tourism facilities are allowed a faster depreciation rate on life saving equipment, and also prime land at subsidized rates.<sup>49</sup>

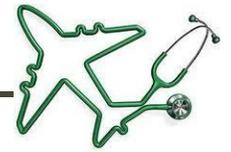
In Malaysia, the National Committee for Promotion of Medical and Health Tourism was formed by the Ministry of Health in 1998. It developed a strategic plan and networked both domestically and overseas with relevant interests. Tax incentives were provided for buildings, equipment, training, advertising and IT, and providers were encouraged to pursue accreditation with an emphasis on quality (Chee, 2007).<sup>50</sup>

The Japanese government has recently outlined plans to reverse the outbound medical tourism trend, rolling out a new organization with the aim of increasing inbound medical tourism. This will work alongside the Ministry of Economy, Trade and Industry (METI), which currently coordinates medical tourism strategies. The METI has emphasized the high-end, high-cost and skills-intensive procedures that are perhaps not offered or taken up in lower cost Asian medical tourism markets

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<sup>49</sup> Chinai, R. & Goswami, R. (2007), Medical visas mark growth of Indian medical tourism. Bull World Health Organization.

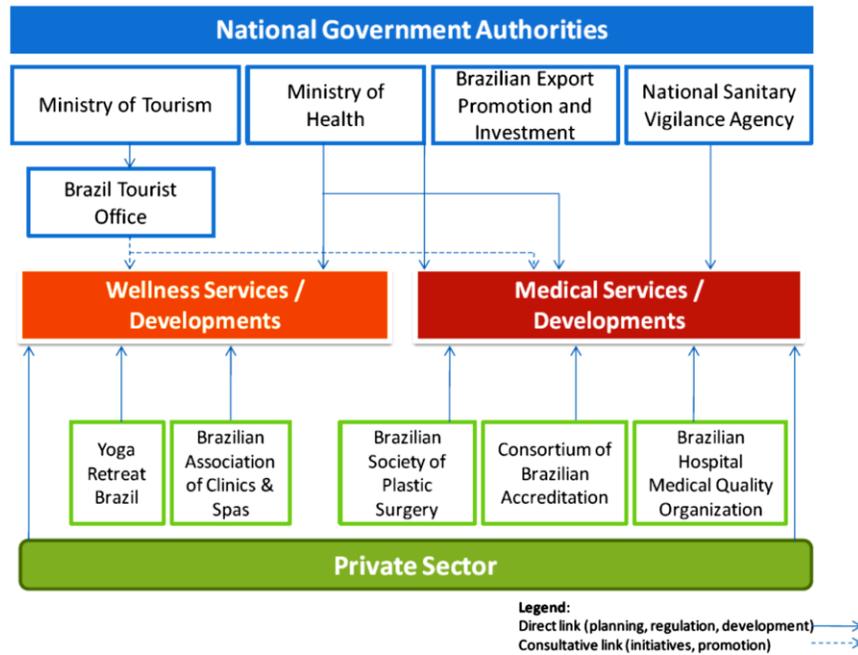
<sup>50</sup> Chee, H. L. (2007), Medical Tourism in Malaysia: International Movement of Healthcare Consumers and the Commodification of Healthcare.



such as India and Thailand. The rationale being that Japan cannot compete with the lower costs offered in such markets and thus should concentrate on the types of procedure where access and quality are the primary motivations for medical tourism rather than simply the cost.<sup>51</sup>

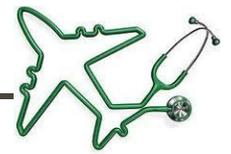
Example of organizational structures<sup>52</sup>

**Brazil**

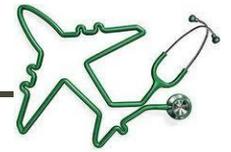


<sup>51</sup> Hall, K. (2009), Japan Wants to Build Medical Tourism Market, Bloomberg Weekly.

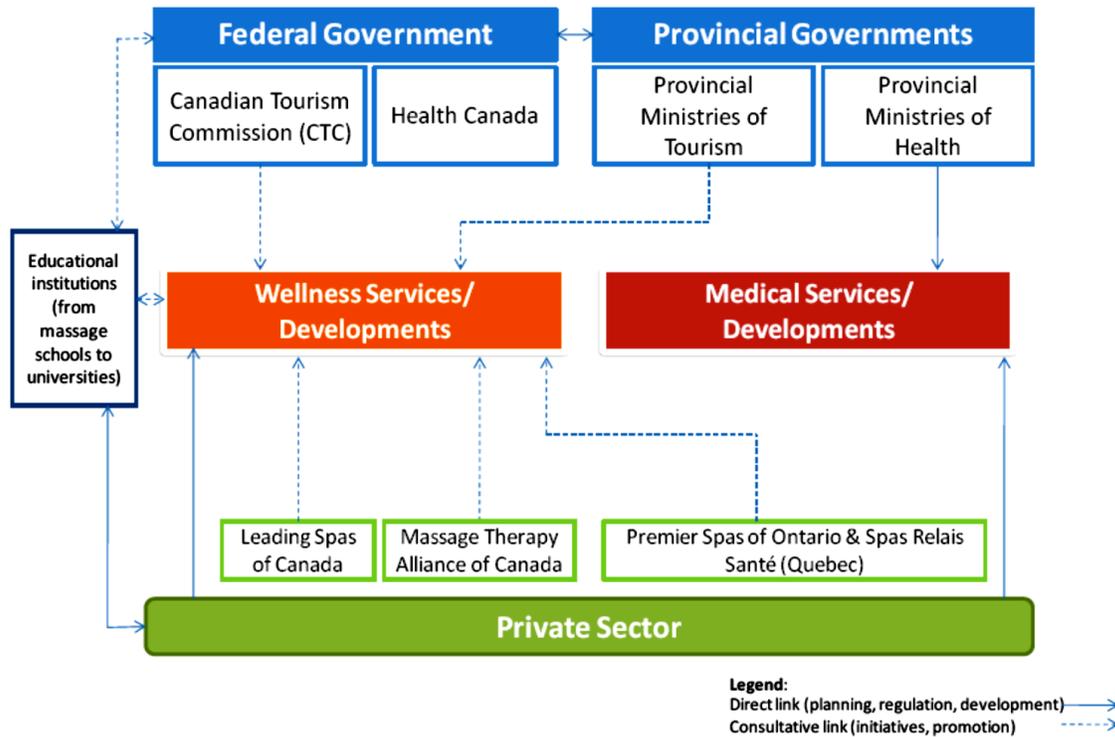
<sup>52</sup> Global Spa Summit (2011). Research Report: Global Spa Summit 2011 Wellness Tourism and Medical Tourism: Where Do Spas Fit?



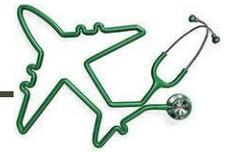
Ministry of Tourism:	<ul style="list-style-type: none"> <li>Legislative and administrative body for tourism.</li> </ul>
Brazil Tourist Office:	<ul style="list-style-type: none"> <li>Does tourism promotion for international markets.</li> </ul>
Ministry of Health:	<ul style="list-style-type: none"> <li>Regulatory and administrative body for health services.</li> </ul>
Brazil Export Promotion and Investment (APEX):	<ul style="list-style-type: none"> <li>Provides indirect support for spa and medical tourism services.</li> </ul>
National Sanitary Vigilance Agency (ANVISA):	<ul style="list-style-type: none"> <li>Responsible for setting all rules related to legal requirements for sanitary procedures, structure, and services, which end up having a high influence in all the business related to spas and aesthetic clinics.</li> </ul>
Yoga Retreat Brazil:	<ul style="list-style-type: none"> <li>Web-based platform and promotional services for yoga retreats throughout Brazil.</li> </ul>
Brazilian Association of Clinics and Spas:	<ul style="list-style-type: none"> <li>Professional organization of clinics and spas providing various services for its members (e.g., education) and the general public.</li> </ul>
Brazilian Society of Plastic Surgery:	<ul style="list-style-type: none"> <li>Professional organization of plastic surgeons.</li> </ul>
Consortium of Brazilian Accreditation:	<ul style="list-style-type: none"> <li>Provides accreditation services for hospitals.</li> </ul>
Brazilian Hospital Medical Quality Organization:	<ul style="list-style-type: none"> <li>Provides accreditation services for hospitals.</li> </ul>



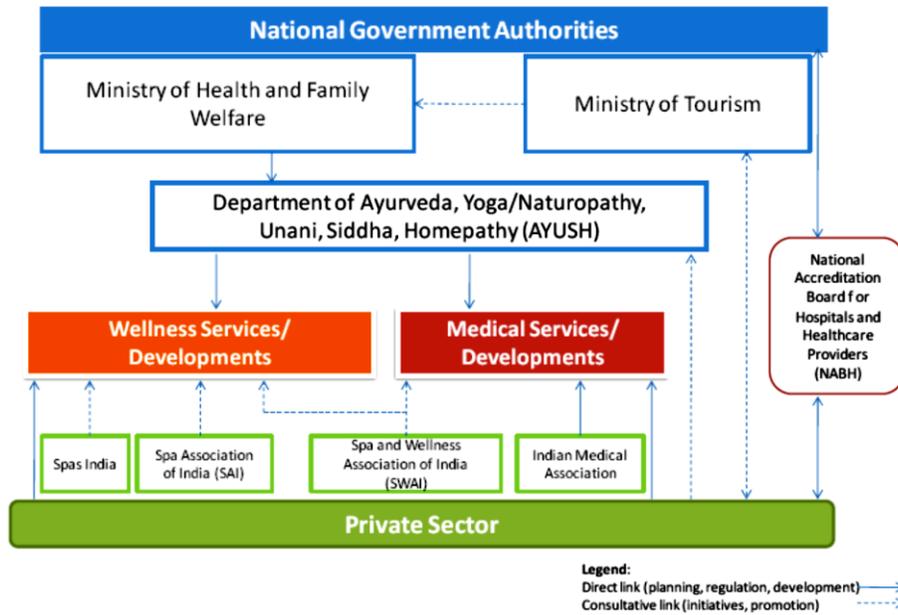
Canada



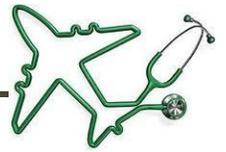
Canadian Tourism Commission:	<ul style="list-style-type: none"> <li>The Canadian Tourism Commission (CTC) is Canada's national tourism marketing organization. The CTC leads the Canadian tourism industry in marketing Canada as a premier four-season tourism destination. The Commission supports the Canadian economy by generating tourism export revenues. Through collaboration and partnerships with the private sector, the Government of Canada, plus provinces and territories, the CTC works with the tourism sector to main competitiveness and reposition Canada as a destination where travellers can create extra-ordinary personal experiences.</li> </ul>
Health Canada:	<ul style="list-style-type: none"> <li>Responsible for helping Canadians maintain and improve their health and supporting the development of Canada's healthcare sector.</li> </ul>
Provincial Ministries of Tourism:	<ul style="list-style-type: none"> <li>Do their own tourism development/promotion and are increasingly playing a role in marketing spa and wellness tourism. Can also set their own standards/regulations for spas.</li> </ul>
Provincial Ministries of Health:	<ul style="list-style-type: none"> <li>Responsible for the healthcare sector at the provincial level.</li> </ul>
Leading Spas of Canada:	<ul style="list-style-type: none"> <li>Membership organization that provides support for the development and promotion of the Canadian spa industry. Has developed a Quality Assurance program for spas.</li> </ul>
Massage Therapy Alliance of Canada (MTAC):	<ul style="list-style-type: none"> <li>Each province has different requirements for practicing massage therapy in their jurisdiction. MTAC is a new national-level organization (replacing the Canadian Massage Therapist Alliance (CMTA)). MTAC's affiliated provincial associations require their members to be successful graduates of a recognized curriculum.</li> </ul>
Premier Spas of Ontario & Spas Relais Santé (Quebec):	<ul style="list-style-type: none"> <li>Membership organizations/associations representing the spa industry at the provincial level.</li> </ul>



### India

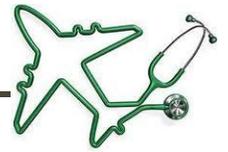


<b>Ministry of Tourism:</b>	<ul style="list-style-type: none"> <li>Leading body for national-level initiatives to develop, support, and promote medical and wellness tourism. Headed by the Secretary/Director General of Tourism, which provided executive directions for implementation of policies and programs. Has 20 offices within India and 14 offices abroad, which are primarily responsible for tourism promotion and marketing (domestic offices also monitor progress of Ministry-supported projects).</li> </ul>
<b>Department of Ayurveda, Yoga/Naturopathy, Unani, Siddha, Homeopathy (AYUSH)</b> (falls under Department of Health and Family Welfare):	<ul style="list-style-type: none"> <li>Responsible for regulation and licensing (such as for spas), and also provides financial support and promotional initiatives for private sector development.</li> </ul>
<b>National Accreditation Board for Hospitals &amp; Healthcare Providers (NABH):</b>	<ul style="list-style-type: none"> <li>Independent accrediting organization that accredits hospitals in India (as well as wellness facilities) on a voluntary basis.</li> </ul>
<b>Spas India:</b>	<ul style="list-style-type: none"> <li>Spas India’s mission is to empower consumers globally to find their perfect well-being experiences at their own convenience, providing global search, magazines/directories, reservation technology, and consultancy services.</li> </ul>
<b>Spa Association of India (SAI):</b>	<ul style="list-style-type: none"> <li>A young organization initiated by the (day)spa industry; aims at blending the worlds of wellness, health and skincare, healing, medicine, and spas.</li> </ul>
<b>Spa and Wellness Association of India (SWAI):</b>	<ul style="list-style-type: none"> <li>Non-profit trade association, created in 2006, that represents the interests of the professional spa and hospitality industry. Focuses include:                             <ul style="list-style-type: none"> <li>Preservation and protection of India’s traditional therapies (especially yoga and Ayurveda);</li> <li>Education, government advocacy, and tourism promotion related to spa and hospitality;</li> <li>Commerce activities;</li> <li>Research/statistics and media relations;</li> <li>Rules, regulations, standards, and legislation for spa industry in India.</li> </ul> </li> </ul>
<b>Indian Medical Association:</b>	<ul style="list-style-type: none"> <li>The country’s only representative, national voluntary organization of Doctors of Modern Scientific System of Medicine, which looks after the interest of doctors as well as the well being of the community at large.</li> </ul>



## APPENDIX 3

### Case of Mexicali



## Case of Mexicali

Mexicali is one of the emergent medical tourism destinations. It receives some 155,000 patients for procedures ranging from cosmetic surgery to dental services. The medical tourism patients come from California and other nearby states. Hospitals offer operations for gastric bypass, liposuction and chronic back pain. Dentist offer extractions, fillings and whitening for less money than in the United States. Ophthalmologist advertises laser surgery and routine exams.<sup>53</sup>

The medical tourism clusters are located within strip malls and office buildings. Hotels offer special rates for patients, and the local tourism office has begun subsidizing van rides from Las Vegas to bring in those who would rather avoid the drive themselves. There is strong support from the local government for attracting more Americans for elective procedures or basic care that they may not be able to afford at home.<sup>54</sup>

Medical care in Mexico offers major savings with respect to the United States:<sup>55</sup>

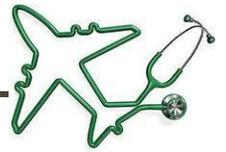


In addition, hospitals in Mexicali do not have to cover the high malpractice insurance rates that burden health providers in the United States.

<sup>53</sup> Jennifer Medina, Mexicali Tour, From Tummy Tuck to Root Canal, The New York Time, June 27,2012

<sup>54</sup> Ibid.

<sup>55</sup> <http://www.turismomexicali.com/2012/index.php/precios-competitivos>



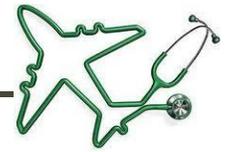
The medical tourism program is part of a larger plan by the tourism department, Comité de Turismo y Convenciones de Mexicali. The medical tourism program is marketed through a medical guide that has been distributed to U.S. cities including Long Beach, Las Vegas, San Bernardino, Coachella, Yuma and Phoenix.



The health providers are also performing three expos a year in the U.S. Ground transportation from Las Vegas to Mexicali for medical tourist is also being coordinated, starting with one bus trip a month.



All doctors participating in the program and listed in the medical directory are board certified by Mexican medical schools, some accredited by U.S. standards. Medications come from the same labs providing them to pharmacies in the U.S., but at a much lower cost since the price differentials for medical drugs are much higher in the United States than for exactly the same drug outside the United States.



Mexicali Offers for Medical Tourism Patients

HOSPITAL	MEDICAL SERVICES	PROCEDURE
Hispano Americano	Plastic Surgery	Breast Augmentation, Liposculpture plus Brazilian butt lift
	Bariatric Surgery	Lap Band
	Hernias	Inguinal, Umbilical
	Orthopedic surgery	Knee arthroscopy, Carpal Tunnel syndrome
	Gynecology	Hysterectomy
Hospital de la Familia	Cosmetic Surgery	Tummy Tuck with Liposuction (1 or 2 nights included), Breast Augmentation (1 or 2 nights included), Tummy Tuck w/ Liposuction + Breast Lift (2 nights included), Full Face Lift (Includes Both Eyelids and Neck Lift). (2 Nights Included), Liposculpture + Brazilian Butt Lift (1 night included)
	Orthopedics	Total Knee Replacement (2 nights included), Total Hip Replacement (3 nights included)
	bariatric surgery	Gastric Bypass 5 nights included, Gastric Sleeve (5 nights included), Umbilical Hernia Repair (in/out)
	Gynecological Surgery	In Vitro Fertilization procedures, Hysterectomy (2 nights in hospital included), Tubal Ligation Reversal (2 nights in Hospital included)
	Cardiology	Angioplasty (1 stent) (3 hospital nights included)
Hospital Santa Catalina		Tonsils, Appendix, Hysterectomy, Laparoscopic, Curettage, Knee Arthroscopy, Breast Biopsy, Septoplasty, Endoscopy, Colonoscopy

HOTELS		
Hotel Calafia	Suite for Doctor Visits	Breakfast in accordance with the instructions of medical, Free shuttle service hotel clinic hotel, Free shuttle service hotel clinic hotel, 10% discount on food and drinks. Free local phone calls check out 17:00
Hotel Araiza	Suite for doctor visits	Breakfast in accordance with the instructions of medical, Free shuttle service hotel clinic hotel, 10% discount on food and drinks. Free local phone calls check out 17:00
Hotel Crowne Plaza		Free shuttle service hotel clinic hotel, Special food menu (low fat), Wheel chair available, Handicap rooms, Complementary wireless internet in all areas of hotel, Cafeteria buffet breakfast daily from 6 am to 12 noon, Sport bar led screens with pool table, Security cameras service 24 hours, Swimming pool
Hotel Lucerna		Free Shuttle service hotel clinic hotel, Special rates medical tourism

Source: Mexicalihealthcare.com