

# Medical tourism: study case of ijn

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The inclusion of tourism sector as one of the 12 recognized national key economic areas (NKEA) for the 10th Malaysia Plan represent the sector's prospect in not only driving the nation's economy, but also transforming the country into a high-income economy by 2020. With approximately 10 years left, many concerned groups are keen to know how this will be achieved.

This paper aims at exposing the prospects of medical tourism as an essential subsector of tourism which would offer a number of proven benefits, and hence contribute to accomplishing the government aspiration of transforming the nation's economy via the said sector. In discussing the subject, the case study method is employed involving Institut Jantung Negara (IJN) as an emerging medical tourism provider in the country. Findings of the case study are presented herein. Key words: medical tourism, economy, Institut Jantung Negara

## **Introduction**

The promising prospect of tourism as an economic stimulator has enabled it to be included in the list of 12 National Key Economic Areas (NKEA), which has been specifically drafted to transform the Malaysian economy into high-income economy by year 2020. While there are tremendous numbers of tourism categories, ranging from environment, cultural, sports, and entertainment, to name a few, this paper intend to highlight on the prospects of medical tourism as a significant tourism-related economic contributor in this country. Connell (2006) defined medical tourism as health-related tourism involving specific medical intervention. Among the most popular medical tourism products are orthopaedic and cardiac surgery, which are very popular among Asian medical tourism providers, as well as

executive health evaluations, cosmetic surgery, joint replacement, and similar complex medical, surgical and dental procedures (Horowitz and Rosensweig, 2007).

Therefore this is a distinguished industry than that of the wider health tourism industry which involves tourists travelling to search for spas, yoga and meditation, or any other forms of health tourism (Connell, 2006; Garcia Altes, 2005). In a relatively detailed account of medical tourism development which began in 1800s, Schroth and Khawaja (2007) proposed that the current phenomenon is different due to the unique combination of global demand and supply within the international medical market.

As observed in the region, this proposition is regarded as well-founded. The present development of medical tourism in the international market is very unique, manifested by the escalating statistics of players, patients and revenues generated around the globe of late. How Malaysia is positioned within this backdrop, and how it would affect the development of this fast emerging economy, are among the focus of discussion of this paper. The Statistical Development of Medical Tourism Medical tourism has been a very significant industry over the years.

By judging from its health travel umbrella, the sector is expected to generate some handsome revenue of RM240 billion (roughly USD73 billion) in 2010, with ASEAN contributing RM9.6 billion (roughly USD3 billion) (PEMANDU, 2010). Specifically focusing on medical tourism industry, the anticipated revenue to be generated in Asia is RM14.2 billion by 2012 (roughly USD4.3 billion), with Malaysia is expected to bring in RM2.1 billion (roughly USD64 million) from that amount (Ang, 2009).

As a comparison, India, another top Asian medical tourism destination, expects to gain USD2 billion by the same year (Connell, 2006; Horowitz and Rosensweig, 2007). These statistics surely are translated by a growing number of medical tourists around the globe. The movement of medical tourists is another significant indicator of this trend. At the global stage, approximately 350 000 medical tourists moved from developed nations to less developed countries for treatment in 2003, while a year later 1. 18 million patients travelled to India alone and another 1. million to Thailand for the same reason (Horowitz and Rosensweig, 2007). Glancing at the local development, the Association of Private Hospitals of Malaysia (APHM) has been projecting for a stable 30% growth of takings from foreign patients until 2010. This is apparent from the steady increase of foreign patients to Malaysia which recorded a total of 39 114 patients in 1998 and 374 063 patients ten years later (APHM; Liow, 2009). In terms of revenue, RM14. 1 million was documented in 1998 before jumped to RM299. million in 2008 (APHM; Liow, 2009), and is expected to contribute to another RM540 million in 2010 (Leonard, 2009). The revenue per patient has almost tripled from RM360 in 1998 to RM800 in 2008 (Choy, 2010). In the latest development, medical tourism is expected to generate RM4294. 4 million of Gross National Income, together with 5295 jobs in 2020 (PEMANDU, 2010). This occurrence has readily attracted a number of giant MNCs with diversified structure such as General Electric (GE) to invest further in the industry (Panjanadan, 2010).

## **The Revolution of Medical Tourism**

The presented statistics did not appear by chance. The numbers occurred out of plausible factors. The development of medical tourism industry is

indeed different (Horowitz and Rosensweig, 2007). As mentioned earlier, Schroth and Khawaja attributed the uniqueness of the industry's current development to the forces of market's demand and supply, which is in resonance with Horowitz and Rosensweig (2007) who ascribed it to the movement of patients from industrialized nations to less developed countries. Connell (2006) argued that medical tourism is a niche which experienced rapid growth and has become an industry. The said paper also enlisted several factors promoting the development of medical tourism, such as the low costs factor, the long waiting list, the relatively affordable international air travel and favourable exchange rate, plus the aging of the baby boomers generation. These factors are also often cited in a number of studies regarding medical tourism such as Hansen (2008), Herrich (2007), Horowitz and Rosensweig (2007), Garcia Altes (2005), Marlowe and Sullivan (2007), and Schroth and Khawaja (2007), to name a few.

Apart from these popular factors, other notable factors motivating the development of the industry spotted in the literature extent are the use of internet and mobility of technology, the unavailability of certain procedures in the local market, and the reduced trade barriers encouraging the mobility of workforce. Hansen (2008) argued that the revolution in medical tourism today is consumer-driven. This is in line with Horowitz and Rosensweig (2007) who argued that the industry is market driven with complex involvement of multitude medical, economic, social and political factors.

While the progress of the industry seems to be very promising, the general overview of Malaysia's involvement at the international level is not very charming. Even though medical tourism experienced an astounding per

annum growth of 22% from 2004 to 2009, the global share is still considered as small with RM350 million in 2010 (PEMANDU, 2010). Furthermore, PEMANDU also reported that while the global healthcare travel is a multi-million dollar industry, Malaysia is yet to get a sizeable share.

The said industry is expected to generate USD75 billion of revenue in 2010 at the global level, while Malaysia is expected to make about USD0. 1 billion. The statistics provide a brief sight on the development in the country weighted against the global development. Malaysia should therefore be proactive enough to catch up with the global progress to stay competitive in the industry. To enable this, the players and responsible parties must quickly recognize potential constraints that can hamper the development and address the issues well.

### **The Required Expertise and the Potential Economic Opportunities**

Based on previous arguments, medical tourism offers bountiful opportunities and chances. In order to remain competitive at the global stage, marketing strategies should be revised against the present circumstances. Marketing the medical expertise and offerings should be distinctively conducted. The primary concern of assessing an excellent marketing strategy is the effectiveness of the strategies implemented.

StuartKregor (2005) argued that defining marketing excellence for medical-related industry is different with that of the commercial-based industry. As customer is the centre of marketing excellent in the industry, the paper suggested that the effectiveness of marketing strategies should then be done by measuring the customer's satisfaction over the service provided. Therefore, all other marketing excellence measured by considering the

profit, return on investment or sales as in any other commercial industries should be changed to be more customer-oriented rather than organizational-oriented. Building the strategies can be done by “developing, communicating and delivering the right emotional benefits to the targeted customers” (Stuart-Kregor, 2005, pp. 117). The right emotional benefit here is viewed as brand by Stuart-Kregor (2005). This paper is in agreement with the argument, which is to develop the marketing strategies by focusing on the emotional benefits (brands), and assess the effectiveness of the strategies by measuring the satisfactions of the customer. Further discussion on this is available in the next section. 171 The science of excellent marketing strategies would be wasted without a good delivery system.

The state of local expertise, technologies and facilities must be attended to in order to assess the quality of the service offered against the global level. This is where the industry should strive to be as similar as other excellent providers. The commodification of medical tourism (Chee, 2007) is an evident of this occurrence. Dunn (2007) argued that patients are making choices on medical tourism destinations based on how similar is the service delivered, especially concerning patients from industrialized nations, and the service is expected to come with much lower price.

Consequently, it is observed that patients are not looking for low cost products at the expense of the quality in the industry. Successful players realize this and capitalize on the factors well. This explains the rapid movement of workforce and technologies across the four corners of the world. India as an example has been successful in luring its medical doctors

who have been trained and worked abroad to return with their internationally recognized expertise and work in the country.

Thailand and United Arab Emirates have been successful in rearranging for international collaboration in the industry (Schroth and Khawaja, 2007). Through these strategies, the countries have been able to keep their expertise, technologies and facilities up with the global standard. Proposed Strategies of Reviving and Sustaining Medical Tourism: The Case of IJN With the national governments' involvement recently (Chee, 2007; Noor Hazilah, Roslan Johari and Kadar, 2010; PEMANDU, 2010), the industry has been attracting the interest of many concerned parties.

Since the medical tourism is fast becoming a commodity (Chee, 2007), its marketing strategies should be focusing more on brands and less on products to be distinctive than other providers. As in Malaysia, the country is capable of offering similar products with the rest of other players in the world. While Malaysia has been focusing on cost all this while, it is suggested then for the country to deliver a unique brand which is capable of attracting the interest of potential medical tourists, without desecrating the cost advantage.

In order to do so, it is particularly important for the players to implement the export market orientation behaviours within their organization, which are generating, disseminating and responding to the export market intelligence (Cadogan, Diamantopoulos and de Mortanges, 1999). Consequently, Malaysia is expected to be able to woo medical tourism patients even more. Hazilah et al. (2010) reported that a medical tourist spends double than a



regular tourist while they are in the country. This high buying power therefore is capable of generating more economic opportunities.

The medical tourist needs are also offering a lot of opportunities for Malaysian. Apart from medical attention, they need to have accommodation for their accompanying family members. New jobs have been underway to better serve the medical tourists, such as the healthcare broker. A healthcare broker assists the patient to choose a medical institute and arrange for the patient's needs while in here, including visa, accommodation and holiday arrangement. Thanks to the internet, these can be arranged prior to the patient's arrival in the country.

To describe more of these strategies and opportunities, this paper choose to present the IJN as a case study merit the discussion. The National Heart Institute or Institut Jantung Negara (IJN) has been established in 1992. The privatization of the institute was done on many premises, especially concerning the potential it has to expand its expertise and to liberalize the 172 financial capabilities of the institute. IJN did not take long to materialize that. A year after its privatization the institute has been able to be financially liberalized and hence reduce the government intervention in its administration.

By now, IJN has accomplished a great number of medical milestones recognized not only in the country and the region, but also internationally. To further advance ahead in medical industry, IJN is joining its local peer private institutions to take part in the global medical tourism industry. The previous mentioned factors of global medical tourism industry's progressive development served as the basis for IJN to be a part of the industry. Besides, <https://assignbuster.com/medical-tourism-study-case-of-ijn/>

like Singapore, the medical tourism industry in Malaysia is receiving a lot of government's assistants.

Being a nationally structured industry, medical tourism therefore is regarded as a potential industry in which would be able to position IJN better. The Malaysian government has been playing an active role in developing the industry in Malaysia since 1998. The main driver of this is to revive the private medical industry after the 1997 Asian economic downturn which has affected the industry very badly. The success story of Thailand which managed to get the industry out of the crisis by focusing on delivering the service to foreign patients has prompt the government to encourage private players to do the same.

Consequently, while Thailand has been restructuring the industry without much government involvement, Malaysia and Singapore has been leveraging the industry well with cooperation between the public and the private sectors. IJN has been viewing this very positively and has since become a significant player in the region. While being rapidly developing the industry, the players recognized several major constraints which are able to slow down the progress. Coordination is a key constraint. To increase coordination, the Association of Private Hospitals of Malaysia (APHM) was formed to increase coordination between the private players.

The steadily increasing number of foreign patients and revenues generated since 1998 as shown in Table 1 is an evident of the successful strategies implemented. However the industry, weighted against the global development, was still considered as insignificant. Resulting from the government's enthusiasm towards medical tourism as a prospective

economic driver industry, and the intensity and potentials portrayed by private sectors, the Malaysia Healthcare Travel Council (MHTC) was established in July 2009.

The main purpose of the council is to coordinate promotional activities of medical and healthcare tourism industry in the country. As a part of the economic transformation program, the industry is expected to shift their attention to generate higher patients' volume, expand the target market beyond Indonesia which is currently the main market of the industry, create alliance across border, and enhance customer experience in the first phase of the strategy. In the following phase, more attention is given on improving the infrastructure and specialists capacity to attract the more profitable in-patient segment (PEMANDU, 2010).

173 Table 1. The Volume of Foreign Patients and Revenue Generated by Medical Tourism Industry in Malaysia

Year	1998	2001	2002	2003	2004	2005	2006	2007	2008	Medical Tourists/Foreign Patients
	39, 114	75, 210	84, 585	102, 946	174, 189	232, 161	296, 687	341, 288	374, 063	Revenue (RM million)
	14. 1	n/a	35. 9	58. 9	105. 0	150. 9	203. 66	253. 84	299. 1	

Another strategy to improve the medical tourism performance is through focusing on specific players.

There are approximately 223 private hospitals operating in the country in 2008 (Frost & Sullivan, 2009). Of this number, the government has decided to focus on 35 private hospitals to capitalize on the industry with several characteristics outlined. The characteristics include being a member of APHM, has obtained the Malaysian Society for Quality in Health (MSQH), ISO or other international accreditations, offers major specialties and/or some sub-specialties, provides for a minimum 50 beds, and has its own websites.

IJN has been one of the selected 35. The commitment demonstrated by IJN towards the industry is paramount. In order to be internationally recognized, the institute has been striving hard to be in the same par with the other international organizations. IJN has been accredited by JCI in 2009, which is a recognition of the strong culture of safety and quality within the organization. The internationally recognized accreditation is expected to improve IJN's international positioning in the future.

IJN realizes that in order to make the most of the industry, it needs to build a customer-oriented system. Beginning in 2006, the institute has been conducting the Customer Focused Program. The program was aimed at transforming IJN into a global centre of excellence by ensuring customers' satisfaction. In 2008, the institute launched what was designed as the second phase of the program, called Customer Focused Culture. While the CFP was initiated to increase awareness of ensuring customers' satisfaction, the CFC aimed at internalizing the institute's shared values across the organization. IJN also comprehend its capacity constraint which is becoming the largest hindrance from going big in the global medical tourism industry. Apart from improving on its culture system, the institute has been adamant in enhancing its infrastructure capabilities. A major extension work has been carried out at IJN to expand its capacities from 270 beds to 432, eight wards to 13, 23 outpatient clinic rooms to 59, and an international patient centre, to improve its service for customers.

This is in line with numerous governments' incentives offered to the private hospitals embarking on medical tourism industry to expand their infrastructure capacities. In August 2009, IJN has its new wing officiated by

the Malaysian Prime Minister, who acknowledged that the institute has undergone RM230 million expansion program since 2005. In the same ceremony, the Prime Minister has also announced the proposal for IJN to become a research and development institute, measuring itself against the international best heart institute such as the Cleveland Clinic Heart Centre in the US.

These are all evidences of how IJN has been greatly employing the export market orientation behaviors within its organization. In commenting the current development of the industry, IJN has expressed its concern for the country to be more progressive towards promoting medical tourism. 174 The IJN Holdings Group Managing Director, Datuk Mohd. Radzif Mohd. Yunus mentioned that the failure for Malaysia to capitalize on its capabilities in the industry would result to the loss of human capital as they will migrate to other countries with better offers.

This is also reiterated by Datuk Syed Hussien Al-Habshee, the Secretary General of National Chambers of Commerce and Industry Malaysia (NCCIM) who said that the country need to step up its marketing efforts of medical tourism if it wants to catch up with Thailand and Singapore. PEMANDU (2010) has confirmed the assertion by reporting on the stronger growth of the industry by neighboring Thailand and Singapore. The set up of MHTC and several other initiatives are therefore deemed as timely to help Malaysia to rise in the industry at the global stage.

## **Conclusion and Recommendation**

As exemplified in the discussion, medical tourism offers a lot of economic opportunities and hence is indeed a potential contributor to economic

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growth. However, Malaysia, while has been enjoying the growth of the industry vehemently over the pass few years, has not been capitalizing the industry well compared to the other global players. Therefore, the Malaysian players need to revise their marketing strategies and delivery system, as represented by IJN.

The cooperative efforts between the public (government) and the private sectors too must be further carried on, especially for the sake of protecting the interests of the local society and the survival of the medical tourism players. It is strongly suggested for medical tourism players in the country to leverage on their expertise by focusing the marketing strategies on brands rather than on products, as well as enhancing on their infrastructure and culture systems to be more export market-oriented. In doing so, however, the players must not disregard the country's current edge, which is the competitive cost.

In terms of theoretical development, this paper is believed to be able to expose the medical tourism niche and its economic opportunities, as well as the marketing strategies fitting the industry. Quite a number of studies involving Malaysian medical tourism industry have been conducted. Nonetheless, this paper presents the scenario from the view of a single case study. It is highly suggested for similar studies to be conducted with the presence of empirical data to see the quantifiable aspects of the industry in the future.

With such studies, it is expected that further theoretical contributions can be made, and hence the progress of the industry can then be expedited even more.

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