

Annex 7. Trade in Health Services_Linkages across modes and sectors

Trade in Health Services: Linkages Across Modes and Sectors

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Trade in Health Services: Inter-modal and Inter-sectoral Linkages: Key Questions

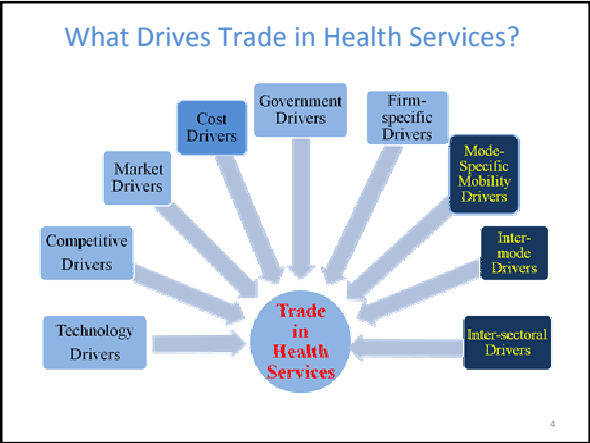
- What drives health services trade?
- How to maximise positive linkages and minimize the negative linkages across modes to maximise return for all stakeholders?
- How to identify and facilitate the key mode of supply that is a source of positive externalities?
- How to identify the key channels or processes that result in inter-modal dynamics and positive externalities?
- What governments can do to nurture positive linkages across modes and across sectors?
- Why healthcare providers choose particular modes to export a service?

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Services Trade and GATS Delivery Mode

Trade Mode	Mobility	Delivery
Mode 1	Healthcare Service Mobility	ICT (Providers from the Philippines delivering transcription services to the US hospitals)
Mode 2	Patient Mobility	In-country provision of healthcare services to foreign patients (Hospitals in Singapore treating patients from Indonesia)
Mode 3	Institution Mobility	Setting up of offshore subsidiaries/branches to provide services to local patients (Apollo Hospital in Sri Lanka)
Mode 4	Healthcare Professional Mobility	Offshore provision of services by professionals (Fly-in-fly-out medical services provided by the Indian doctors in Gulf/Sri Lanka)

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Factors Driving Trade in Health Services

Market Drivers	Cost Drivers
<ul style="list-style-type: none"> • Ease of travel across borders • Nature of healthcare markets(extent of commercialisation) • Globalisation of markets and convergence of life style • Rising income • Ageing/fast growing populations • Emergence of a middle class in developing countries • Growth of regional & global channels to deliver healthcare services (Apollo Hospitals) • Emerging global brands • Saturation of markets in home country 	<ul style="list-style-type: none"> • Demand/supply (availability) conditions of health care services & professionals across countries • Increased healthcare cost pressures • Globalisation of production through outsourcing, global sourcing, and off shoring • Country-specific cost advantages/disadvantages • Economies of scale & scope in the provision of healthcare services

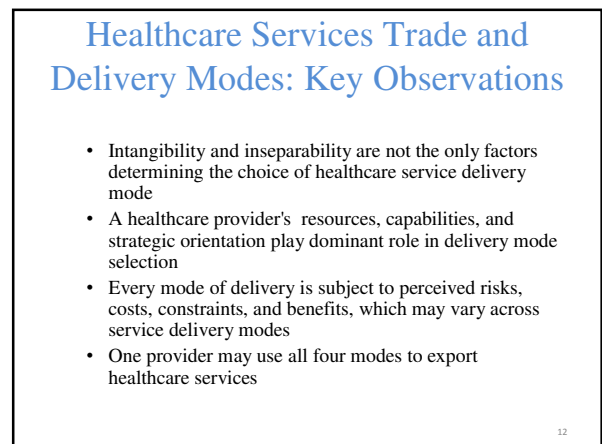
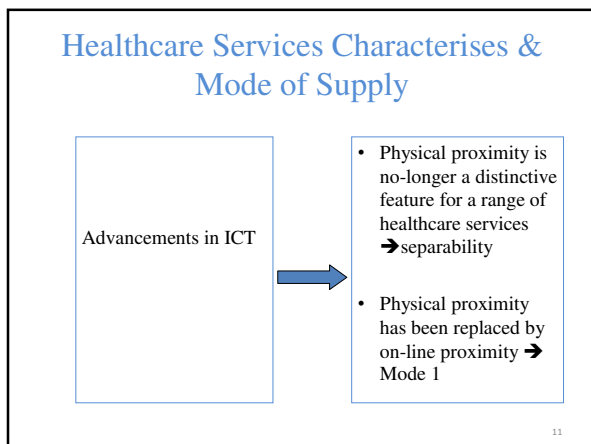
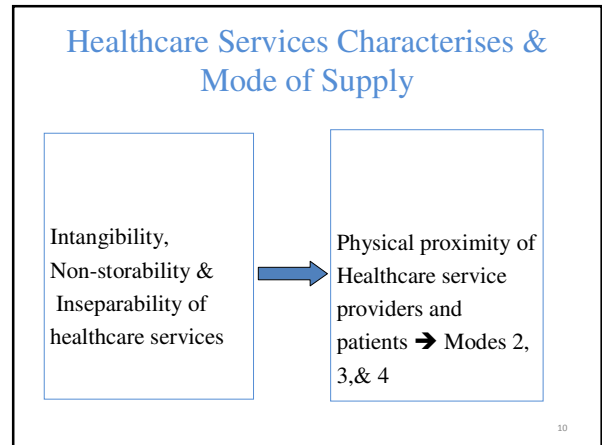
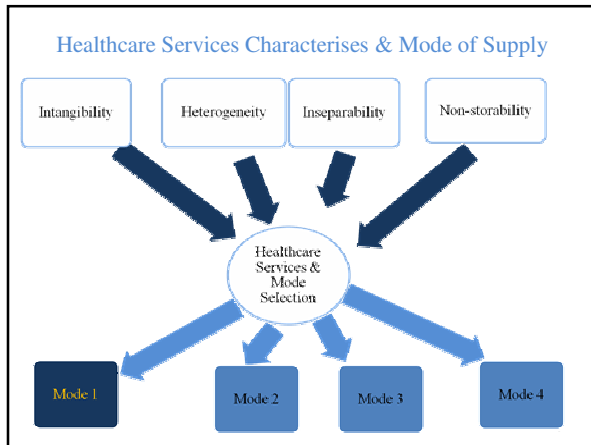
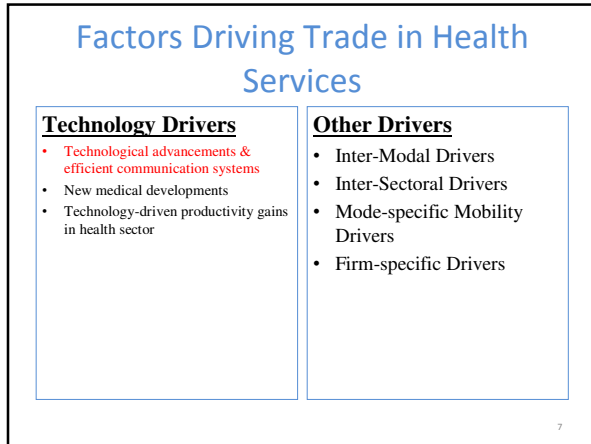
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Factors Driving Trade in Health Services

Government Drivers	Competitive Drivers
<ul style="list-style-type: none"> • Decline in public sector expenditure • GATS as driver of trade in services • Deregulation in insurance and telecommunications sectors • Liberalization of investment regulations • Removal of regulatory barriers to health services trade at the regional, multilateral, and the national levels 	<ul style="list-style-type: none"> • Increased information • Relative comparative advantages in production & delivery of healthcare services across countries • Growing private healthcare enterprises • Product differentiation in healthcare services • Mergers and acquisitions • Difference in quality of healthcare across countries • Emergence of investment opportunities in the health care sector

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Exploiting Cross-sector and Inter-mode Interdependencies: Apollo Group of Hospitals

- Apollo International Patient Services (health tourism) → Mode 2
- Apollo Telemedicine (e-health education, back office operations) → Mode 1
- Apollo Global Project Consultancy → Mode 1, 2, 3, 4
- Apollo Munich Insurance → Mode 3

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Cross border- Service Mobility Drivers: Mode 1

Key Mode-Specific Mobility Drivers

- Increases separability of services from their production processes
- Advancement in ICT
- Declining costs of electronic delivery
- High connectivity

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Tele-health (telemedicine, medical education, health management and health data system, data storage & usage)

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Customer Mobility Drivers: Mode 2

Key Mobility Drivers

- Geographical and cultural proximity
- Relative price and quality of healthcare
- Ease of cross border movement of patients
- Portability of health insurance
- presence of supporting services and amenities
- country and industry branding
- economic, social, cultural, legal, and security environment
- Consumer preferences
- Existence of alternative medicine and treatment

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Medical Travel

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Institution Mobility Drivers: Mode 3

Key Mobility Drivers

- Firm-specific Advantages
- Internationalisation Motives
- Location-specific advantages (including access to health professionals and paramedics)
- Degree of privatisation & Commercialisation

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Commercial Presence

- Establishment of healthcare/health education entities and enterprises
- Mergers and acquisitions

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Professionals' Mobility Drivers: Mode 4

Key Mobility Drivers

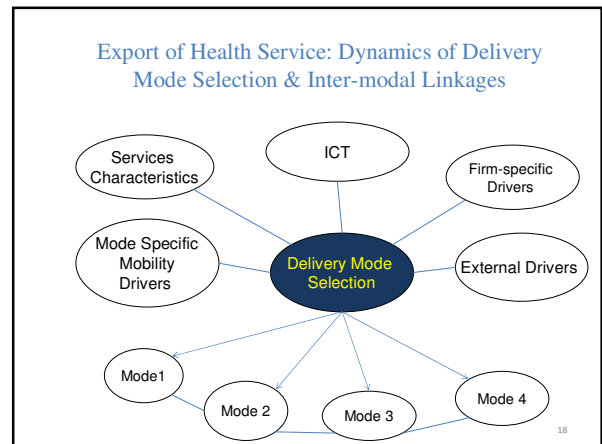
- Prevailing skill-gaps
- Different resource and demand conditions (concentration of well-trained, low-cost, medical and healthcare professionals)
- Wage differentials
- Different levels of economic development
- Regulatory and entry requirements in host countries
- Similarity of demand
- Level of economic integration
- Geographical and cultural proximity

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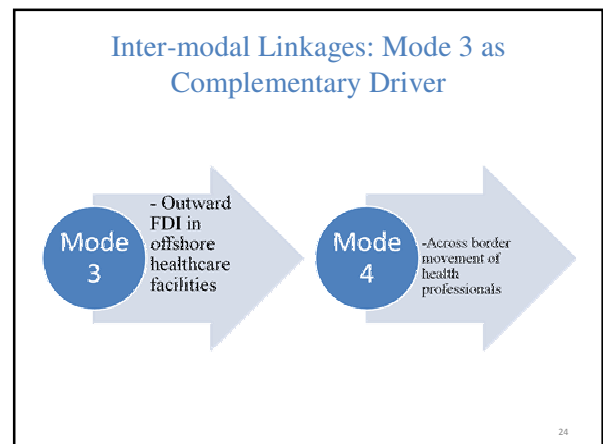
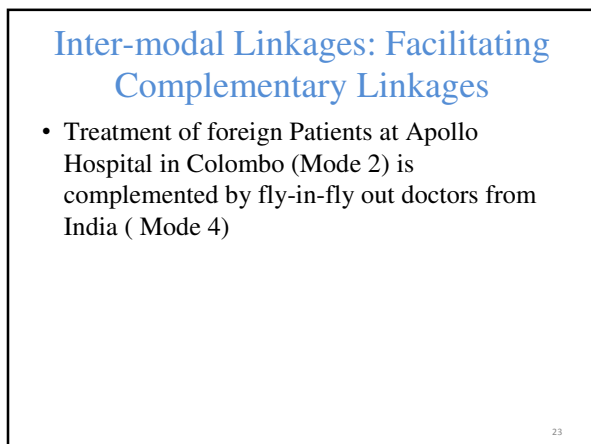
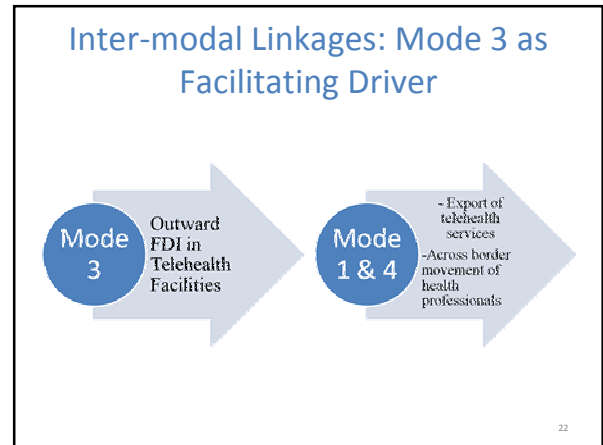
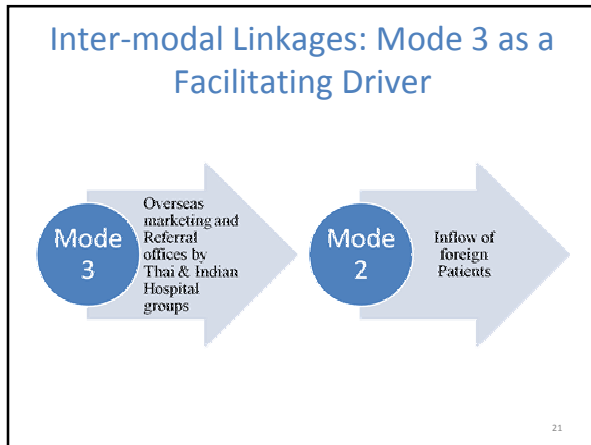
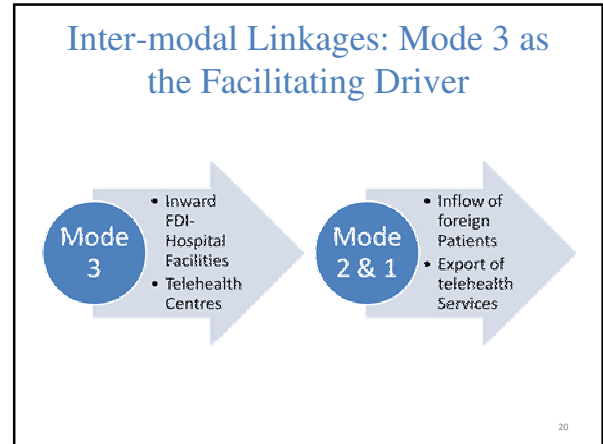
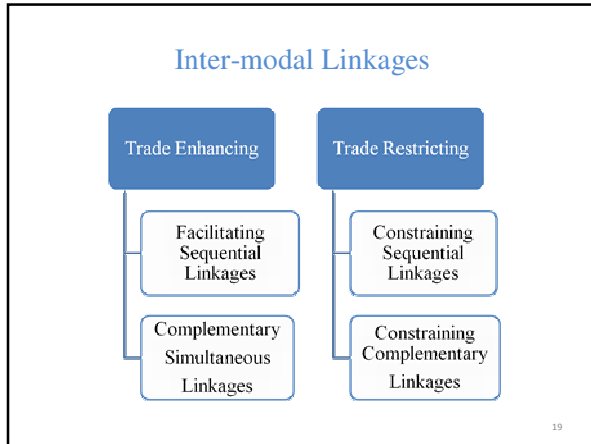
Across Border Temporary Movement of:

- Doctors
- Nurses
- Paramedics
- Midwives
- Technicians
- Consultants
- Health Management Personal

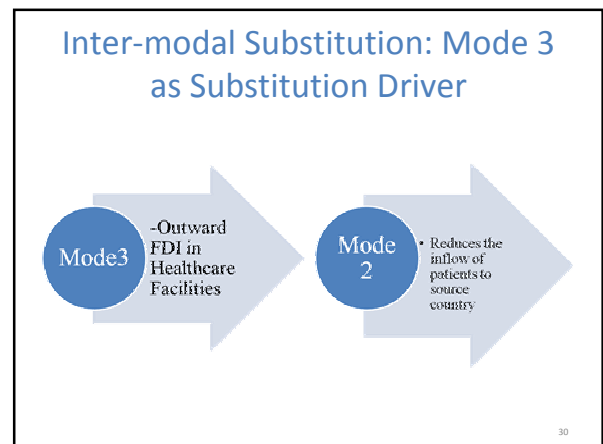
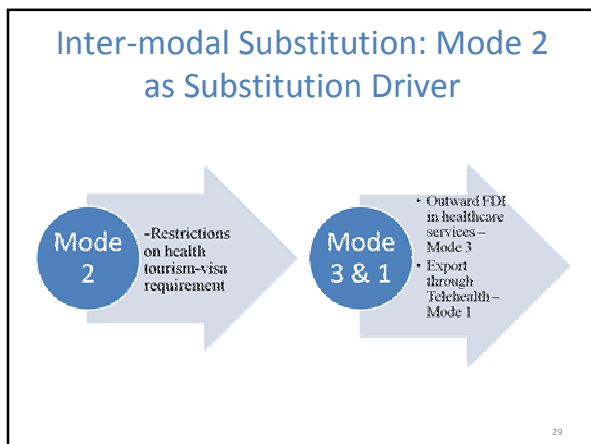
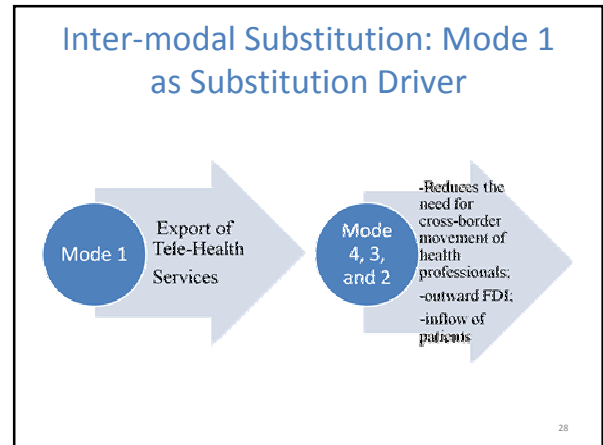
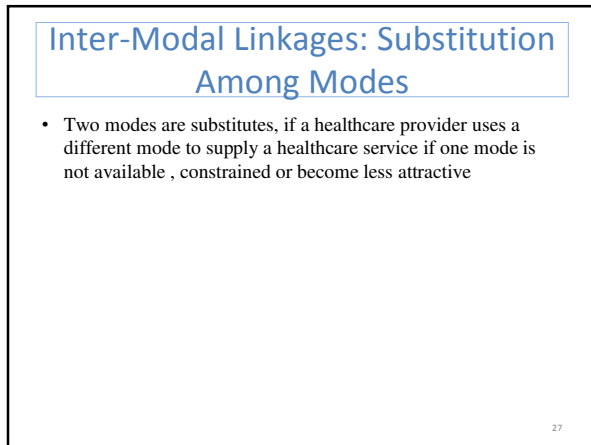
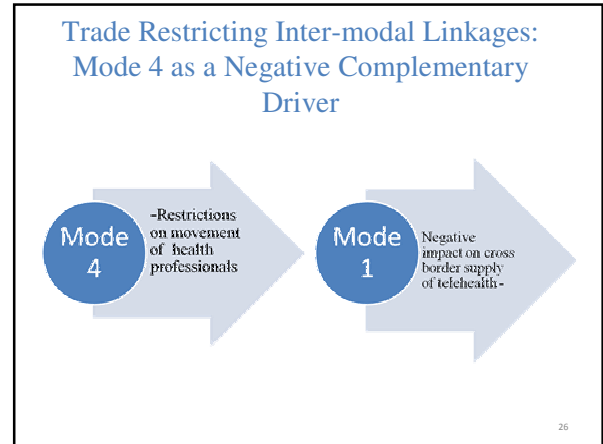
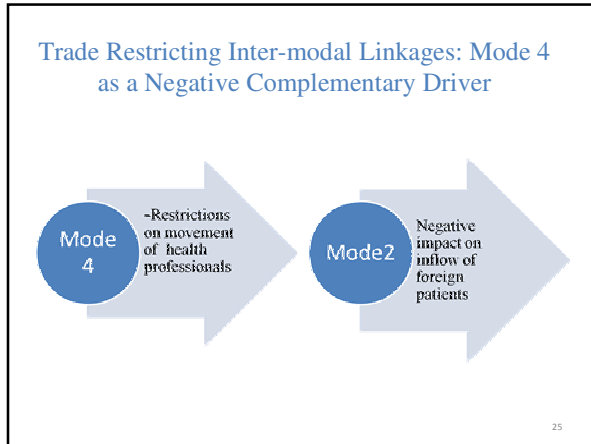
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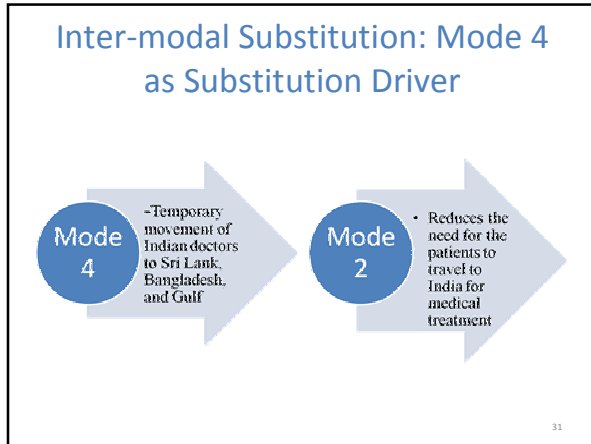
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Inter-Modal Linkages: Substitution Among Modes & Trade Effects

- Visa & travel restrictions on foreign patients (Mode 2) →
 - Increase export of healthcare services through Tele-health (Mode 1)
 - Increase Outward FDI (Mode 3)
 - Across border movement of health professionals (Mode 4)

→ Modes 1, 3, and 4 are potential substitutes for Mode 2

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Inter-Modal Linkages: How Substitution Among Modes Impact Trade in Healthcare Services?

- **Trade Expansion Substitution:** Substituting one or more modes (Mode 1, 3, 4) for Mode 2 can lead to Trade Expansion if
 - Increase in health services export via Mode (1, 3, 4) > drop in health services export due to restriction on Mode 2
- **Trade Contraction Substitution:**
 - Increase in health services export via mode (1, 3, 4) < drop in health services export due to restriction on Mode 2
- **Trade Neutral Substitution:**
 - Increase in services export via Mode 1, 3, 4 = drop in services trade due to restriction on Mode 2

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What Determines Substitutability Across Modes?

- **Technology**
 - Technological advances leading to surgical operations through remote controlled robots
 - Mode 1 substituting Mode 2, Mode 3 or Mode 4
- **Consumer Preferences**
 - Saudi patients preferring medical treatment in a American hospital in the US rather than the American hospital in Saudi Arabia due to their desire to have the “American experience”.
- **Regulatory Environment**
 - FDI restrictions in a foreign country (Mode 3) may lead to inflow of patients to home country (Mode 2) → Mode 2 substituting for Mode 3

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Inter-modal Linkages in Healthcare Services : Some Observations

- Modes are not “perfect substitutes” for one another... second-best outcomes are conceivable
- Cost of providing the same healthcare service vary across different modes of supply
- A provider may choose to supply medical service is using all 4 modes of supply to reap “economies of scale “ and “economies of scope”
- Health education & training → face to face (Mode 2); on-line (Mode 1); Fly-in-Fly-out (Mode 4); Off-shore campus (Mode 3) → A single provider will have a cost advantage

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Inter-modal Linkages in Healthcare Services: Some Observations

- Crucial to identify and support key facilitating mode of delivery ...a mode that generates maximum positive externalities
- Important to identify and develop the channels through which the key mode enhances trade via other modes
- Maximise cross-sectoral positive externalities and minimise the negative ones

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Identifying and Nurturing Key Trade Enhancing Mode

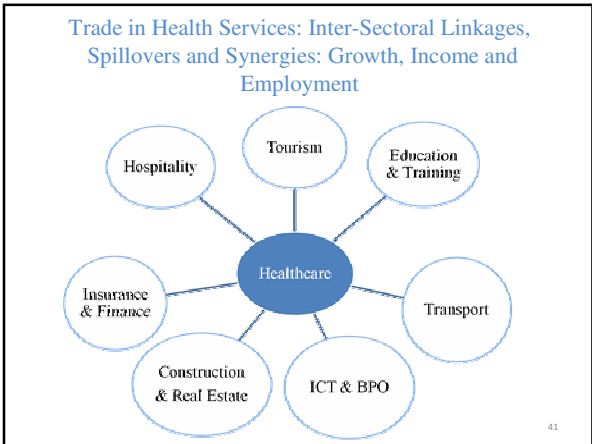
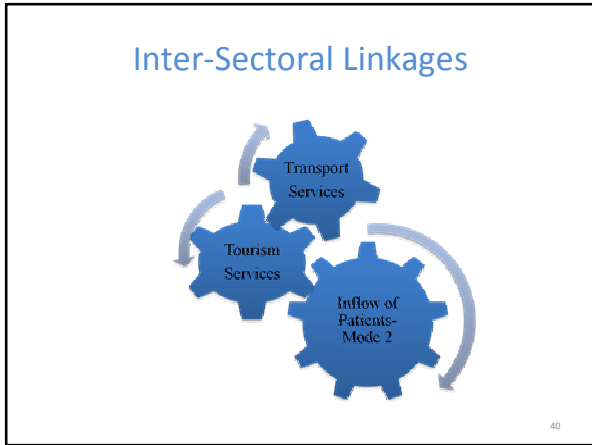
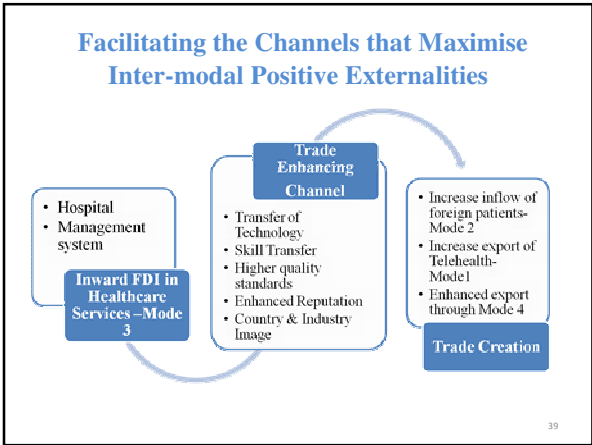
- Among the modes of supply, **Mode 3 is more critical** in terms of its impact on inter-modal linkages , trade creation, and its influence on inter-sectoral linkages
- Opening up the country for inward FDI in healthcare services (Mode 3) → potential to generate export earnings through inflow of foreign patients (Mode 2) + export of Tele-health services (Mode 1)

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Supporting the Key Inter-modal Driver: Mode 3

- Liberal investment policies in healthcare services
- Conducive regulatory and competitive environment
- System of incentives to attract FDI in healthcare sector
- Liberal or no ceilings on foreign equity

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Concluding Thoughts

- Factors that will play crucial role in health services trade:
 - Quality and quantum of human capital
 - Services trade liberalisation and domestic reforms
 - Changes in global/regional demand and responsiveness to change
 - Market sector selection and resource deployment
 - Exploitation of inter-mode and cross-sectoral linkages
 - Emergence of efficient and value enhancing healthcare value chain involving inter-modal and cross-sectoral linkages

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