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**An Overview of Medical Tourism in Costa Rica and the
Impact of the Affordable Care Act**

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Abstract

This paper begins by defining what medical tourism is and how expansive the industry has become due to all of the benefits, especially that of cost savings, that it provides to healthcare recipients. This is exemplified through a successful medical tourism story of two individuals receiving insurance reimbursement due to their decision to go abroad for medical care and the associated cost savings. The paper will then move into an explanation of the Affordable Care Act in the United States and why uninsured citizens may choose to travel to Costa Rica in comparison to staying in the United States or traveling to other countries for medical care. The paper concludes with an in depth look at how the Affordable Care Act is going to affect the future of health tourism from the United States to Costa Rica by drawing parallels to other healthcare systems and looking at the details of the affordable care act such as procedures that may not be covered.

What is medical tourism?

A 2013 article from Pitts and Battiste of ABC News tells the story of two North Carolina work colleagues' travel experience to Costa Rica; however neither of them were going for the purpose of surfing or deep sea fishing. Joy Guion was going to receive a weight loss procedure and Gary Harwell went for a knee replacement from the private hospital Clinica Biblica. Both Guion and Harwell were going to Costa Rica for their procedures, would stay in a four-star hotel, have a personal driver and concierge, and not pay a dime for the medical or travel expenses. As an additional benefit, they would receive a bonus check from their employer when they returned due to the cost savings in insurance from deciding to go abroad. Guion and Harwell had the option to receive their procedures in the United States but would have had to pay large co pays due to the price differential. In the end, HSM, the company Guion and Harwell work for, saved money, the recipients saved money, and the Costa Rican economy benefited from the dollars spent within their borders (Pitts & Battiste, 2013).

While medical and tourism are two words that may not be commonly associated with one another, there is a large and growing industry for individuals traveling across borders to receive medical procedures. Medicine typically implies something viewed as un-pleasurable, and tourism has a perception of the opposite. However these two words together create something in the range of a USD 24-40 billion market based on approximately eight million patients worldwide spending anywhere from USD 3,000-5,000 per visit (Medical Tourism Statistics & Facts, 2014). Popular destinations for medical tourism include India, Brazil, Singapore, Mexico, Thailand, and Costa Rica.

Affordable Care Act Coverage

With the number of nonelderly uninsured Americans over 47 million during 2012 not having access to affordable plans to cover the needed and sometimes desired procedures, it is clear why many are looking across borders to receive medical attention (Key Facts, 2013). Even though over 7 million have signed up for the Affordable Care Act (ACA) which is providing them access to affordable health care insurance they may have not had before, dental

insurance, one of the most sought after procedures in Costa Rica, will for the most part still not be covered by the Affordable Care Act (Epstein & Kenen, 2014). And only about 57 percent of the U.S population has dental coverage according to Delta Dental leaving a large population looking to save some money on their dental care (n.d).

Why Costa Rica?

Individuals seek medical care abroad for many reasons. Generally the most popular reason is that of significant cost savings. For example, the cost of a knee replacement in the United States is in the USD 45,000-60,000 range whereas in Costa Rica the price range is USD 11,700-12,500 (Companion Global Healthcare, Inc., n.d.). While one would think that clearly they will receive better treatment and have better doctors with the hefty price tag in the United States, this is not necessarily true. The World Health Organization has ranked Costa Rica as one of the top three healthcare systems in Latin American, ranking consistently higher than that of the United States and Canada. The life expectancy in Costa Rica is 78.7 years, also higher than that of the United States (Costa Rica, n.d.). Costa Rica only holds two hospitals that are JCI certified, however there exist many more hospitals and dental clinics that hold high accolades in client care (JCI-Accredited Organizations, n.d). JCI stands for the Joint Commission International and is the international arm of the same organization that accredits hospitals in the United States. Holding this accreditation signifies that a health clinic is up to at least the same standards as health clinics in the United States in terms of the quality of patient care.

Costa Rica, recognizing the opportunity to not only show the world its high quality health care, but to display its national parks with spectacular views and volcanoes all encompassed in a tropical climate has invested in the industry. Costa Rican government declared the national interest of the activities and initiatives related to medical tourism. "Also, it launched the "Council for the International Promotion of Costa Rica Medicine" as the first official private instance of promotion and regulation of health tourism industry of the country."(Turismo Medico, n.d.).

Impact on Costa Rican economy

According to an article found in The Tico Times, a Costa Rica based journal, in 2010 medical tourism generated about USD 288 million and in 2014 the country is expected to generate USD 800 million and attract 100,000 visitors to the country (Norman, C., 2012). Edgar Salazar, manager of Nova Dental Advanced Dental Center mentioned that in 2012, 95 percent of Nova's patients were foreigners with a vast majority coming from the United States or Canada and he believes that that the market of travelers coming to Costa Rica for medical procedures is only going to grow. Nova Dental Advanced Dental Center is a full service dental clinic located in San Jose, the capital of Costa Rica. They offer services including transportation to and from recovery facilities and hotels (Cosmetic Dentistry, n.d.). Salazar also believed that within the next seven years that the medical tourism industry will soon overtake in size the eco-tourism, and adventure travelers in Costa Rica. With tourism as a whole generating more than USD 1.7 billion per year in Costa Rica with 80 percent of that consisting of eco-tourism, medical tourism has a long way to go before reaching that mark (About Costa Rica, n.d.). Total contribution of travel and tourism to GDP in Costa Rica was 12.1 percent of GDP in 2013 and

is forecasted to reach 13.7 percent of GDP by 2024. Travel Tourism also generated 95,500 jobs or 4.6 percent of total employment and is expected to reach 7.2 percent in 2014 (Turner, R., n.d.). With these numbers, medical tourism has accounted for about 17 percent of the tourism industry but is expected to grow at a rapid pace (Tourism Statistical, n.d.). Rapid growth in a new area of tourism to Costa Rica will be stimulating for an already successful tourism economy.

Will the ACA slow medical tourism to Costa Rica?

According to the Canadian Institute for Health Information, roughly 46,000 Canadians in 2011 and 42,000 in 2012 left the country to seek medical treatment. This is likely due to the fact that Canada, has a monopolistic government-run healthcare system that does not give individuals access to health care that they demand in a timely manner unless it is considered an emergency operation. For example, Canadians will wait on average 26 weeks for a hip and knee replacement and more than 16 weeks for cataract surgery (Canadians Still, n.d.). This is because the demand for healthcare in Canada far outstretches its capacity. According to obamacarefacts.com, in the United States, "Doctors and hospitals will be moved to a system where they are rewarded for providing quality care, instead of being rewarded for quantity" (Obamacare, n.d.). While this has only positive intentions, I believe we may also see wait times for medical care specialist appointments begin to increase in the United States, similar to that of Canada.

In a 2013 survey conducted by Merritt Hawkins, only 45.7 percent of physicians in the 15 markets over five specialties were accepting Medicaid as a form of payment with the highest acceptance rate being in Massachusetts with a 73 percent acceptance rate (Miller, P., n.d.). The low acceptance is explained by the fact that physicians are only paid a fraction for serving Medicaid patients, about 59 percent of the amount that Medicare pays for primary services. With a low acceptance rate and the addition of millions of citizens under Medicaid coverage, a shortage of physicians is easy to predict. Authors of the ACA foresaw this shortage and as of January 2014 included a provision and incentive for physicians to accept new patients. The provision raises the Medicaid fees paid to doctors in primary care to the same level of Medicare with the Federal government chipping in the difference. This led to an average 73 percent increase in Medicaid fees paid to doctors, the largest increase in Medicaid history. However the provision is set for only two years and after that states no longer have to pay the increased Medicaid rate leaving many physicians wary to accept new patients. Reid Blackwelder, a Tennessee family practitioner and incoming president of the American Academy of Family Physicians said, "If I choose to increase the number of Medicaid patients, and two years down the road that payment drops back to two-thirds, all of a sudden I'm going to have an awful lot of trouble keeping my doors open." (Ollove, M., 2013). Being that many doctors do not see the pay from Medicare necessarily generous, I believe most will be reluctant to accept Medicaid patients in the next two years due the possibility that they may have a new book of patients in which they are receiving smaller fees in comparison to others on better health care coverage plans.

Boston Massachusetts with the highest Medicaid acceptance rates consequently has the hospitals with the highest average wait times among the 15 markets surveyed. As displayed in Figure 1, when performing a regression and correlation analysis between the cities

surveyed we see a moderate to weak strength correlation between Medicaid acceptance rate and average time wait. However, the simple regression analysis found in Table 1 suggests that the data points are not significant and therefore should not be used. While the statistical analysis suggests the data is too weak to draw conclusions, it is noteworthy that Massachusetts, the state in which the ACA was modeled after sees the highest average wait times. Therefore I predict that as other doctors and hospitals begin to accept Medicaid as a form of payment, we will see a rise in wait times to see physicians which may lead to patients looking elsewhere for affordable care.

Another signal pointing toward a continued rise in medical tourism is the variety of procedures not covered under ACA health plans. Procedures such as cosmetic surgery, plastic surgery, in-vitro fertilization, and dentistry are all not covered under ACA plans leaving people to search for the more affordable options than what is offered within their own borders. With its proximity to the United States in comparison to other medical tourism countries such as Thailand and Singapore, Costa Rica will be a viable option for those looking to receive procedures at a lower cost than domestic procedures.

Conclusion

Medical tourism is a rapidly growing industry that allows individuals to travel across borders in order to receive a health care procedure which usually leads to considerable cost savings. This industry's success and continued growth has come into question as the healthcare system in the United States is going through a major overhaul leading to more individuals with affordable insurance coverage. For those who are still uncovered after the implementation of the ACA, don't want to wait to see a specialist, or simply want to save some money and see a new country, Costa Rica makes a practical option. Not only is Costa Rica a tropical country in close proximity to the United States, the country boasts a prestigious healthcare system with some of the area's finest doctors. Costa Rica already has a large and distinguished tourism industry and some experts have expectations that medical tourism will overtake ecotourism in size, the current largest tourism style in Costa Rica. After reviewing the details of the ACA and drawing comparisons to unsuccessful characteristics of other healthcare systems, such as that of Canada, there is no evidence that shows the ACA will slow the pace of medical tourism growth.

I predict that more health insurance companies will begin to cover procedures across borders. The cost savings from a procedure in Costa Rica are significant for an employer providing insurance as well as the insurance company. The pressure to expand coverage will likely come from employers and their employees seeking substitutes to the well known high co pays and premiums. As insurance companies expand coverage into international markets, we will see prices drop for both the consumers and insurance providers which will force U.S. health care organizations to become competitive to survive. If a healthcare plan only covered up to 60 percent of costs in the US, such as the case with an ACA bronze metal implant, then a knee replacement in Costa Rica would cost the recipient roughly USD 4,800 out of pocket. Whereas 10 percent out of pocket expenses, such as the case for an ACA platinum metal implant, for a knee replacement in the U.S would be as high as \$6,000 with the recipient paying higher premiums to have the higher coverage. Knowing this, heading to a country such as Costa Rica

where the quality of patient care is as high if not better, and the prices are much more competitive seems to make sense for those looking for an arbitrage opportunity. Having the procedure when you want the procedure and having the opportunity to navigate a new culture and country are just the extra perks of the industry.

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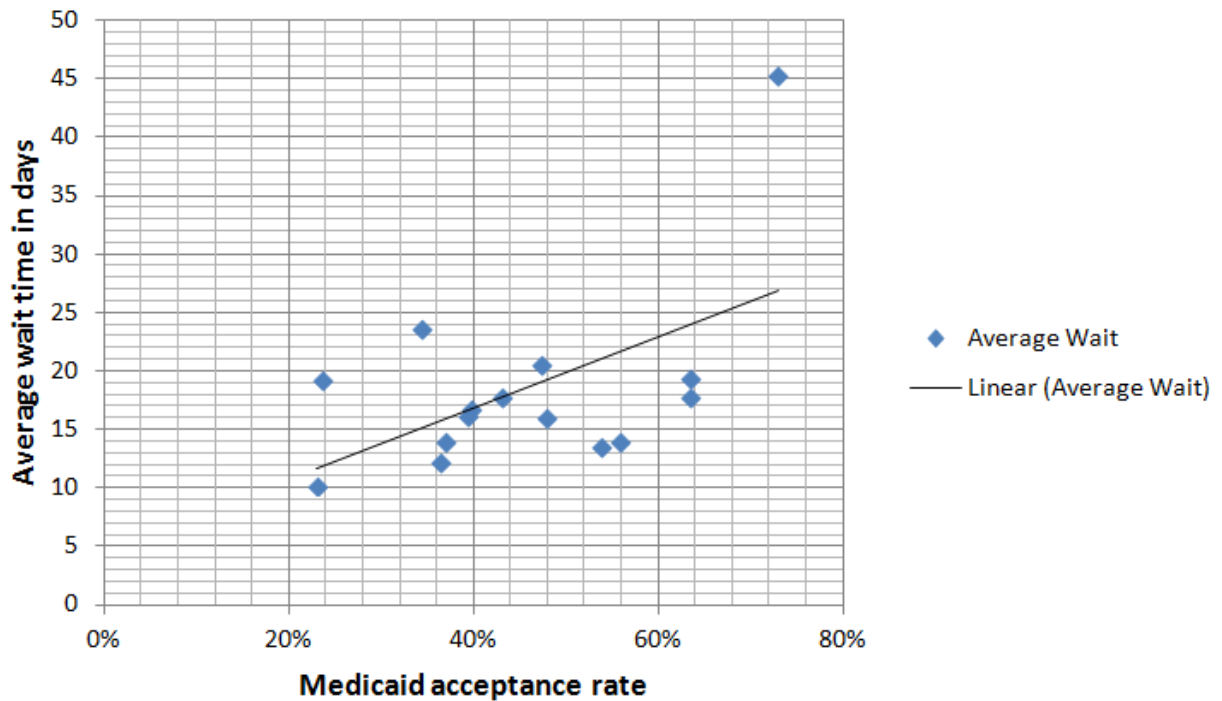
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Appendix

Figure 1



0.53549 Moderate strength correlation

*Data derived from Merrit Hawkins Survey (Miller, P., n.d.)

Figure 2

Regression Statistics								
Multiple R	0.53549325							
R Square	0.28675302							
Adjusted R Square	0.23188787							
Standard Error	7.1959422							
Observations	15							
ANOVA								
	df	SS	MS	F	Significance F			
Regression	1	270.6367387	270.636739	5.22650558	0.039664124			
Residual	13	673.1605946	51.7815842					
Total	14	943.7973333						
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	4.63260981	6.324474012	0.73248934	0.47686979	-9.03058558	18.2958052	-9.03058558	18.2958052
medicaid acceptance %	30.4197876	13.30609037	2.2861552	0.03966412	1.673727116	59.1658482	1.673727116	59.1658482

*Data derived from Merrit Hawkins Survey (Miller, P., n.d.)