

MILLENNIUM GROWTH STRATEGIES

for Health Care

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International Patients Bring over \$1 Billion in Annual Revenue to U.S. Hospitals

Approximately 225,000 overseas patients were treated at United States hospitals in 1999. Total net revenue from these patients is estimated to be \$1.3 billion, an increase of nearly 20 percent from 1997. Physician services account for approximately 20 percent of total net revenue.

Many foreign countries are contending with population growth, aging populations, outdated health care facilities, and inadequate medical technology to accommodate the health care needs of their residents. As these countries develop stronger economies and produce greater numbers of middle- and upper-class residents, international patients with the ability to pay for health care services are traveling to the United States for care. International patients are attracted by the nation's extensive research programs and top-rated facilities that place a high value on quality and state-of-the-art teaching and technology.

Growth and Revenue Opportunities: International Patient Programs

In the past, only premier institutions such as Johns Hopkins had international patient programs. Each year more than 7,000 patients from over 90 countries receive medical treatment at Johns Hopkins. While Hopkins remains one of the preeminent programs in the nation, there are considerably more organizations targeting international patients today. Industry sources estimate that nearly 100 international services programs are in place at United States hospitals. Coalitions of hospitals have also sprung up in Boston, Houston, Miami, and Philadelphia to jointly attract international business. In addition to hospital business, these coalitions strive to have a positive impact on their local economies. It is estimated that for every \$1 in health care spending by international patients, an additional \$3 is generated for non-health care spending on lodging, restaurants, etc.

International patients typically represent a significantly higher percentage of total revenue than total volume (e.g., 5 percent of patient volume and 10 of patient revenue). International patients may also pay 80 to 100 percent of full charges and often pay in advance. Profit margins of 20 plus percent can reasonably be expected from international patients. In most cases, no preauthorization or utilization management criteria must be met.

Health care organizations interested in developing international patient programs should determine the patient volume and countries of origin for the international patients currently served at their hospital. Strengths and weaknesses of existing services should be evaluated with an emphasis on providing convenient, patient friendly care tailored to the special needs of international patients.

Next, one or more physician champions who can serve as catalysts for increasing business from a specific geographic area should be identified or recruited. A physician who hails from or

was trained in a foreign country is often a good candidate. These physicians should be sent abroad to promote awareness of the international patient program among physicians, employers, government health agencies, and payors.

Marketing literature, such as newsletters and educational material should be developed and geared toward educating physicians and other health care decision makers in the target area. Physician observerships, mini-residencies, or other events should also be sponsored to educate international physicians about the latest medical techniques and

Critical Success Factors for International Patient Programs

- Create one-stop shopping to handle appointments, billing, lodging, transportation, special dietary needs, translation, and other concierge services
- Develop an international patient friendly environment; international patients will choose the "number two" hospital if it has easier access and better amenities for patients and families
- Provide training sessions for hospital staff and continuing education for foreign providers
- Develop a niche for excellent care and services that cannot be received in the international market
- Establish international partnerships with physicians, hospitals, payors, and governments



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research. Internet links must be in place to facilitate information sharing and enhance telemedicine capabilities.

A hospital in the Southeast illustrates the potential gains from such a program. A formal international patient program, established within the past year, has five employees and a total budget of \$900,000 for staff, marketing, and other program operating costs. In 2000, the hospital treated approximately 240 inpatients and 360 outpatients from foreign countries. The services to these patients were concentrated in obstetrics, gastroenterology, and surgical oncology and generated nearly \$2.4 million in net revenue. The hospital expects to double its international volume over the next five years and generate a contribution margin of more than \$1 million annually after direct program costs and fully allocated patient care costs.

International patient programs have the potential to generate numerous benefits for health care organizations. Diversified revenue sources, improved financial performance, increased exposure, and unique learning opportunities can be expected from well-planned and executed programs.



For more information on international patient programs and other growth and revenue enhancement opportunities, please contact one of our directors:

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Health Strategies & Solutions, Inc., is a national management consulting firm dedicated to helping organizations discover innovative strategies and solutions for today's complex health care challenges. Our staff has enabled hundreds of health care organizations across the country to address complex issues, make decisions that achieve lasting results, and set courses for success in the new millennium.

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